

SJR 958 :: FLORIDA TABOR

A TICKING TIME BOMB

The Florida legislature is considering SJR 958, a measure that would limit the growth in state revenues by the combined rate of inflation and population growth. If approved by the legislature and placed in the state's constitution, the measure would undermine Florida's ability to make long-term investments in areas that are key to economic prosperity. This is not a homegrown idea. The measure is modeled after a deeply flawed law in Colorado, known as "TABOR." Masked as a way to control spending, it resulted in massive cuts to important public services, delayed the state's recovery from the recession, and resulted in a number of unintended consequences. Ultimately, it became such a problem that voters suspended the measure. Now, national anti-tax groups are trying to put this policy into our state's constitution.

KEY POINTS:

SJR 958 imposes a restrictive, inflexible limit on state revenues.

- It is a constitutional limit on state revenue growth by the combined rate of inflation and population growth.¹
- The limitation would apply broadly to state taxes, fees, assessments, licenses, fines, and charges for services. There are a few exemptions, however.²
- It provides an incremental reduction of flexibility in the limit with full-implementation of the limit in FY'2019.

SJR 958 doesn't fix the fundamental flaws of TABOR

- The formula is flawed. Like Colorado's TABOR, SJR 958 limits state revenues to a formula based on growth in overall population and inflation. This formula does not allow a state to maintain year after year the same level of programs and services it now provides.
- The formula's components do not accurately measure the change in the cost of providing public services, and in fact, no existing measure correctly captures the growth in the costs of these services.

Even in times of emergency, the ability to suspend or override the rigid limits is almost impossible.

- The law locks the rigid limits into the state's constitution. It would take a legislative supermajority to override SJR 958.³
- This difficult process empowers a minority, which can become obstructionist and demand unrelated favors in return for votes.
- When Florida suffers hurricanes, flooding, oil spills, or other emergencies, government must be ready to step in to help people get through tough times. Beyond the use of reserves and the state hurricane trust fund, SJR 958 would make handling emergencies more difficult than it otherwise would be. This measure forces a complicated, politically-driven response.

¹ The limit for each year would equal the previous year's limit, multiplied by the preceding five years' average of the combined rates of annual inflation (defined as the Consumer Price Index for All Urban Consumers, U.S. city average) and population growth.

² The measure exempts spending on the mandatory parts of the Medicaid program, receipts of the Florida Hurricane Catastrophe Fund and Citizens Property Insurance Corporation, and a few others.

³ The limit could be overridden for one year at a time with a three-fifths vote of each house of the legislature. A multi-year or permanent override would be even more difficult, requiring either a two-thirds vote in each house of the legislature, or with a three-fifths vote of the legislature plus a popular vote of at least 60 percent of voters.

The measure would undermine Florida's ability to make long-term investments in areas that are key to economic prosperity.

- Over time SJR 958 would begin to produce annual budget cuts that would grow each year – like the Colorado TABOR – it would produce annual budget cuts that would grow larger over time.
- SJR 958 could result in lower bond ratings and higher borrowing costs for Florida. In Colorado, bond rating agencies downgraded the state because of features in the overly restrictive formula.
- Because future payments to bondholders would be subject to the TABOR limit, investors would be more hesitant to invest in Florida bonds, driving up the interest payments that Florida would have to pay, at a potential annual cost to the state of tens of millions of dollars.
- This could result in a decline in infrastructure investments in projects like school construction, transportation improvements, environmental system remediation, and community development projects. This means jobs and our state's ability to grow.

Florida's families, communities, and businesses can't afford SJR 958.

- Already, Florida lags behind the rest of the country on key measures of funding adequacy for public services, such as affordable higher education, health care coverage for low-income seniors and children, and K-12 class size. Over time, SJR 958 would lead to increasingly deep cuts in the amount of revenue to meet existing and emerging needs.
- Services to the elderly could be maintained only if Florida residents were willing to make sharp cuts in other areas of the state budget, such as education or public safety.

SJR 958 will limit state and local government's ability to make new investments, address federal mandates, and leverage federal dollars.

- The rigidities of formula-based budgeting, such as a population-and-inflation growth factor, do not allow funding of new priorities that may be embraced by the public, as has happened in the past with initiatives to reduce class sizes or put in place more stringent corrections policies.
- It could impede the ability of the state and localities to adapt to federal mandates that require states to spend more in specific areas, such as security and education, or to pull down additional federal dollars for specific priorities.

Even though they are exempted from the limit, local governments will be impacted.

- Local governments typically receive around 40 percent of their general fund revenues through intergovernmental transfers, largely from state government. If the state is forced to reduce spending, local governments may feel the squeeze as well.
- As the state reduces the public services it provides, the pressure on local government to meet the needs of Floridians would increase. With less revenue and more demand for services, local governments would be forced to either raise taxes or cut services.

Colorado is the ONLY state to have a TABOR, and it proved to be so damaging it was suspended.

- Colorado is the only state with a TABOR. In 2005, Colorado voters suspended the law to halt the deluge of harmful budget cuts that had occurred and were slated to occur under TABOR. Under TABOR, Colorado fell in many major indicators of performance:

Education

- ✓ 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 state ranks last in sending disadvantaged kids to college.
- ✓ Colorado ranks 49th in state support of higher education.

Health Care

- ✓ Colorado spends less than most other states on public health.
- ✓ Colorado is at the bottom in rates of prenatal care.
- ✓ Colorado has the highest rate of uninsured low-income children in the nation.
- ✓ Colorado ranks 49th in spending on Medicaid. Many doctors don't accept patients on Medicaid because the reimbursement rates are so low.

Economic Development

- ✓ Colorado's highways are in a state of growing disrepair with less than 60% rated good or fair.
- ✓ Colorado lost more jobs in the last recession than any but 3 other states.
- ✓ In 2002, the per-capita income in Colorado fell faster than in any other state.
- ✓ Colorado unemployment has more than doubled during the last recession; the state lost 18,000 jobs in 2003 alone.

Fiscal Stability

- ✓ Prior to the time out, TABOR resulted in a downgrade of Colorado bond rating.
- ✓ Financial analysts specifically blamed TABOR for making the state's fiscal crisis during the last recession worse.
- ✓ Prior to the time-out described below, *Governing Magazine* ranked Colorado's finances as among the worst managed in the country, again due to TABOR.

TABOR is an idea that has been considered in rejected in over 20 states, including Florida.

- Since Colorado adopted TABOR in 1992, over 20 state legislatures have rejected TABOR, and it has been voted down in every state in which it reached the ballot. This has happened in "Red" and "Blue" states alike.
- The Florida Taxation and Budget Reform Commission, after a full and extensive consideration in 2008, determined that it was not in the best interest of state residents to adopt a TABOR, and declined to place it on the ballot.
- In past years, Florida and other states have rejected TABOR because it does more than control state spending, as its proponents often claim. It requires massive reductions in vital services that residents want and need — education, health care, public safety, roads, environmental protection, and others.

Adopting the proposed revenue cap, which would restrict the amount of money available to fund these key programs at both the state and local level, would be devastating to Florida. It would hurt not only Florida's children and adults, but also the economy, which relies on educated individuals and up-to-date infrastructure in order to grow.