

New Spending in Denver to Reduce Greenhouse Gas and Adapt to Climate Change: Get It Right and Avoid Further Tax Increases

DECEMBER 2020

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Background and Introduction

Earlier this year, the Denver Climate Action Task Force, charged with "submit[ting]...recommendations and funding options to propel Denver forward in climate action," published a set of proposals aimed to help the city reduce its environmental footprint.ⁱ It suggests a concerted action in three consecutive phases designed to be increasingly ambitious and expensive—to complete them all would annually cost the city \$198m, \$335m, and \$411m, respectively, and make drastic changes to all parts of Denver's economy. The annual cost of the third phase alone is equal to 63% of the whole state's 2019 corporate income tax collections.

Among its recommendations was the imposition of a new sales tax to help fund the projects outlined in the plan. Denver ballot measure 2A, which passed this November, was crafted to satisfy that recommendation; it established a tax which is estimated to generate approximately \$40m annually of new revenue.ⁱⁱ This value, which will constitute just over 3% of Denver's 2021 budget,ⁱⁱⁱ is less than the full annual cost of the proposed Phase 1, but still represents much more than many other cities budget for their climate action plans. Because of this, the City and County of Denver has a duty to act judiciously both to make the most out of the revenue it stands to collect and to avoid necessitating further burdensome tax increases. To help achieve this, its lawmakers should employ common-sense practices and look to examples set by other cities.

I. Spend Money to Maximize Impact

Denver's voters have chosen to entrust the city government with \$40m of their money so that it might fund actions which produce real change. Now, the city bears the responsibility to spend that money effectively; if it does, Denver can both advance towards achieving the goals established by the Task Force and avoid the pitfalls it would encounter otherwise. The following are some measures which could help to safeguard the efficiency of new spending efforts:

1. **Spend on action, not administration:** Money spent developing novel bureaucracy is money that is not spent addressing the issues at the core of 2A's promise. Other examples across the country demonstrate that effective and efficient programs are ones which favor direct, rather than administrative, approaches.
2. **Make use of existing agencies and budgets:** The city government of Dallas, for example, plans to partner with its public transit provider (DART) to expand its services as part of its climate action plan.^{iv} In San Diego, all funds devoted to the city's climate action plan are granted to individual departments.^v If Denver can work closely with its various arms and regional bodies like RTD on the matters that concern them, it can allocate its revenue in a manner that limits the formation of new bureaucracy. **If the revenue from 2A's tax can be used supplementally to existing resources, it can ultimately be more impactful.**
3. **Report expenditures and demonstrate results:** The best bulwark against inefficiency is transparency. San Diego's program consistently reports its budgeting, spending, and impacts; a similar approach can keep Denver accountable to its taxpayers and ensure it remains focused on honoring its promises without needlessly seeking additional funding.

II. Focus on Denver City Functions

City-government operations constitute a large part of Denver's total emissions and energy demand. Since, according to the Task Force's own estimates, the \$40m per year that the new tax is projected to generate will not be enough to immediately achieve all of them, the city must work towards its goals incrementally—it can start by tending to its own charges before expanding its reach. To help decide which efforts it prioritizes, the city government should consider the following strategies:

1. **Start internally:** Many of the Task Force's recommendations directly concern changes to city-government operations and policies.ⁱ Managing these should prove more straightforward and cost-effective than venturing beyond the government's ambit, and thus make more-prudent immediate use of 2A's tax revenues in ways which still support local communities. **Regarding building benchmarking, for example, San Diego's regulators set their most-ambitious early goals specifically for municipal buildings and devoted most of the relevant initial funding to them.**^{vi}
2. **Don't overextend:** It will be more efficient for the city government to spend money on matters it can directly control than to create complex incentive programs or regulate the private sector. If it can focus on internal priorities foremostly and set some money aside to finance expensive and long-term projects, it can proceed with the Task Force's recommendations without having to turn to taxpayers for yet more funding.
3. **Be a leader:** If Denver's government can appear committed to its goals and promises and set an admirable example within its own domain, other actors may be inclined to follow and, happily, ease the city's future burden.

III. Mitigate Externalities Facing Private Households and Businesses

Denver's consumers and private businesses are responsible for their city's prosperity. If circumstances change to overburden or repel them, that prosperity could dwindle. The city government's most beneficial efforts will be those which strike favorable balances between the welfare of the private sector and the Task Force's environmental interests.

1. **Work within their limits:** Particularly now, individuals and businesses have limited means. If the city government reaches the phase of its plan whereat it undertakes to regulate private actors, it should take care not to burden them with standards they cannot afford to meet. Dallas, for example, intends to expand its PACE financing program to pay for future building retrofits.^{vii} Denver could consider a similar course of action that both expands PACE and improves the ability of smaller projects to access it.
2. **Use new funds to offset regulatory burdens:** Some of what is planned for the private sector threatens to be very expensive. **If a program is especially costly, the city should reserve resources to be used to help people and businesses transition and comply.** Deference to Task Force recommendations should not come at the expense of the well-being of Denver's populace.
3. **Favor an analytical approach:** Ideally, any new program which threatens to be very expensive should have the endorsement of thorough economic analysis and deliver a demonstrated eventual benefit.

ⁱ <https://www.denvergov.org/content/dam/denvergov/Portals/779/documents/climate/climate-action-task-force/ClimateActionRecommendationsReport.pdf>

ⁱⁱ [https://ballotpedia.org/Denver,_Colorado,_Ballot_Measure_2A,_Sales_Tax_to_Fund_Environmental_and_Climate-Related_Programs_and_TABOR_Spending_Limit_Increase_\(November_2020\)](https://ballotpedia.org/Denver,_Colorado,_Ballot_Measure_2A,_Sales_Tax_to_Fund_Environmental_and_Climate-Related_Programs_and_TABOR_Spending_Limit_Increase_(November_2020))

ⁱⁱⁱ https://www.denvergov.org/content/dam/denvergov/Portals/344/documents/Budget/2020/2020BudgetBook_Vol1-2-3.pdf

^{iv} <https://www.dallasclimateaction.com/transportation>

^v <https://www.sandiego.gov/sustainability/climate-action-plan>

^{vi} https://www.sandiego.gov/sites/default/files/fy17_cap_funding_implementation_memo_may_2_2016_final_2.pdf

^{vii} <https://www.dallasclimateaction.com/buildings>