

# **It's A Complicated Crisis**

## **Understanding Saving the Jeffco Fairgrounds**

### **Compiled by the Jefferson County Horse Council**

The Jefferson County Horse Council wants to assist in doing everything possible to find answers to save the Jefferson County Fairgrounds because we view it as an irreplaceable and intrinsic asset to our community. Time is our biggest liability; but, before the clock runs out and final decisions are made, we need to first try and understand the problem.

In 1992, Colorado voters passed a Taxpayer Bill of Rights (TABOR) as a Constitutional amendment to restrain growth for all levels of government. It is the most restrictive spending limitation of any state in the country, and it is so complicated that lawyers and lawmakers continue to argue its intentions. A few of the basic design principles of TABOR are:

- 1) Prohibit tax increases by state and local governments without voter approval.
- 2) Limit tax revenues collected with a growth allowance for counties based on household consumer prices plus growth in real property values. Any surplus collected above this threshold must be returned to the taxpayers in the following fiscal year.
- 3) The revenue growth limit applies regardless of how revenues are spent or saved forcing governments to grow their emergency reserves by proportionally reducing spending.

This is further complicated by the Gallagher Amendment, which had been adopted in 1982, that requires the valuation of residential property to not exceed 45% of the total valuation of all property of the state. This has created a lower property tax base to fund local services. The benefits of TABOR have been that Coloradoans sustain a lower tax burden than most other states. The flaws have been that TABOR has hamstrung governments from setting priorities for their budgets and responding to crises while also forcing a reduction in funding relative to the growing economy.

Of Colorado's 64 counties, Jefferson County and one other, have NOT voted to opt-out or "De-Bruce" from TABOR. On July 23, 2019, the Commissioners voted unanimously to put Jeffco 1A on the November ballot to, in part, temporarily eliminate many of the TABOR protections for seven years. They stated that the 3.9% spending limit for 2020 needed to be increased to 5.3% (and higher in subsequent years) to keep up with the demands of growth and to avoid severe budget cuts. Arguments against 1A claimed that it contained a hidden \$350 million property tax increase during the next ten years making affordable housing even more challenging while further hampering businesses which already compensate for the higher 55% Gallagher valuation rate. Citizens voted against the Jeffco 1A measure in November 2019.

Now, as a result of Jeffco 1A's failure to pass, County Manager Don Davis says that Jeffco is facing a \$12.5 million shortfall in 2021 funding, and cuts need be identified across the board on all "non-essential government services" provided by the County's General Fund. The General Fund gets only about 24¢ for every property tax dollar collected with the remaining 76¢ going towards dedicated funds like libraries, schools, fire protection, and special districts. Thus, the General Fund has an annual spending budget of approximately \$220 million per year out of a total County budget of approximately \$600 million per year. A total of 15 departments depend on the General Fund, but the Sheriff's Office and the District Attorney's Office account for about \$150 million, or more than half, of the General Fund's spending.

Mr. Davis explained the impacts of TABOR using the analogy of a teapot. Jeffco does not get revenue from sales taxes. Instead, 70% of Jeffco's revenue comes from property taxes. The remaining 30% comes from fees or other sources like grants or Federally earmarked funds for services like food assistance. Once the teapot reaches 100% full, all revenues, regardless of their source (lottery, marijuana) or purpose (save our fairgrounds) are forced to spill out and must be returned to the taxpayers. Furthermore, all surplus refunds must be paid only from the General Fund. For example, program fees can create funds that force the TABOR limit; and, while all excess monies must be refunded, those refunds must come from a "tax" and not a dedicated "fee" dollar. Thus, "fees" supporting one program can create unintended cuts in other programs that are depending on "taxes" in the General Fund. That's why many large grants have to be turned away.

Currently, the Jeffco Fairgrounds uses \$1.8 million per year from the county to operate with a 28% cost recovery. It has helped to pay for itself in the past by earning revenues up to 48% of its expenses, and some projections offer to bring that amount up to 57%. Regardless, because of TABOR, even 100% of a cost recovery by the Fairgrounds won't offset the \$12.5 million county-wide deficit because it's expenses that need to be cut. Options for the Fairgrounds include:

- Operating it at its current status quo (not feasible)
- Closing it entirely (nobody wants!)
- Operating it on a less than 7-day week basis (not much benefit)

- Creating a Fairgrounds Enterprise Zone (not very likely due to 90% cost recovery requirement)
- Turning over Fairgrounds operations to a private non-profit organization/foundation (needs to be an established entity with a solid track record)
- Turning over the portions of the Fairgrounds to Jefferson County Open Space that will meet their charter set by the 1/2¢ sales tax used to specifically fund Open Space (Open Space cannot absorb the entire facility)
- Turning over the remaining portions of the Fairgrounds that Open Space is unable to take to help with cost recovery measures for other departments (specifically mentioned were the DMV, Sheriff's Office, DA, and Clerk/Recorder)
- Creating a Fairgrounds-specific ballot measure (offers no guarantees and could fail like 1A)
- Having other districts such as schools or libraries support (not likely)

After much discussion at the January 28, 2020 brainstorming session, Mr. Davis will present a proposal to partnership with Jeffco Open Space (with details to be determined) to possibly save at least the upper level of the Fairgrounds property (including the Event Center Arena and Rodeo Arena) to the County Commissioners on February 4, 2020.

Other facts are:

- Per TABOR, counties must balance their budgets. They can't have deficits without savings in place to cover those costs because they can't borrow monies (no credit cards, lines of credit, payday loans, or even printing money).
- Decisions need to be made now so the Jeffco 2021 budget can to be finalized by October/November 2020.
- Time is precious to write language and collect necessary signatures to put anything on the November 2020 ballot.
- Even if something were to go on the ballot, there is always the risk that it won't pass – similar to 1A in 2019.
- Even if revenues increase, because of TABOR, those monies must be refunded to the taxpayers from the General Fund. The only way to close the 2021 budget gap is by cutting costs.

Per County Manager Don Davis:

- Every single one of the 15 departments operating under the General Fund has to make some very hard choices. None have stepped up to help the Fairgrounds.
- The fact that Jeffco is one of only two counties in Colorado remaining under TABOR after almost 30 years is evidence that efforts have been kept to adhere to spending limits.
- The men and women who work for the county are also trying to find viable solutions so they can keep their jobs with the risk they won't have one in 2021. They are not the Federal Government, and they know they are held accountable by the taxpayers with a primary directive for the safety and security of Jeffco citizens.
- The monies in the General Fund need to be spent on doing what only the government can do.
- There is already an \$100+ million backlog in transportation improvements that need to be made.
- Jeffco cannot dip any further into its savings because at least a two-month cushion is needed for emergencies – like a wildfire or cyber attack.

Fairgrounds specifics per County Manger Don Davis:

- The reality is that the Fairgrounds will NOT be able to continue as status quo.
- The CSU Extension Office, 4-H, FFA, and the Westernaires will stay.
- The land won't be sold because that would generate revenue that would be then have to be returned to the taxpayers. There are also zoning regulations in place.
- Does Jeffco have the demographics for a voter base to support something specific on a ballot to sustain the Fairgrounds? Probably not, especially given that voters are hesitant to increase taxes because housing costs are already rising so drastically, and the demographics don't necessarily favor supporting a fairgrounds-type facility.
- No amount of cost recovery measures will make the Fairgrounds 90% viable to qualify as a protected Enterprise Zone.
- The Fairgrounds does have underutilized areas; but, due to timing issues, it may not be possible to preserve the entire facility long enough to find other viable solutions to continue current operations.
- Despite the need for an evacuation facility for large animals/livestock, these services are not frequently used and can be contracted out to other agencies or private parties on an as-needed basis.
- Other county fairgrounds are not facing this issue because they don't fall under TABOR.

**Regardless of what the County Manager recommends and how emotional we citizens feel about our Fairgrounds, the County Commissioners will have the final say. There is a \$12.5 million budget deficit. No additional increases in revenues can make a difference. COSTS MUST BE CUT, and the choices are not going to be easy. Now is the time to put forward answers if we want to save the Jefferson County Fairgrounds.**