Written by the "Colorado Sun"

Coloradans want better schools, faster commutes and the best emergency services, but they usually don't want to pay higher taxes to get them.

And thanks to a tangle of voter-approved constitutional spending restrictions and mandates, that fundamental tension between services and spending is more complicated to navigate in Colorado than just about any other state.

What separates Colorado from other states is the Taxpayer's Bill of Rights, a constitutional amendment known as TABOR that gives citizens an unusually strong voice in their government. It limits how much government can collect in tax revenues, and requires a vote for every tax hike or bond measure.

But with that power, the state's residents are given a difficult responsibility: understanding their role in a remarkably complicated policy landscape that befuddles even seasoned lawmakers and policy veterans.

Here's what you need to know about the state constitution, and the roles that lawmakers, voters and the state constitution play in how our government pays for services.

The Taxpayer's Bill of Rights, or TABOR

Added to the state constitution by voters in 1992, the Taxpayer's Bill of Rights' central provision requires state lawmakers and local officials to put proposed tax hikes and bond measures to a vote of the people.

But that's not all TABOR does.

It tells lawmakers when to ask — during regularly held elections, instead of special ones. It tells lawmakers how to ask — by listing the total amount the tax hike or bond measure is expected to generate and how it will be spent.

And it prohibits certain types of taxes, whether voters would approve or not. One example of a tax forbidden in Colorado is a tax on real estate transfers, which other states use to pay for affordable housing. TABOR also outlaws tiered income tax brackets like those at the federal level, meaning you can't tax the rich at higher rates than the middle class or poor in Colorado.

But aside from voter approval, TABOR's revenue cap is perhaps the most significant piece of the amendment.

Revenue can only grow from year-to-year by a formula that takes into account population growth (the need for additional services) and inflation (the growing cost of those services).

Supporters say this puts logical limits on government spending. The government can continue to pay for core services that it currently provides, but if lawmakers want to add new programs or expand existing ones, they can use only what dollars are available, make cuts elsewhere or ask voters for permission to raise new money.

"It's only when elected officials decide that more resources should be taken out of the private sector and used for public goods that we add that extra check and balance," says Penn Pfiffner, a former

Republican state lawmaker who now chairs a foundation that now defends TABOR's taxpayer protections.

Critics, however, say this formula has actually caused government to shrink over time because it doesn't account for two things: the ups and downs of economic cycles, and the fact that the consumer price index, which tracks inflation for household spending, doesn't translate very well to the things governments spend money on, like asphalt, buildings and personnel.

Scott Wasserman, president of the left-leaning Bell Policy Center, says it's like "walking down a shrinking hallway" because the needs are growing faster than the TABOR cap allows.

If revenue grows faster than allowed by the formula, TABOR requires refunds. But the constitution allows lawmakers to decide how to give back the money, and budget writers often tinker with it.

Currently, the first refunds go to local governments, as a reimbursement for a separate constitutional tax provision, the senior homestead property tax exemption. That exemption, which goes to qualifying homeowners older than 65, is now worth $140 million and growing.

If the state owes more than the senior tax exemption costs, the state would then dole out sales tax refunds, which vary based on people's incomes.

Finally, if the state goes significantly over the cap, it can trigger a temporary income tax cut that reduces the rate from 4.63 percent to 4.5 percent. The rate cut only occurs if the amount over the cap is enough to cover the total for the rate reduction and the senior tax credit.

Over the years, voters have given state and local governments permission to forgo refunds. Dozens of cities, counties and school districts have done what's known as "de-Brucing," which allows government to spend excess revenue instead of sending refunds back to taxpayers. The name is derived from TABOR's creator, Douglas Bruce, a former state lawmaker who was convicted of felony tax evasion.

The state in 2005's Referendum C asked voters for a five-year "timeout," which allowed the TABOR cap to increase and make room for more spending. A new cap was then established at the end of the time-out period.

According to a Colorado Legislative Council analysis, Ref C has allowed the state to retain and spend an additional $19.2 billion over the 13 years since it took effect, without raising taxes.

The Gallagher Amendment

In 1982, voters added the Gallagher Amendment to the state constitution in order to secure ongoing relief from rising residential property taxes.

Under the constitutional amendment, home values can make up no more than 45 percent of the state property tax base, while non-residential property owners have to contribute 55 percent. So if home values rise faster than businesses property, the tax rates paid by homeowners are required to drop to maintain that 45-55 split.

Over time, this has steadily cut the residential assessment rate from 21 percent of a home's value when Gallagher was enacted to 7.2 percent today. Non-residential property is assessed at 29 percent, meaning business owners pay about 4 times the tax rate of homeowners.

When Gallagher was first enacted, local governments would compensate for these mandatory tax cuts by “floating” their mill levies. Effectively, they would raise their local tax rate as needed to make up for lost revenue. The net result: homeowners got some relief, and businesses paid more to make up the difference.

That all changed when TABOR was adopted. Now, local governments couldn’t simply “float” their taxes up without voter approval.

The amendment has been a boon for homeowners, giving Colorado some of the lowest residential property taxes in the country, according to the Tax Foundation, a conservative tax policy analyst.

But it’s also had adverse effects.

The Gallagher ratio is calculated statewide, which means the populous Front Range dictates tax policy for the entire state. In today’s booming economy, it has forced cuts to public services in rural areas where home values aren’t growing as fast as they are on the Front Range. The lower taxes on rural home values means less tax revenue for those communities. And, if the housing market crashes, residential tax rates don’t automatically go back up to maintain the 45-55 split, meaning the next recession will hit local governments that much harder.

That’s left lawmakers searching for ways to help struggling communities with Gallagher’s downsides, while still offering relief for those with soaring tax bills. If they do nothing, further cuts to tax revenue are expected this year.

What this means for Coloradans

Taken together, the two amendments have had wide-ranging consequences on Colorado governance and how the state special districts pay for public services.

To summarize, TABOR has restrained the growth of government. Gallagher has lowered taxes.