

# TABOR HANDOUTS (4) from TABOR I Meeting

Handout 1

Regent Resolution  
April 2, 2004

WHEREAS, the University of Wisconsin System shares in the commitment to control spending in the State of Wisconsin and has, in fact, contributed by reducing its GPR spending in this biennium; and

WHEREAS, the University of Wisconsin Board of Regents believes that the development of state funding limits is a process that requires ongoing communication, and board members, the president, chancellors and UW staff have been discussing such proposals with legislators; and

WHEREAS, all such proposals so far advanced have involved a constitutional amendment to limit state spending which, as we have seen experienced in other states, would limit the state's ability to invest in education which is critical to state economic growth;

NOW THEREFORE BE IT RESOLVED THAT

The UW Board of Regents expresses its grave concern about the proposals that have so far been advanced to its members, and the board expresses further grave concerns with regard to proposals that might exempt the University of Wisconsin System but would negatively impact other components of public education and spending which would, in turn, negatively impact the University of Wisconsin System.

### The Colorado Higher Education Experience with TABOR:

- **Access for Low Income Students:** Colorado ranks 41<sup>st</sup> among all states in a 2002 report on accessibility to higher education for low-income students (National Center for Public Policy).
- **Access for Resident Students:** Only 26% of 18-24 year olds in are enrolled in public higher education in Colorado. Colorado with a similar population to Wisconsin enrolls a third fewer students in its public colleges and universities. **Colorado ranks 45<sup>th</sup> of 50 states.** (Postsecondary Education OPPORTUNITY “Chance for College”)
- **Future Funding:** State support for public higher education will drop to zero within ten years if present trends continue. At the University of Colorado at Boulder, state general fund appropriations dropped from 20.3% of the budget in 1990 to 10.5% in 2004 ([www.cu.edu/challenges.pdf](http://www.cu.edu/challenges.pdf))

### Possible Questions for Legislators:

1. **What impact do you think TABOR would have on higher education in Wisconsin?** Sometimes the cost of goods and services a university must purchase (technology, lab equipment, books, etc.) escalates faster than the consumer price index. How would these cost increases be accommodated?
2. **What would be the impact on students?** Could our colleges accommodate as many? Wouldn't tuition increase much faster? Wouldn't already limited opportunities for access to night and evening courses and distance education be further curtailed? What about funding for student financial aid? Could programs that are entirely self-supporting grow faster than the rate of inflation?
3. **Wouldn't competition for state dollars disadvantage UW over other areas of state spending?** Under TABOR, wouldn't mandated state support for programs such as K-12, Medicaid (for which feds require matching money) and corrections make it even more difficult to fund public higher education?
4. **What would be the impact on construction?** Would projects that have donor involvement be covered under this legislation? Similarly, would buildings like dormitories, paid for entirely by student fees, require a statewide referendum in order to proceed? What would be the impact on local construction jobs?
5. **Wouldn't we, in effect, be privatizing the University of Wisconsin System?** In Colorado, state funding for higher education has declined precipitously (10% of UC Boulder) budget. Wouldn't such a decline in Wisconsin force the closure of campuses and losses to the local economy? Isn't Colorado privatizing public higher education? How would we decide who can get a state subsidized college education in Wisconsin and who cannot? Merit? Geographical Quotas?
6. **Would there be impacts if UW was exempt from TABOR?** If the university were treated like a school district and given its own spending limit, wouldn't it still lose GPR funding because it would be viewed as able to raise other funds?
7. **Is this the path to economic growth?** The UW System cannot meet present enrollment demands. Wouldn't TABOR further limit access to a college degree and isn't that just as bad for the state's economy in the long run?

## The Concerns About TABOR - Talking Points

### Message:

- We cannot support any TABOR proposal that places budget or fiscal policy into the Constitution. Should unintended consequences of TABOR occur or if a serious crisis or economic recession should take place – fixing any flaws contained in a TABOR Constitutional amendment would take two consecutive legislative sessions and then a statewide referendum. We cannot bind the hands of our elected officials at the state and local levels from performing their responsibilities.
- We cannot support any TABOR proposal that would “carve out” or exempt individual special interest groups, since any exemption would place a greater financial burden on those remaining under the proposed caps. Any proposal that does move forward should be uniform in application and not grandfather existing tax-exemptions or automatic tax indexing increases.
- Finally, since TABOR will undoubtedly have a significant impact on every Wisconsin generation from this day forward, it is imperative that any new TABOR proposal be given to the public in a timely manner, allow for public hearings and allow the public to assess each proposal’s impact on the State and the economy as a whole. It is imperative that the public be involved in the crafting of any amendment to the Constitution.

### Background: TABOR: Taxpayer’s Bill of Rights

The Wisconsin legislature is expected to return in an “extraordinary session” in late May or June to vote on the Taxpayers’ Bill of Rights (TABOR). Although the current TABOR proposal, Assembly Joint Resolution 55 is considered dead, since it failed to pass the legislature before the regular session ended – an amended TABOR proposal is being crafted. Authors of the original TABOR proposal have stated, “that a substitute amendment to AJR-55 will be ready for introduction possibly as early as next week”.

A TABOR constitutional amendment is intended to change how the Legislature and local government sets tax and spending levels in Wisconsin. The original proposal, AJR 55, would impose the following constitutional constraints at both the state and local level:

- Limits state spending using a formula that is based on inflation rate plus population change (for schools it is based on a school district’s enrollment).
- Limits local spending using a formula that is based on inflation rate plus new construction.
- Requires public referenda on spending above the limit, tax increases and new bonding.
- Allows the Legislature to approve, by two-thirds vote in each house, short term “emergency” tax increases, which do not have to be initially approved by voters – but

- must be to continue beyond the calendar year.
- AJR-55 requires that the state and local governments return revenue growth above the spending caps to the taxpayers via automatic rate cuts.
- Requires funding levels that must be set-aside in an emergency or “rainy day” fund (both state and local governments).

### **Unintended Consequences – Lessons Learned from Other States**

Once political agendas or budget policy is placed into the Constitution – it is extremely difficult to modify or discontinue. When the state or local economy experiences a recession, depression or a fiscal crisis – suspending TABOR or fixing the Constitutional amendment is extremely difficult and basically ties the hands of the elected officials. As in the case of Colorado, once that state’s economy began falter, TABOR actually exacerbated budget problems and forced the Legislature to devastate education, health care, parks, highways and the very infrastructure of state government the people rely upon. After 10 years of TABOR, the Colorado Legislature is today still struggling repeal or suspend specific Constitutional requirements so the state can try to recover their ailing economy.

## **ADDITIONAL INFORMATION FOR CREATING DOCUMENTS OTHER TALKING POINTS**

### **Let’s not make the same mistake as Colorado**

- Once political agendas or budget policy is placed into the Constitution – it is extremely difficult to modify or discontinue when the state’s economy experiences a recession, depression or fiscal crisis.
- It has caused chaotic budget problems, decimating education, health care, parks, highways and the very infrastructure of state government.
- After 10 years of TABOR, the Colorado Legislature is struggling today to repeal specific requirements or temporarily discontinue TABOR so the state can try to fix their ailing economy.
- The bill resulted in a downgrade of Colorado’s bond rating, and analysts specifically blame TABOR for making the fiscal crisis worse.
- In a pair of studies in 1999, Governing Magazine ranked Colorado's finances as among the worst managed in the country, again due to TABOR.
- Colorado's 38 state parks are in a bind, exemplifying how spending restrictions in TABOR harm state services in visible, physical ways. This, in turn, has a detrimental impact on tourism.

“factors other than population change and consumer price inflation are also important to determining the cost of public services. These factors include workloads that may grow faster than the overall population; salary and wage growth that exceed the rate of inflation; rising health care costs; the need to compensate for lack of public investment in previous years; and other factors. As a result, the TABOR limit generally does not permit funding of a continuing level of services year after year” (*Center on Budget and Policy Priorities: The TABOR Limit and Referendum B: Assessing the Affordability of Public Services and Investment, October 19, 1998*)

### **TABOR Is Bad for Local Government**

- TABOR would tie the hands of lawmakers and city officials to address the needs and emergencies of communities.
- TABOR would translate into direct and very severe impacts on city services.
- TABOR will encourage more state aid cuts and unfunded mandates.

### **TABOR and Education**

- Per pupil funding in Colorado is still \$700 below the national average.
- By 2000, Colorado had fallen to 50th in K-12 spending, making the state dead last in the percentage of state wealth devoted to public schools.
- The Colorado Children's Campaign reported the state ranks last in sending disadvantaged kids to college.
- Colorado ranks near last among states in high school graduation rates.

### **TABOR was Devastating to Economic Development In Colorado**

- Colorado had a growing list of highway projects that had not been funded.
- Colorado has lost more jobs in this recession than all but 3 other states.
- In 2002, the per-capita income in Colorado fell faster than in any other state.
- Unemployment in Colorado has more than doubled since 2000. (The annual unemployment rate in Colorado was 2.8% in 2000 and went up each year to reach 6.0% in 2003.)
- Only 4 states have lost a larger share of employment than Colorado, which lost 18,000 jobs in 2003 alone.

### **TABOR and Healthcare**

- Wisconsin's current proposal (AJR-55) fails to recognize the impact of the Baby Boom generation on healthcare and Medicaid financing, utilization and medical inflation.
- The Wisconsin proposal fails to recognize employer costs associated with Medicaid cuts, which could exacerbate ever-increasing healthcare insurance premiums to the private sector taxpayers. In other words, the increase in health care cost shifting will hurt the very taxpayers that TABOR purports to help.
- Colorado spent less than most other states on public health and as a result is:
  - **below** the national average in immunization rates.
  - at the **bottom** in prenatal care.
  - has the highest rate of uninsured low-income children in the nation.
- TABOR Fails to Consider Impact of Baby Boom Generation on healthcare and Medicaid programs. Based on data released by the Department of Administration Wisconsin's population will increase from 5.4 million to 6.3 million residents over the next 25 years. However, Wisconsin's elderly population (65+) will nearly double by 2030, from 703,000 to 1.3 million, meaning that over 21% of Wisconsin's total population will be 65+ years of age. The population 85+ individuals is projected to increase from 96,000 to 157,000 by 2030 and the 100+ population will increase from 1,000 to 3,800 by 2030. In short, Wisconsin's elderly population will increase at a greater rate than the state's overall population



rate, and the Baby Boom population will live longer – meaning this population will double in size and will require greater utilization of primary, acute and long-term care. TABOR does not recognize these facts in its fixed equation.

#### **TABOR Avoids Responsible Decision-Making**

- The state budget is complex, and TABOR would circumvent thoughtful consideration of tough policy decisions.
- It distracts from the responsibility that our democratic system places in elected officials to govern wisely, and it allows them to abandon their responsibility.
- Our governing system includes elected bodies that are to carefully analyze, debate and decide on public policy issues, including taxation, after input from citizens and based on the real needs of the people.
- It creates disincentives to efficiency by mandating return of surplus funds, so agencies will spend everything if they have no opportunity to channel funds to areas of unmet needs.
- If approved, this change to the state constitution would remove almost all the tools officials need to provide flexible response to changing needs
- This is not governing responsibly, as evidenced by TABOR in Colorado

#### **The State Constitution is Not the Proper Place for TABOR**

- The state constitution is not the appropriate mechanism for rigid budget formulas
- As evidenced by Colorado, which has had TABOR in place for over 10 years, unintended consequences will be difficult or impossible to fix once rigid formulas are enacted in the state constitution.
- “This year's solution becomes next year's problem to be fixed”
- TABOR will make issues like Medicaid impossible to solve, because it fails to consider complexities like the Impact of Baby Boom Generation on Medicaid and ignores the massive burden shift that land on the taxpayer.
- It would make it very difficult to plan or provide basis for economic development.

#### **TABOR Promotes Minority Rule**

- The requirement that an emergency tax increase be passed with a two-thirds vote in the Legislature gives a minority of the legislature immense power.
- It would subject fiscal policy to the tyranny of the minority, a sure formula for paralysis in this polarized environment where a determined band of ideologues could sabotage revenue policy on behalf of unrelated culture war agendas.
- They can defy the will of the majority and paralyze government at a time of public need. This is contrary to our democratic system.

## **THE TAXPAYER'S BILL OF RIGHTS (TABOR)**

- ✓ Limit spending growth for the state and schools to growth in population plus growth in inflation
- ✓ Limit counties and municipalities to inflation plus new growth
- ✓ Let the taxpayers vote in referendum to raise the rates of the income, sales, franchise, or property taxes
- ✓ Let the taxpayers vote on whether or not the government can borrow money
- ✓ Require an emergency fund and a budget stabilization fund
- ✓ Automatically send surpluses back to the taxpayers

### **WHY DO WE NEED IT?**

- Wisconsin's GPR spending grew at nearly twice the rate of population plus inflation (CPI) between 1992 and 2002.
- In a world where special interests can manipulate government into spending more and more money, we need spending caps to hold taxes down.
- If TABOR had been in effect since 1992, Wisconsin taxpayers would have saved more than \$1.5 billion last year alone. That's a one-year savings of \$276 for every man, woman, and child in the state. Imagine the investment that could be done with that money. Imagine the spending power that would mean for a family.

### **REFERENDUM CONTROLS**

- Governments can only raise tax rates if the voters agree to it through a referendum. Those referenda can only be held on specific dates – regular election dates. Spending proponents will not be able to sneak in a referendum at an unusual time, when they can count on voter turnout to be low.

## **THE RAINY DAY FUND**

- Governments will be required to create an emergency fund equal to 3% of their annual expenditures, and a budget stabilization fund equal to 4% to 15% of annual expenditures. A two-thirds majority vote will be required before the budget stabilization fund can be used, and it must be replenished at a rate of 1% per year.

## **EMERGENCY SPENDING**

- Spending limits may be exceeded in case of emergency. TABOR requires a two-thirds majority vote in each house of the Legislature (or the school board, county board, etc.) to declare an emergency, then a two-thirds majority in each house on the specific tax hike.
- Emergency spending can only be approved once the rainy day fund is exhausted, and unused funds must be refunded if not used within 180 days.

## **LET THE PEOPLE VOTE**

- A referendum is required any time the state or local government wants to:
  - Exceed the spending limits outlined in the constitution;
  - Raise the rates of the income, corporate, sales or franchise taxes;
  - Enter into new bonding.

## **SUPPORT THE TAXPAYER BILL OF RIGHTS**

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