

# 'STRUCTURAL DEFICIT' = spending too much

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Colorado voters will once again face a November ballot measure aimed at weakening the Taxpayer's Bill of Rights, or TABOR, in our state constitution. This year's proposal — referred by the Legislature — is the Colorado TABOR Revenue Cap Increase for K-12 Education Measure. It would raise TABOR's cap on government spending and growth, and redirect an estimated \$4.6 billion in surplus revenue to K-12 programs, including teacher pay, class-size reduction, and workforce preparation.

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Supporters argue the measure is necessary to address what they call a "structural deficit," which they attribute to TABOR, claiming state spending needs are rising faster than TABOR allows revenue to grow.

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Opponents counter that Coloradans will lose more than \$7,000 each in TABOR refunds over the next decade if the measure passes, and that the state should focus on better fiscal management and reordering its priorities rather than seeking more money.

The term "structural deficit" has become fashionable in Colorado political circles. In economic terms, it refers to a persistent gap between revenues and expenditures even when the economy is strong.

But when lawmakers invoke it, they imply that the problem is unavoidable because of TABOR — akin to a natural disaster.

It isn't. No tsunami hit Colorado. The state's budget challenges are the direct result of policy choices made by the Legislature and the governor.

In the private sector, a structural deficit is simply called a loss — and it triggers changes in strategy or leadership. Government, however, tends to redefine the problem and seek new revenue rather than address the underlying causes.

The "structural deficit" in Colorado's budget is, in reality, the result of creating and expanding programs beyond available funds. In short, the state is spending more than it can sustainably afford.

Critics frequently blame TABOR for Colorado's budget problems. It's a convenient narrative because it shifts responsibility away from elected officials.

But TABOR has been in place for over 30 years and consistently enjoys strong public support.

Opponents also portray TABOR as an inflexible constraint that prevents the budget from growing with the state's needs. That is simply not true. TABOR allows the budget to grow each year at the rate of population plus inflation, and it permits tax increases — with voter approval. If lawmakers believe an increase in a tax or new one is needed for specific programs, they can go to the voters and make a case for them — rather than the sleight of hand and moving of the goalposts proposed by this year's ballot measure to raise the TABOR cap.

Despite claims of revenue shortages, Colorado's General Fund has grown dramatically — from \$11.8 billion in 2018 to \$16.9 billion in 2026, a 39% increase, outpacing the 29% inflation rate over the same period.

And the General Fund is only part of the picture. Enterprise fees that are exempt from TABOR limits have exploded from \$742 million in 1994 to nearly \$26 billion in 2024, a staggering 3,369% increase.

This is not a revenue problem. It is a spending problem.

Medicaid offers a good illustration. Since Gov. Jared Polis took office in 2018, spending on the program for indigent health care coverage has surged by 86%, reaching \$2.6 billion. A substantial amount of the increased costs may be attributed to the expansion of the program by the state — in terms of who is eligible for Medicaid as well as which services are covered.

In addition, the program has seen its share of fraud and mismanagement. One example of the management and oversight problem is where transportation providers in metro Denver billed the state \$640 per trip for wheelchair transport due to incorrect state guidance, when the correct rate should have been \$65. Fixing the error will save \$60.5 million next year, but the state cannot recover millions of dollars of over-payments for the past several years because the providers had billed at the state-approved rate.

The real accelerant to Colorado's current budget problem was the influx of federal COVID-era dollars, particularly from the American Rescue Plan Act (ARPA). These funds were intended as temporary relief

to maintain existing programs — not to expand or launch new ones. Note  
Colorado chose a different path. The state expanded Medicaid eligibility and used ARPA dollars to support new initiatives such as the Healthy School Meals for All program, which exceeded its first-year cost estimate by 50%. As ARPA funds were ending, the state found itself scrambling to fill the gap and sustain programs that were never meant to be permanent. This painful transition exposes the consequences of treating one-time money as ongoing revenue. Colorado's so-called structural deficit is not an inevitable outcome of TABOR. It is the result of legislative and executive decisions that expanded the government's size, scope, and cost. In recent years, state leaders have increasingly positioned government as the solution to a wide array of societal challenges — education, health care, land use, and more — at significant financial and personal cost to taxpayers.

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This represents a major shift from the government's traditional role: providing essential public services that individuals cannot provide themselves, such as roads, public safety, and basic infrastructure. As Coloradans consider this year's ballot measure, they should remember that TABOR has served as a guardrail for fiscal responsibility. Further, before raising the TABOR cap, voters should ask whether Colorado truly has a revenue problem — or a management and spending problem of its own making.

