

## **GOP Governors Fight Tax Limits**

Foes of Big Government Blame Crunch on Cuts in Federal Aid

By T.R. Reid  
Washington Post Staff Writer  
Sunday, March 27, 2005; Page A04

DENVER -- Gov. Bill Owens (R) has been crisscrossing the country for years promoting the virtues of this state's strict constitutional limits on government spending. He has repeatedly urged other states to adopt restrictions of their own, based on Colorado's "Taxpayer Bill of Rights" amendment, known here as TABOR.

But this summer, Owens says, he'll be traversing his own mountainous state pushing the opposite message. Midway through his second term, Owens is working to persuade Coloradans to suspend the limits he championed and let the state government spend \$3 billion more in tax money than TABOR would allow.

Owens thus becomes another low-tax, limited-government advocate who has found those principles hard to hold onto amid a sluggish economy and a sharply diminished flow of federal money to the states.

In the past two years, Republican governors including Nevada's Kenny Guinn, Idaho's Dirk Kempthorne, Georgia's Sonny Perdue and Ohio's Bob Taft have dumped no-new-taxes pledges to push for major new revenue and increased state spending.

Perhaps the most stinging reversal for tax-limitation groups in Washington was the quick conversion of Mitchell E. Daniels Jr. (R), who was President Bush's first budget director and an outspoken advocate of lower taxes -- until he was elected governor of Indiana last November. In his first state budget, Daniels recently proposed a 29 percent increase in the income tax, targeted at the upper brackets. Daniels cited a \$250 million revenue shortfall and said spending cuts of that size were untenable.

All of these tax-raising Republicans offer the same basic reasons for their change of heart. "I have done something that is absolutely not part of my fiber," Kempthorne said when he proposed Idaho tax increases in 2003. "But I'm not going to dismantle this state, and I'm not going to jeopardize our bond rating, and I'm not going to reduce my emphasis on education."

Guinn provided a similar explanation after he pushed through the biggest tax increase in Nevada history.

"Some people say that makes me a bad Republican," said the former banker and corporate executive. "Well, I would be a worse Republican, and a worse grandfather, and a worse citizen,

if I didn't find enough money to educate our children and fund our Medicaid program and provide decent prenatal care."

For Owens, as for his fellow GOP governors, a key reason for the tax increases at home has been tax-cutting in Washington. Facing sharply decreased revenue and record deficits, Bush has targeted transfers to the states as a ripe place to reduce federal spending. In his budget for fiscal 2006, the biggest single reduction is a \$60 billion cut in Medicaid funds that help the states provide health care to the poor.

"The federal cuts have been very difficult for states to manage," said economist Bert Waisanen of the National Conference of State Legislatures. "Governors have to run programs like Medicaid, No Child Left Behind, homeland security. But there is less and less money coming from Washington to pay the bills."

For all those problems, Colorado hardly seemed a likely state to throw in the towel on spending limits. Among the 30 states that have enacted some form of tax or spending limits, Colorado's was known as the toughest. "When legislators around the country call me to ask about spending limits, they always want to know how it is working in Colorado," Waisanen said.

The TABOR constitutional amendment passed by the voters in 1992 says that government spending levels must be based on changes in population and inflation. Tax increases at any level of government must be approved by referendum. When tax revenue exceeds the permitted spending level, taxpayers must get a refund the next year; thus the state cannot build up "rainy day funds" in good years.

"The result is the public sector cannot grow at a rate faster than the private sector," Owens wrote in a column for the Wall Street Journal praising TABOR.

During the boom years of the 1990s, with population and personal income soaring, the limits worked well. But the economic downturn and the reduction in federal support during the first Bush term proved disastrous for Colorado's finances. The state put off building roads and maintaining infrastructure. It reduced services and raised fees. Spending on higher education fell so sharply that the president of the University of Colorado declared the flagship state school a "private enterprise."

Voters grew increasingly angry and demanded changes from Owens and the Republican-controlled legislature. But GOP leaders refused to act. "So long as I am governor, we will not raise taxes," Owens pledged in 2003.

Last fall, the Democratic Party launched a statewide campaign against the TABOR limits -- and scored a huge victory at the polls. While Bush was easily carrying the state, Democrats took control of the state House and Senate.

"We have a clear mandate," said Rep. Andrew Romanoff, Democratic leader of the state House. "The voters sent us here to do something about the TABOR roadblock."

Owens conceded the point. On St. Patrick's Day, he agreed to a plan designed largely by Democrats that will suspend the spending limit for five years, allowing the state to spend \$3.1 billion that otherwise would have been refunded to taxpayers.

Because this is considered a tax increase under the TABOR rules, voters must approve the change in November, or it will not take effect. Owens says he will campaign with Democrats to win voter approval of the anti-limits plan. "This will put Colorado back on track," the governor said.

The striking turnabout by a onetime tax cutter has generated rage in some GOP circles. Republican legislators have rapped their governor as a "turncoat" and a "big spender." Owens has fired back. After Rep. Joe Stengel (R) announced his opposition to the proposal, Owens said: "When the next volume of 'Profiles in Courage' is written, there won't be a chapter on Joe Stengel."

While Republicans exchange insults, Colorado's Democratic leaders are exultant.

"Less than three months after they took over the legislature, the Democrats produced a solution and got a Republican governor to go along," said Democratic consultant Terry Snyder of Denver. "That's exactly what the voters put them in office to do."