

Local Impacts

Durango and La Plata County, Colorado

Focused on Your Region

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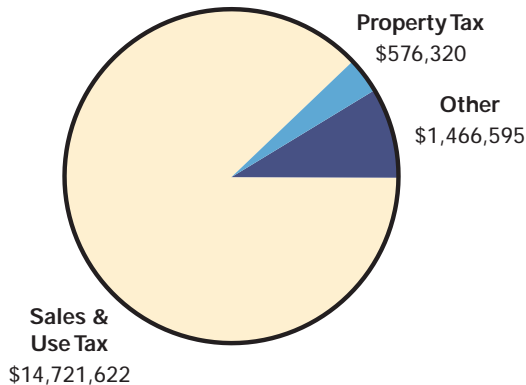
Statewide Local Impacts

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.

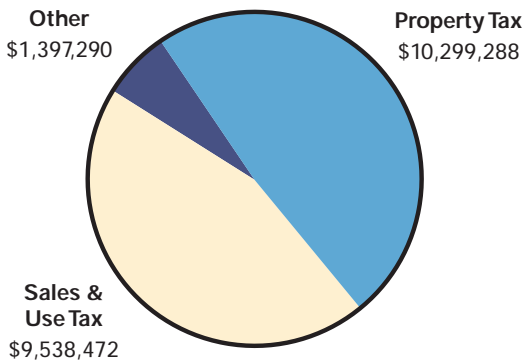
Limitations on Local Revenue

Even before TABOR, Colorado law limited yearly revenue increases for local governments to a 5.5% increase from prior year revenues. 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.

**City of Durango
Tax Revenue in 2001**



**La Plata County
Tax Revenue in 2001**



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.

In 2003, the community of Bayfield voted to debruce and freeze the towns mill levy at 5.95 mills. The mill levy had declined from 8 mills in 1995 to 5.169 mills in 2003, before the measure was passed.

In November 2003, voters defeated a proposed tax increase to create the Animas Mosquito Control District, encompassing the greater Durango area. The increase would have cost about \$7 per year on a \$200,000 home to mitigate the threat of West Nile Virus.

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 specified period of time – often interpreted as not exceeding four years.

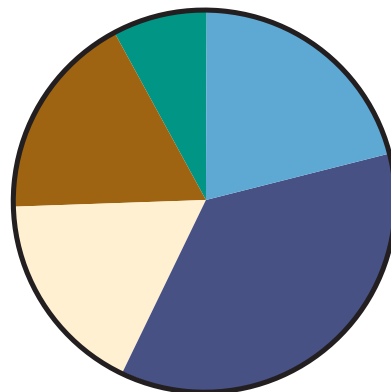
Statewide Local Impacts (continued from page 1)







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 –

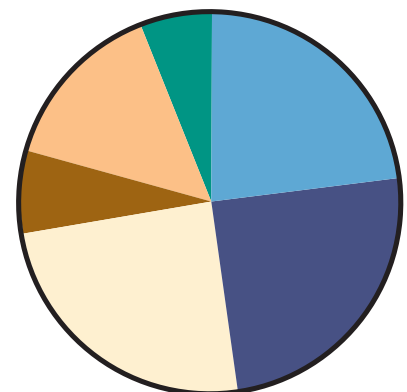
property tax. Many localities have responded to this trend by increasing reliance on the more volatile sales tax and by “debrucing.” The sales tax charged in the city of Durango is 7.4%; 2.5% of which comes from the city's sales tax, 2% comes from the La Plata County sales tax, and 2.9% is that state's sales tax.







City of Durango Expenditures in 2001



	General Government \$3,587,176
	Public Safety \$6,171,933
	Public Works \$2,951,685
	Culture & Recreation \$3,006,142
	Social Services \$0
	Other \$1,369,583

La Plata County Expenditures in 2001



	General Government \$6,122,369
	Public Safety \$6,609,917
	Public Works \$6,545,980
	Culture & Recreation \$1,861,502
	Social Services \$3,910,028
	Other \$1,632,241

Economic Brief: La Plata County and Durango

Thanks in large part to the area's diverse economy; Durango and La Plata County were spared the worst of the state's recent economic downturn. Natural resource dependent industries provided a stabilizing effect that much of the state didn't have and prevented the economic downturn in the region from being significantly worse. In the case of La Plata County, the mining industry, while smaller than it once was, helped bolster the local economy.

Since the 1970s, La Plata County has been transitioning from a rural natural resource based area to an increasingly urban environment where tourism is the top industry. About 30% of the economy in La Plata County is based on tourism, worth about \$360 million a year according to Fort Lewis College economics professor Vern Lynch. Two of the biggest local tourist attractions are the Durango and Silverton Narrow Gauge Railroad and Mesa Verde National Park. Mesa Verde is one of the most popular national parks in the Rocky Mountain region recording 511,000 visits in 2001 and with an annual budget of about \$4.9 million.

In 2001, La Plata County unemployment mirrored the state-wide average at 3.7%. By 2002, as the

economy weakened, the statewide unemployment rate went to 5.7%, while La Plata County unemployment only climbed to 4.4%. There remain pockets of income disparity in the Durango area. For example, the median household income for all of La Plata County is about \$40,000 while in the town of Ignacio the median household income is \$28,000.

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During the 1980's the mining industry was the leading growth sector of the county's economy. From 1980 to 1990 the number of people employed in the mining industry in La Plata County tripled but has since tapered off. Employees in the mining industry earned on average \$55,436 in 2000. The finance, insurance and real estate sectors also expanded growing by a combined 140% during the 1990s and collectively employed nearly 2,000 people. The Southern Ute Indian Tribe is the County's largest single

employer with about 900 employees.

Durango is home to one of the premier regional medical facilities in the state. The Mercy Medical Center offers residents in Southwest Colorado access to state-of-the art technology that is generally only found in urban centers. Mercy Medical Center employs nearly 850 people – the second largest employer in the county. Currently, Mercy Medical Center is working with the city of Durango, La Plata County, the Southern Ute Indian Tribe and the Colorado Department of Transportation to design a \$73 million new facility that is scheduled to open in 2005.

Fort Lewis College is the primary higher education provider in the area. The four-year, liberal arts college offers twenty-four different degree programs. In 2001, Fort Lewis College had 4,182 students and was listed as the third largest employer in the county with about 650 people. Fort Lewis has been hard hit by the recent state budget shortfall. In 2003, administrators at Fort Lewis College announced plans to cut \$4 million over the course of the next two years. According to college, this will result in the reduction of 41 positions. One of the areas absorbing a budget cut is Physical Plant Services, which

Economic Brief (continued from page 3)

will reduce about 10 positions in custodial services, equipment maintenance, and grounds maintenance.

The attraction of a spectacular quality of life drove much of the population growth in the area through the 1990s. In fact over 20% of the incomes earned by citizens of Durango come from dividends and interest indicating a high number of retirees in the area. This is a higher percentage than in the rest of the state. The rapidly growing population in the area has resulted in numerous planning and land-use issues in Durango and many parts of La Plata County. Between 1990 and 2000, the population growth county-wide averaged 3.13% per year with most of this growth occurring in the unincorporated areas of the county. La Plata County grew by 11,600 people in the 1990s and a consequence of this growth was the rapid transformation of agricultural land into rural subdivisions.

This transformation of agricultural land to rural subdivisions has increased the amount of revenue collected by the county through property taxes. For instance, between 1985 and 2000, La Plata County tax revenue more than tripled,

increasing from \$6,112,720 in 1985 to \$22,917,034 in 2000. Property tax contributes 50% of the total county revenue in La Plata County, while sales and use taxes contribute approximately 45% to the total.

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Likewise, the revenue generated from the sales and use tax, which provides the primary revenue stream for the municipality of Durango, also more than tripled between 1985 and 2000. In 1985, the city of Durango collected \$7,114,275, and by 2000 that amount had increased to \$26,236,758.

The Four Corners area of Colorado is the only location where casino-style gambling is conducted on Indian reservation land. The Ute Mountain Tribe and the Southern Ute Tribe have operated casinos near Cortez and Ignacio since the early 1990s. The tribes are not subject to taxation and are not required to report their revenues to the State. The casinos create costs to the state for road maintenance, patrol and law enforcement. Last year, Cortez received a grant from the state for their police department and La Plata County received a grant for a road maintenance project to offset the impact of the casinos. The casinos also provide an economic benefit to the area. A recent study indicates that the casinos generated as much as \$33 million for the local economy from 1995 to 2000.

