City of Colorado Springs

Legislation Details (With Text)

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	Presenter: Charae McDaniel, Chief Financial Officer			
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5/22/2020	1	Council Work Session	received	

TABOR and the Dynamics of the Ratchet Down

Presenter:

Charae McDaniel, Chief Financial Officer

Summary:

With the anticipation of decreased revenue in 2020 due to the economic impact of the COVID-19 event, City Council requested an informational briefing on the ratchet down component of TABOR.

Background:

The Taxpayers Bill of Rights (TABOR) is intended to limit the growth of government by limiting the rate of revenue growth from year to year. The application of the rate of growth to the prior year's actual revenue, provides the base for the next year. If the revenue declines in a given year, the new lower value becomes the base, thus there is a "ratchet down" of the base upon which the growth can be applied.

Previous Council Action:

N/A.

Financial Implications:

If revenue declines in a given year, the ratchet down creates a situation where the City is forced to apply the TABOR growth factor to a lower base. If the economy rebounds robustly in the next year, the TABOR revenue limit could prevent the City from being able to keep and spend the entire amount of increased revenue, perhaps not even the amount that was able to be spent in the year before the revenue declined.

City Council Appointed Board/Commission/Committee Recommendation:
N/A

Stakeholder Process:
N/A

Alternatives:
N/A

Proposed Motion:
N/A

N/A