

Local Impacts

Colorado Springs, Colorado

Focused on Your Region

Published 2003

Statewide Local Impacts

From before statehood, Coloradans have held closely to the philosophy of “local control” when it comes to taxes and government services. While Colorado’s state taxes are below the national average, our local taxes tend to be higher than the national average. The fiscal constraints in our state constitution have had a profound impact on every government entity in the state but no two are alike.

Colorado’s counties, cities, towns, school districts, water districts, fire protection districts and other government entities are each unique in demography, economy, tax base and level of government service.

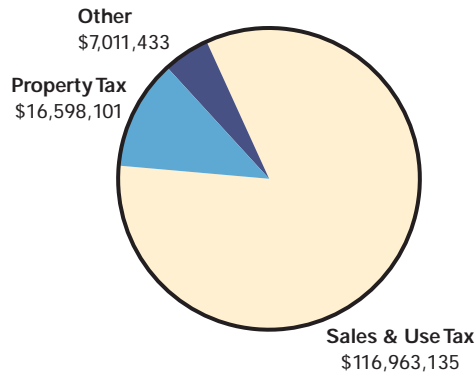
Limitations on Local Revenue

Even before TABOR, Colorado law limited yearly revenue increases for local governments to a 5.5% increase from prior year revenue. In 1993, TABOR modified the local government revenue growth limit to the lesser of the 5.5% limit or the sum of inflation and “annual local growth.” For schools, TABOR caps revenue growth at the rate of inflation plus the increase in student enrollment in each school district. Just as with the statewide TABOR limit, any revenue beyond the local limit must be refunded to the taxpayers and any changes to the limits are subject to a vote of the people.

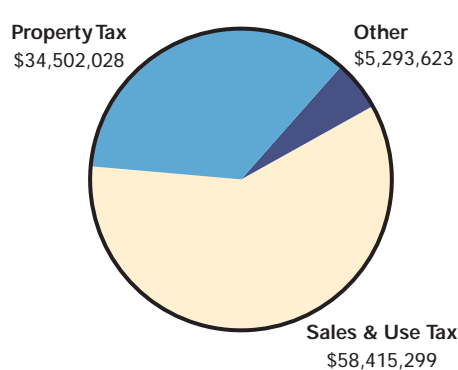
As with the state, there are types of funding that are exempt from the TABOR revenue limit for cities like Colorado

Springs. Grants from the State are not exempt from TABOR, however, and can cause the city to decline a grant if they are approaching their TABOR limit. In 1996, Colorado Springs accepted a state grant for the Colorado Avenue viaduct road project. Accepting the \$12.5 million grant was the primary reason the city had to later refund \$15.7 million back to the taxpayers.

**Colorado Springs
Tax Revenue in 2000**



**El Paso County
Tax Revenue in 2000**



Annual local growth

is defined by TABOR as inflation plus the net percentage change in real property values of newly constructed property minus destroyed property (net new construction). The TABOR formula does not recognize increases in the actual market value of existing property. Projections indicate that Colorado Springs will be \$3.27 million below the TABOR limit in 2004.

The City of Colorado Springs

relies on the City Sales and Use Tax which in turn depends on local economic activity, consumer confidence and tourism. Slow consumer spending and a lack of business investment have resulted in a decline in revenue collections in 18 of the last 24 months.

TABOR:

Different Growth Limits for Different Levels of Government:

State	Local	School District
Inflation plus % change in population	Inflation plus % change in net new construction	Inflation plus % change in enrollment

Debrucing: This term is named after the author of TABOR, Doug Bruce and refers to elections where voters are asked to allow government to keep and use all or part of the revenue collected beyond the TABOR limit. Local governments (especially school districts) have been successful in debrucing. In fact, about 70% of Colorado school districts have debruced to some extent since TABOR went into effect while state government has never successfully debruced. Many believe this is because taxpayers have more trust in effective government spending when it takes place closer to home. Debrucing does not mean a government is forever free from under the spending and revenue restrictions of TABOR; it only allows a locality to keep and spend all or part of a TABOR revenue surplus for an indefinite period of time – often interpreted as not exceeding four years.

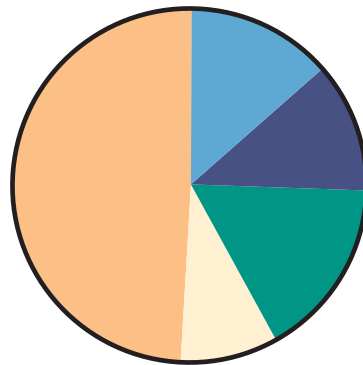
Statewide Local Impacts (continued from page 1)

Revenue Trends

Local governments do not levy an income tax and depend primarily on property tax and sales tax. Although the sum of all local tax revenue continues to climb each year, the effect of the Gallagher Amendment combined with TABOR, have caused a steady

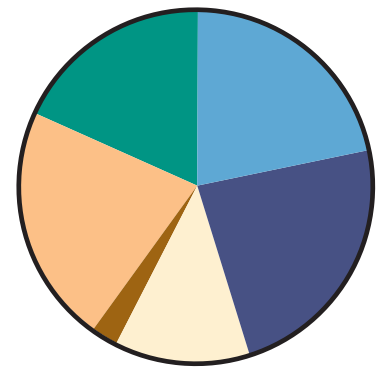
erosion of local government’s most reliable source of revenue – property tax. Many localities have responded to this trend by increasing reliance on the more volatile sales tax and by “debrucing.”

Colorado Springs Expenditures in 2000



- **Public Safety**
\$91,447,042
- **Public Works**
\$25,034,086
- **Culture & Recreation**
\$22,412,845
- **General Government**
\$30,663,933
- **Other**
\$16,568,383

El Paso County Expenditures in 2000



- **General Government**
\$35,341,529
- **Public Safety**
\$38,246,793
- **Public Works**
\$20,100,050
- **Culture & Recreation**
\$3,944,704
- **Social Services**
\$35,408,621
- **Other**
\$29,948,035



Economic Brief: Colorado Springs and El Paso County

Before Colorado's economic downturn, El Paso County experienced the unprecedented growth of the 1990s. Between 1990 and 2000, almost 120,000 people moved to the area changing Colorado Springs' ranking from the 91st largest metro area in the country to the 81st. Colorado Springs took advantage of the remarkable expansion of the high-tech industry and diversified far beyond an economy based upon government and tourism.

Today, state and local economists are predicting a weak recovery in the economy. While this improvement will eventually benefit Colorado Springs, it has been hampered by a dramatic number of layoffs over the past two years (estimates are about 12,500 total jobs lost). The deployment of about 11,000 Ft. Carson troops to Iraq has presented another challenge to the local economy. El Paso County has long benefited from the presence of numerous military installations. There are five major military installations in the county and together they make up the area's largest employers. Before the deployment to Iraq, there were about 35,000 employees at Fort Carson, Peterson AFB, and the U.S. Air Force Academy. The military presence in the area also provides indirect employment through government contracts and services such as a division of ITT industries

which employs over 1,000 people in Colorado Springs.

During the technology boom of the 1990s, the two primary Colorado beneficiaries were the Denver Metro Area and Colorado Springs. As a result, these areas of the state were hit the hardest by the meltdown in the advanced technology and telecommunications sectors. The city "Economic Overview and Outlook" indicates that Colorado Springs is experiencing the "job-

...Colorado Springs has benefited from low mortgage interest rates.

The low rates have allowed many renters to become first-time home owners...

less recovery" phenomenon that is stalling the nation's economic rebound. Improvements in productivity and efficiency have allowed the economy to meet an increased demand for goods and services without adding any new jobs. The Greater Colorado Springs Economic Development Corporation estimates that more than 7,400 high tech employees have lost their jobs in Colorado Springs since 2001. Other estimates indicate that about one third of the local economic base was for-

merly centered in manufacturing and advanced technology. Replacing high tech jobs with lower paying jobs is projected to leave the city with \$2.5 million less in sales and tax revenue this year. The loss of employment in manufacturing has been a trend for Colorado's urban areas. In 1990, manufacturing accounted for 15% of total employment in the Colorado Springs area; in December, 2001, manufacturing made up only 11.7% of area employment.

Like other parts of the state, Colorado Springs has benefited from low mortgage interest rates. The low rates have allowed many renters to become first-time home owners and enabled new home construction to remain resilient in the face of the recession. The Economic Outlook indicates that about 3,700 new units were permitted in the first eight months of 2003 and that 3,372 of these were for single family units. Nonresidential construction was hit hard by the recession, dropping in 2001 to the lowest level seen since 1995. Office space vacancy did not reach the same high level as in Denver but did climb to 14% by the end of 2001 for high-end office space. Finally, tourism in the area has been off 5.4% since 2000. Security concerns at the state's second biggest tourist attraction, the U. S. Air Force Academy, are partly the reason for fewer visits.

Economic Brief (continued from page 3)

The 2004 Economy

The Economic Overview and Outlook indicates that the national economy is gaining momentum but the recovery is fragile and will likely remain “jobless.” For Colorado Springs, unemployment will range between 5.75% and 6.25% and new homebuilding will flatten out as interest rates climb. The return of Ft. Carson troops starting in March, 2004, will provide a modest shot in the arm to the local economy and to city sales tax collections.

Local Area Impacts

Sales taxes in the city of Fountain have decreased 7% from last year and assessed property values are down throughout the county. Use tax revenue is anticipated to be robust because of strong housing starts. The city spent about \$20,000 this summer on West Nile Virus mosquito control. The city’s 2004 draft budget eliminates four positions and there are no pay increases or capital expenditures planned. In the recent elections, 60% of Fountain voters rejected a broad-based “debrucing” measure, but tri-county voters approved specific tax increases for fire equipment. In Monument and Palmer Lake voters approved targeted TABOR overrides and tax increases. In Manitou, voters overwhelmingly approved a sales tax increase for downtown improvements. El Paso County voted against a general TABOR override by 54%, and a specific spending increase addressing mental retardation was defeated by 59%.

Colorado Springs City Budget

The city’s Expenditure Overview provides a detailed description of the city’s preliminary General Fund budget for 2004. The projected total of \$208.7 million is reduced almost \$9 million or 4.1% from 2003. Seventy-one positions must be eliminated to achieve the reduction but fewer than 20 positions are occupied and will require layoffs. The city has minimized across-the-board cuts and has instead eliminated lower priority programs. In early July, the city manager met with over 1,000 city employees for input from employees for savings. Over a half million dollars in savings were accumulated on account of employee suggestions such as \$173,082 saved by eliminating the payout of accumulated sick leave. The revenue shortfall leaves the city with a smaller budget but has increased the share of the total General Fund for fire and police protection by about 3.6%. The city made funding capital projects and maintenance a priority. There is some speculation in the community about the possible sale of the city auditorium but it is not clear whether this is related to the city’s current budget situation.

According to the Greater Colorado Springs Economic Development Corporation, TABOR has had a significant impact on the local government. For local governments like Colorado Springs, the TABOR revenue formula allows an increase

based upon the rate of inflation plus new construction. In the early 1990s there was very little new construction in Colorado Springs but the population began to boom. In 1992, the TABOR limit for the city grew by 0.5% but employment grew by 4.6% and population grew by 4%. New residents demand more of city government but the TABOR limit lagged behind the economy and restricted city services.

Historically, Colorado Springs had a mixed track record on the success of TABOR overrides. No broad-based debrucing has ever been attempted but several limited-scope overrides have been approved. Four out of seven city requests to retain TABOR revenues for capital improvement projects have also been successful. TABOR’s impact on Colorado Springs business has also been mixed. TABOR has restricted tax increases and kept the mill levy on property taxes low but has also made it difficult for government to provide the services and infrastructure to entice new businesses or to allow existing businesses to expand.

What are other economic concerns in the Colorado Springs area?

Does state fiscal policy play a role?

Please share your concerns and ideas.