

SJR 2420

Proposed TABOR Would Take Florida Down a Path of Deterioration

The bill to impose a TABOR limit on Florida, introduced by Senator Haridopolos (SJR 2420), would damage further Florida's already diminished ability to meet the needs of its residents and to invest in the future.

SJR 2420's TABOR would lock in recession-level state services. Under SJR 2420, revenue would be allowed to grow each year by a formula known as TABOR, specified as the combined rate of inflation and population growth. The base year would be fiscal year 2010-11, a recession year in which state revenue collections will be extremely low. In 2010-11, state general revenues covered under TABOR will be 16 percent below the amount of revenues that the state collected in 2005-06, before this recession hit. Using this low point as the base year for limiting future revenue growth assures that the state will not be able to recover from the current recession.

TABOR does not just “control spending;” it requires massive cuts and leads to more unmet needs.

TABOR would require a cut in services most years, and those cuts accumulate. Based on revenue projections from the Florida legislature's Office of Economic and Demographic Research (EDR), by the 2015-16 fiscal year, five years after SJR 2420's implementation, Florida would have to make do with *\$5 billion less* in general fund revenue than is projected to be available without TABOR. That would require *a cut of 17% of the general revenue fund budget*. And public services would continue to deteriorate from there. Eight years after TABOR's enactment, Florida would have \$6.8 billion (20%) less general fund revenue to support public services than EDR currently projects.¹

Florida's public services would deteriorate substantially under SJR 2420. To make a cut of 17% today:

- The state would have to eliminate nearly *half* of all its general revenue fund support for K-12 public schools.
- Or the state would have to eliminate *all* its general fund expenditures on public universities, community colleges, student financial aid, pre-kindergarten program, workforce education, vocational rehabilitation, and services for the blind — combined.
- Or Florida would have to eliminate *all* general revenue fund support for every aspect of public safety expenditures, including prisons, courts, juvenile justice operations, crime lab services, the state parole board, public defenders, state's attorneys, and community supervision — combined.

Before voters suspended it, TABOR caused significant problems in Colorado. In Colorado, the only state to adopt a TABOR, the limit caused a deluge of harmful budget cuts.² For example, under TABOR:

- The share of low-income children lacking health insurance doubled in Colorado between 1992 and TABOR's suspension, contrary to the national trend.

¹ Analysis of the impact of TABOR if it had been adopted in 1992, the same year as Colorado's, that utilizes actual revenue and expenditure numbers shows a similar pattern of decline prior to the current recession. Calculations of prospective and retrospective impact of TABOR from forthcoming Center on Budget and Policy Priorities report.

² Iris J. Lav and Erica Williams, *A Formula for Decline: Lessons from Colorado for States Considering TABOR*, Center on Budget and Policy Priorities, March 15, 2010. <http://www.cbpp.org/cms/index.cfm?fa=view&id=753>

- Colorado declined from 23rd to 48th in the nation in the percentage of pregnant women receiving adequate access to prenatal care.
- The harsh revenue cuts undermined Colorado's ability to support a competitive higher education system, pushed up the fees that parents paid for their children's school activities, and drove down teacher salaries relative to pay in other occupations.

To halt the alarming deterioration in public services, Colorado business leaders and residents banded together and successfully campaigned to suspend TABOR for five years beginning in 2006.

Other states have consistently said no to TABOR. Over 20 state legislatures have rejected TABOR, and it has been voted down in every state in which it reached the ballot after the 1992 adoption in Colorado.

Florida's public services already compare poorly to other states. Florida already ranks poorly compared to other states on measures of education and health care. Further deterioration would put Florida well below national norms and potentially affect the willingness of people to live here. For example:

- Florida ranks 50th in the nation in the share of low-income children with health insurance.
- Florida ranks 48th in the percentage of low-income adults under 65 with health insurance
- Florida ranks 49th in K-12 spending as a percentage of personal income.
- Florida ranks 41st in state and local college and university funding as a share of personal income.

SJR 2420 requires a two-thirds vote of the people for all new fees, charges, and taxes. This is an excessively steep barrier. In addition to imposing a revenue limit, SJR 2420 also requires a two-thirds vote of the people to approve any new state revenue source, including a charge for services or a fee. This is an excessively steep barrier and could ignore the will of the majority of Florida residents. Since 2000, no Florida statewide ballot measure that called for increased taxes or increased government spending has received a favorable two-thirds vote, although four of the five such measures received approval by a *majority* of voters. Establishing a two-thirds vote requirement would put Florida in a fiscal straightjacket, leaving the state without the flexibility needed to provide services a majority of residents may want and need.

The difficulty of issuing debt under SJR 2420 could bring infrastructure development to a halt. The use of long-term debt — for example, the routine issuance of bonds to finance new roads, bridges, schools, or public buildings — would require a supermajority two-thirds vote of the people to approve the issuance of the debt under the proposal TABOR. That is likely to be a requirement that is impossible to meet. In addition, if a two-thirds majority could be mustered for a project, the amount of annual debt service (interest on the debt) would be subtracted from the TABOR revenue limit. Thus the only way to pay for new infrastructure that is now debt-financed would be to cut other components of the budget such as education or health care.

SJR 2420 would make it difficult to use Florida's rainy day fund as voters intended. In 1992, Florida voters approved the creation of the Budget Stabilization Fund and placed it in the state constitution. The amendment required that stabilization funds be used to cover revenue shortfalls or for providing funding for an emergency and set limits on the size of the fund. SJR 2420 would *add the requirement* that there be a two-thirds vote of each legislative house and a declaration of emergency from the Governor to spend any stabilization funds. These unnecessarily high procedural hurdles would make it nearly impossible for Florida to use the stabilization fund

as voters intended. This suggests that service reductions in the next recession will be even greater than are being suffered in this one.

TABOR constrains state spending, but it also will hurt local governments and schools. SJR 2420, as amended by the Senate Committee on Community Affairs, imposes a TABOR limit on state government, but not local governments or school districts. That doesn't mean local governments and schools will be protected from cuts. The state would be facing a permanent revenue crisis under SJR 2420, and would have little choice but to reduce its support for schools and other local government services. The magnitude of the cuts projected to be required would make it impossible to protect state funding for schools and city and county services. 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.

SJR 2420 does not fix the problems of Colorado's TABOR. Proponents of SJR 2420 incorrectly claim the bill fixes the primary problem with Colorado's TABOR law. It is true that, unlike Colorado's law, SJR 2420 does not contain a "ratchet." In Colorado, the base year limiting future revenue growth is the prior fiscal year. That means that when recessions hit and revenues decline, the revenue base limiting future growth shifts, or "ratchets," downward. Under SJR 2420, the base year is always fiscal year 2010-11, so future recessions will not cause the base to shift downward. However, *TABOR's main problem is its "population-plus-inflation" formula* — in both the Colorado TABOR and the Florida proposal — which starves a state over time of the funds it needs to maintain current services for residents and severely limits the state's ability to meet new challenges as they emerge. The ratchet effect exacerbates the funding shortfall caused by TABOR, but it comes into play only in the aftermath of a recession or other event that substantially lowers revenue for at least a year. Public services in Colorado declined significantly *before* the 2001 recession began, and thus *before* the ratchet could have had any effect. For example, between 1992 (when TABOR took effect) and 2001, Colorado fell from 35th to 49th in the nation in K-12 education spending as a percentage of personal income and from 23rd to 48th in access to prenatal care, a sign of funding shortages in local health clinics. Thus a lack of a ratchet does not fix the problems inherent in the TABOR formula.³ Moreover, because the base year for SJR 2420 is a recession year, the proposal would assure that Florida's public services will not be able to recover from the current recession.

TABOR was voted down by the Florida Taxation and Budget Reform Commission in 2008. After full and extensive consideration, The TBRC determined that it was not in the best interest of state residents to adopt a TABOR, and declined to place it on the ballot.

Center on Budget and Policy Priorities: Contact Michael Leachman 202-408-1080

Florida Center for Fiscal and Economic Policy: Contact John Hall 850-325-6480

³ Iris J. Lav, *Fixing TABOR's "Ratchet" Will Not Repair TABOR*, Center on Budget and Policy Priorities, April 10, 2008. <http://www.cbpp.org/cms/index.cfm?fa=view&id=141>