



TABOR Would Have Cut State Spending by Nearly One Quarter in 2005

Drastic Service Reductions Necessary to Meet TABOR Limits

On a fast track, the Pennsylvania General Assembly is now considering several proposals to limit the growth of state spending in the commonwealth. Two bills have already passed the Senate. The House is expected to consider the issue by November 1.

Analysis conducted by the Pennsylvania Budget and Policy Center has determined that state spending would be reduced by \$5.5 billion dollars, or 23.8%, in FY 05-06 had so-called “Taxpayer Bill of Rights” (or TABOR) limits been enacted in 1986. Pennsylvania would likely have experienced spending reductions and declines in services comparable to those currently facing Colorado had TABOR been in place. Pennsylvania will face significant pressures to cut state spending or increase local property taxes if current TABOR proposals are enacted.

Pennsylvania’s TABOR Proposals

Pending state legislation would amend Pennsylvania’s constitution to enact permanent limits to state spending. While several states have enacted some form of spending limitation, Pennsylvania’s proposed legislation would be among the most restrictive in the nation.

These proposals represent, in the words of Senator David Brightbill, a “sea change in the way Pennsylvania does business” (<http://www.pasenategop.com/>). Neither chamber of the legislature, however, has held hearings on these proposals and many members of the legislature, their staff, the media, and the public know little about these proposals or their likely impacts.

To help fill the knowledge gap, this Budget Watch presents the results of analysis of the impact of the proposed legislation had it been in effect over the past two decades.¹ This analysis was done at the suggestion of former Colorado Representative Brad Young, a Republican. Young believes that this type of analysis might have persuaded Colorado lawmakers not to adopt TABOR in 1992.

The proposed TABOR legislation would limit the growth of state spending to a formula: the rate of inflation plus population growth or the growth of personal income, whichever is lower.² In 19 out of the past 20 years, the average of the rate of inflation plus population growth was lower and thus would have been the binding constraint on the growth of state spending.

Figure 1 shows how the TABOR spending limit would have changed state spending each year. Without TABOR, state spending has held steady at about 5.5 percent of personal income. With TABOR, state spending would have declined to close to 4 percent of personal income.

Figure 2 shows the growing gap between actual state spending since 1986 and state spending had TABOR been in effect. By 2005-06, the gap would have risen to \$5.5 billion, with state spending dropping from \$23 billion to \$17.5 billion.

Figure 3 provides one illustration of what might have been necessary to cut state spending to \$17.5 billion. If we assume that K-12 spending, Medicaid and public health spending, and appropriations for corrections had been maintained under TABOR at their actual level, there would have been \$38 million left for all other programs.

For all practical purposes, there would have been nothing left for higher education, community and economic development, environmental protection, the Commonwealth's judiciary system, military and veteran's affairs, the state police, state parks and game lands, and the department of revenue among others.

Obviously, state spending could have been lowered by \$5.5 billion in other ways. An across-the-board cut, for example, would have increased class size in public schools, cut nursing staff in hospitals and long-term care, and reduced the affordability and accessibility of health care. The illustrative example in Figure 3, however, indicates just how radical a sea change TABOR would be. Rather than a common sense reform to reign in out-of-control spending, it would cut the heart out of state government's ability to meet the needs of ordinary Pennsylvanians.

Colorado's Effort to Undo its Spending Limits

An article in the *Pittsburgh Tribune-Review* of October 27 includes an analysis of TABOR's impact from a spokesman for Colorado Governor Bill Owens. Colorado enacted TABOR in 1992.

"Budget analysts predict that if voters don't unchain lawmakers' hands, 'in 10 years, there will be no general fund support for higher education in Colorado,' Hopkins said. 'There are a dozen or so state agencies that basically will be shut down.'"

On November 1, Coloradoans will vote on two initiatives to rollback TABOR. Proposals will allow the state to spend \$3.1 billion to pay for education, health care and community and state colleges, and to raise and sell bonds to pay for roads, bridges, school construction and pensions for police and firefighters. All of these services have been severely cutback under TABOR.³

Implications for Pennsylvania

Pennsylvania TABOR proposals are moving forward at break-neck speed. Given the dramatic scale of its likely impact, legislators' should think carefully before enacting such proposals. Unlike some other policy proposals, the impact is predictable: a look back at what TABOR's impact would have been over the past 20 years allows us to look into the crystal ball at what will happen over the next 20 years.

As noted, former Colorado state Representative Young wishes that he and his colleagues had had the benefit of such a long-term impact analysis when they acted in 1992. If they had, they might have realized what bad policy it was and what negative outcomes would result.

Notes

¹ For additional background including on the impact of TABOR in Florida, see Stephen Herzenberg and Sharon Ward, *Leaving Pennsylvania Behind: Locking in Cuts in State Spending Would Jeopardize Pennsylvania's Future* (Harrisburg: Pennsylvania Budget and Policy Center, 2005), online at www.pennbpc.org.

² Both numbers are computed as three-year averages.

³ *The Economist*, October 6, 2005.

Figure I. What Would Pennsylvania Appropriations Have Been If TABOR Was In Effect Since 1986?

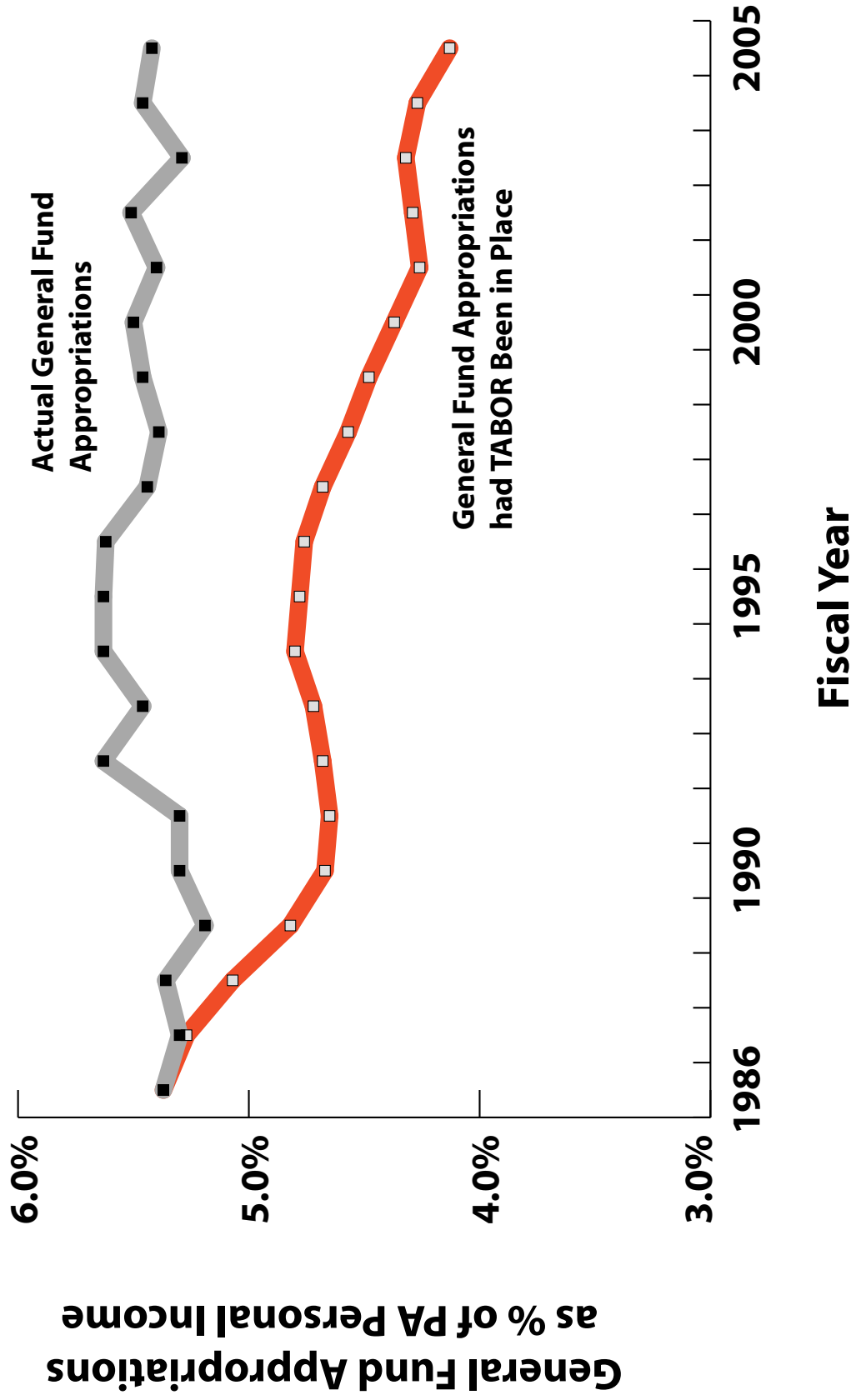
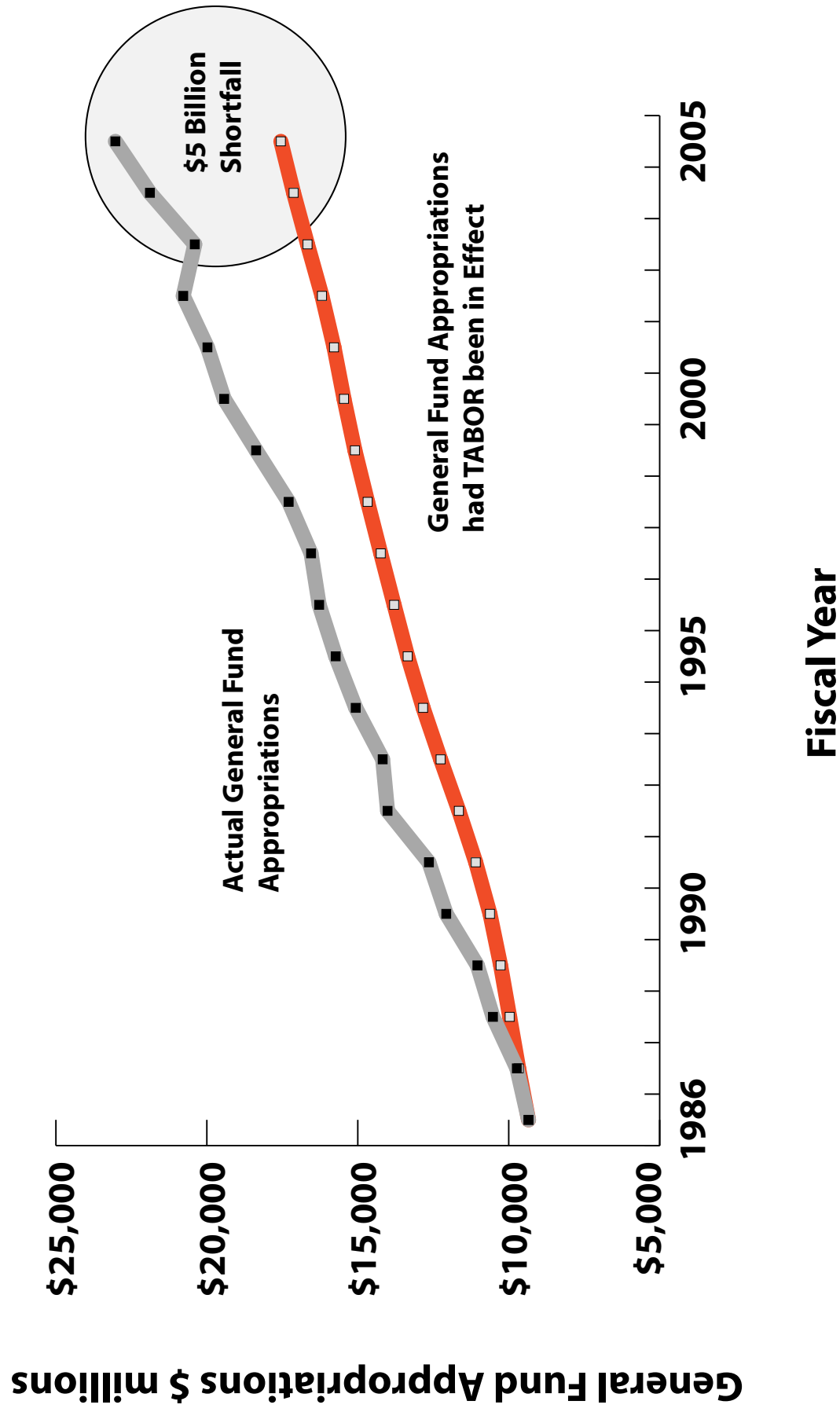


Figure 2. What Would Pennsylvania Appropriations Be Today If TABOR Had Been In Effect Since 1986?



Source: Center for Budget and Policy Priorities analysis. For more information visit www.pennbpc.org.

Figure 3. What Could Pennsylvania Afford Today If TABOR Was In Effect Since 1986? (FY 2005 in \$ millions)

By law the state budget must include funding for various constitutionally mandated activities like education and federal programs like Medicaid. Very little would be left over for other essential government services under TABOR.

