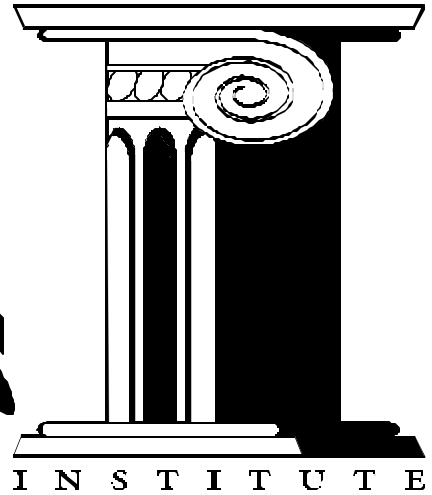


# LIMITS



*On Power and the Use of Coercion*

## Should TABOR be retired or revamped? NO

by Jon Caldera

To hear the chorus of tiny little violins and their grating, one-note symphony of “TABOR Must Be Changed,” you’d think that Colorado’s Taxpayer’s Bill of Rights causes acne. But no matter how well-financed and well-publicized their whining is, it will be a hard sell persuading Coloradans to alter the nation’s most successful tax and expenditure limitation law.

We have seen TABOR return around \$800 of surplus tax revenue to every man, woman and child. That’s \$3,200 per family of four. We also have seen TABOR save Colorado’s fiscal fanny.

During the overheated 1990s, excess tax revenue in Colorado was returned to taxpayers. In other states, like California, the excess tax money went into expanding government budgets. So when the economy slowed, deficits soared, government nearly went

bankrupt and a governor was recalled.

Thanks to TABOR, Colorado avoided that fate.

The Colorado media, one of the loudest little violins, have failed to report that TABOR has been such a success here that other states are working to emulate it.

California Governor Arnold Schwarzenegger has had discussions with Colorado Governor Bill Owens over how to bring TABOR to California. Officials in New Jersey, Maine, Pennsylvania, New Mexico,

Arizona, and New York are among many working to bring TABOR to their states.

Is TABOR actually shrinking the size of government? To hear the tiny violins, you’d think so. But nothing could be further from the truth.

In the decade since TABOR’s passage in 1992, the size of state government has grown by a whopping 64 percent. Government is hardly withering away.

**continued on page 2**

All of our publications, including *LIMITS*, are available for sponsorship. Sponsoring a publication is an excellent way for you to show your support of our efforts to defend liberty and define the proper role of government.

For more information, please contact Public Interest Institute at 319-385-3462 or [public.interest.institute@limitedgovernment.org](mailto:public.interest.institute@limitedgovernment.org).

**LIMITS**  
June 2004  
Volume 9, Number 2  
**Public Interest Institute**  
Dr. Don Racheter,  
**President**

LIMITS is one of our quarterly membership newsletters, arriving in March, June, September, and December. It consists of short articles and essays on protection of human rights by limiting the powers of government.

LIMITS is published by Public Interest Institute at Iowa Wesleyan College, a nonpartisan, nonprofit, research and educational institute whose activities are supported by contributions from private individuals, corporations, companies, and foundations. The Institute does **not** accept government grants.

Contributions are tax-deductible under sections 501(c)(3) and 170 of the Internal Revenue Code.

Permission to reprint or copy in whole or part is granted, provided a version of this credit line is used: "Reprinted by permission from LIMITS, a quarterly newsletter of Public Interest Institute."

The views expressed in this publication are those of the authors and not necessarily those of Public Interest Institute.

If you have an article you believe is worth sharing, please send it to us. All or a portion of your article may be used. The articles in this publication are brought to you in the interest of a better-informed citizenry, because **IDEAS DO MATTER.**

We invite you to:  
CALL us at 319-385-3462  
FAX to 319-385-3799  
E-MAIL to [public.interest.institute@limitedgovernment.org](mailto:public.interest.institute@limitedgovernment.org)  
VISIT our Website at  
[www.limitedgovernment.org](http://www.limitedgovernment.org)  
WRITE us at our address on page 8

Copyright 2004

## **Should TABOR be retired or revamped? NO**

**by Jon Caldera**

**(continued from page 1)**

You're gonna hear a lot of yapping in the coming months about the so-called ratchet effect of TABOR, that spending levels will never be allowed to reach the higher, pre-recession levels. But of course they can, and within the existing TABOR law. All the state has to do to keep that excess money is — now get ready for this — ask us for permission.

TABOR has the built-in flexibility to let government keep every dime it takes in and never return a penny. It's called a TABOR override, nicknamed "de-Brucing."

While local governments have been overwhelmingly successful in de-Brucing, the state hasn't. In 1998, voters slammed down a \$1 billion spending increase. And the tiny violins don't like hearing that "no" means "no." So instead, they want to legalize fiscal date rape and just keep all the future refunds without asking for your permission.

Government can only successfully de-Bruce when it convinces voters that it is running as lean as possible.

But some governments do rein in their budgets. Washington state faced a bleak financial picture with a \$2 billion deficit, many times that

of Colorado's. Democratic Governor Gary Locke instituted priority-based budgeting, forcing officials to do their jobs and decide what is most important and what is least. He closed the budget gap without raising taxes.

But Colorado lawmakers are hobbled in their efforts to set priorities because Amendment 23 locks in the largest line item. Even in times of recession, Amendment 23 requires K-12 education spending to increase above the rate of inflation, without any way to fund it except cutting other budgets like higher education.

It's interesting that Amendment 23's authors originally planned to include a large tax increase to pay for their spending mandate but pulled it when their polling showed it wouldn't pass. So instead, they promised that Amendment 23 would work within the limits of TABOR, which had been on the books for years.

They even paraded an economist who proclaimed that it would take financial devastation on par with the Great Depression for Amendment 23 to cause a budget problem. The sluggish couple of years we've just seen hardly compares to the Depression.

So now they're trying to blame TABOR and get you to vote away all your future tax refunds instead of addressing

**continued on page 5**

# Will TABOR Come to Wisconsin?

by Amy K. Frantz

Iowa's neighboring state, Wisconsin, may be the next state to implement a Taxpayer Bill of Rights (TABOR) modeled after the Constitutional Amendment adopted in Colorado more than a decade ago.

The proposed Constitutional Amendment limits spending for the state government and school districts in the state to the prior year's spending, plus inflation and population growth. Spending for county and local governments is limited to the prior year's spending plus inflation and local growth. Wisconsin's TABOR also establishes an emergency fund and a budget stabilization fund. Beyond that, any excess revenue collected in taxes would be returned to the state's taxpayers.

Just as in Colorado, the Wisconsin TABOR includes provisions to allow state government to exceed the spending limits during an emergency. Wisconsin lawmakers can declare an emergency in order to spend the rainy day funds, but must do so with a two-thirds vote of the State Legislature. In order to raise tax rates, lawmakers must seek voter approval.

The proposed Amendment to Wisconsin's Constitution was introduced by State Representative Frank Lasee. The Governor of Wisconsin

vetoed a property tax freeze approved by the Legislature, which would have been a "short-term patch" at any rate, and is likely to veto any similar proposals. Representative Lasee believes Wisconsin needs "a long-term, permanent fix for Wisconsin's chronic overspending and overtaxing," and that TABOR is that fix.<sup>1</sup>

Opponents are warming up the usual doom-and-gloom predictions of schools deprived of funding and economic devastation. Self-preservation likely plays a part in their protestations; Legislators might find it harder to be so generous with taxpayer dollars if they have to ask permission of the taxpayers first.

Colorado opponents also predicted dire consequences for the state economy if TABOR was approved. However, Representative Lasee points out that personal income growth, population growth, and growth in gross domestic product have all been higher in Colorado than in Wisconsin since Colorado adopted its TABOR in the early 1990s.<sup>2</sup>

The process to adopt a Constitutional Amendment in Wisconsin, just as in Iowa, requires the State Legislature to approve the proposed Amendment in the same format in two consecutive Legislative sessions. It must then be approved by the state's voters. The earliest TABOR could

appear on Wisconsin ballots would be November 2006, if the Legislature approves the TABOR resolution this year and again next year.

If the Legislature approves of the TABOR, it seems that voters would be on board. A poll conducted last October indicated that 73 percent of voters support an amendment that would limit government spending to increases in the rate of inflation.<sup>3</sup>

Will Wisconsin Legislators support limiting their power to tax and spend? We'll be keeping our eye on our neighboring state for the answer.

*To read more about the Wisconsin TABOR, visit Representative Lasee's website at [www.legis.state.wi.us/assembly/asm02/news/tabor.html](http://www.legis.state.wi.us/assembly/asm02/news/tabor.html).*

## ENDNOTES:

<sup>1</sup>Representative Frank Lasee, "What is a Taxpayer Bill of Rights, and why does Wisconsin need one?," *Wisconsin Conservative Digest*, Wisconsin Conservative Leadership Coalition, Volume 2, Issue 3, January 2004, p. 1.

<sup>2</sup>Ibid.

<sup>3</sup>Charles J. Sykes, "After the Freeze: Wisconsin's Taxpayer Bill of Rights," *Wisconsin Interest*, Wisconsin Policy Research Institute, Volume 13, Number 1, Winter 2004, p. 8.

*Amy K. Frantz is a Research Analyst with Public Interest Institute.*

## Proposal A, 10 Years Later

by Lawrence W. Reed

March 15, 2004, marked the 10th anniversary of a watershed event in recent Michigan history: the approval by voters of a sweeping change in the way the state's public schools are financed. Known as "Proposal A," the Constitutional Amendment was intended to increase overall funding for schools, narrow the gap between the highest- and lowest-spending districts, and raise the sales tax from 4 to 6 percent to pay for a dramatic rollback in property tax rates. Has it lived up to its promise?

In 1995, many public schools received \$3,000 to \$5,000 per student. The wealthiest school districts — the highest spending 10 percent — received \$6,500 per pupil or more. By 2001, all districts in the state received more than \$6,500 per pupil. Patrick Anderson of the Anderson Economic Group (AEG) in Lansing points out that "in less than a decade, the taxpayers made every single school district a 'high-spending' district." Even in Bloomfield Hills, spending per pupil is up by 16 percent since 1994, to nearly \$12,000.

AEG's research shows that operating funding for public schools increased by 45.2 percent from 1994 to 2001,

more than double the inflation rate. That jump, however, was dwarfed by a whopping 147.8 percent increase in infrastructure funding, including property tax millages for new buildings and technology.

Ten years ago, the choice on the March 15 ballot was not between Proposal A or the status quo. It was between Proposal A or a so-called "back-up plan" consisting of a set of statutes that would have been triggered by voters' refusal to adopt the reform measure. If the back-up plan had passed, Michigan's personal income tax today would be at 6 percent instead of 4 percent. The sales tax would have been kept at its old rate of 4 percent and property taxes would have been cut slightly, with no guarantees that either tax couldn't go higher in subsequent years. Given our traditionally high-tax, anti-competitive business climate vis-à-vis other states, Michiganians made the right choice when they voted for Proposal A by a vote of 69 percent to 31 percent.

Better funding for schools has not, unfortunately, produced better results. Far too many Michigan school districts harbor poorly managed and

poorly performing schools. The State Board of Education's low standards accept high schools in which 56 percent of students are not proficient in math, and 48 percent are not proficient in English, as meeting "adequate yearly progress" goals. Too many districts don't take advantage of competitive bidding in order to save money on services from janitorial to food service to teacher health insurance.

The 10th anniversary of Proposal A is already prompting numerous assessments and, not surprisingly, some are using the occasion to make a case for higher taxes and more spending. But if the 1994 Amendment needs amending at all, it needs it in the form of changes that would increase options for parents and produce greater accountability in the ways that education dollars are spent. There is a way to do this, while actually increasing funding for those schools that can make a convincing case for it. The Mackinac Center calls it "Proposal A+." It could make schools — especially good ones — fundraisers instead of tax raisers.

What if parents, friends, neighbors, even businesses, or just any Good Samaritan

**of individuals like you who believe in individual liberty and free-market aid envelope to make your tax-deductible contribution to this effort today.**

citizen, could receive a tax credit if they made contributions to public or private schools, or to public or private scholarship funds? Offset dollar for dollar by a credit against the income or Single Business Tax, those contributions would not cost the donor a penny, and nobody's taxes would increase as a result. Cap the credit at half what the state spends per pupil and savings would be generated for the School Aid Fund every time a child migrated from the public to the private sector.

Parents who believe a nonpublic school is the best bet for their child would no longer have to pay twice for schooling, and public schools could reap new revenues simply by convincing citizens to make a costless, tax-credited donation. The increased competition between public and private schools in this environment would work to improve education in all schools. Tax credits for public and private K-12 education already are on the books in Florida, Pennsylvania, Minnesota and Arizona.

After 10 years of operation, Michigan's Proposal A has worked well and shouldn't be scrapped, but it can be improved. Empowering citizens to assist both public and private schools through voluntary contributions is one

promising way to do that. In any event, let's be thankful Michigan voters made the right decision in 1994.

*Lawrence W. Reed is President of Mackinac Center for Public Policy.*

*Reprinted with permission from Mackinac Center.*

*The Mackinac Center for Public Policy is a nonpartisan research and educational organization devoted to improving the quality of life for all Michigan citizens by promoting sound solutions to state and local policy questions. The goal of all Center reports, commentaries, and educational programs is to equip Michigan citizens and other decision makers to better evaluate policy options.*

*For more information visit [www.mackinac.org](http://www.mackinac.org), contact the Mackinac Center at 140 West Main Street, P.O. Box 568, Midland, MI 48640, or call 989-631-0900.*

*Employees of Public Interest Institute are available for speaking engagements.*

*If interested, contact PII for more information.*

## **Should TABOR be retired or revamped? NO**

**by Jon Caldera**

**(continued from page 2)**

the real budget mess they made with Amendment 23.

The little violins want you to give up your right to vote on future spending increases. How could that possibly be good government?

Don't buy their snake oil again. Leave TABOR alone.

*Jon Caldera is President of Independence Institute.*

*This editorial originally appeared in the Denver Post. Reprinted with permission from the author.*

*Independence Institute is a non-profit, non-partisan think tank located in Golden, Colorado. The Institute addresses a broad variety of public policy issues from a free-market, pro-freedom perspective.*

*For more information, visit Independence Institute's web site at [www.i2i.org](http://www.i2i.org), contact Independence Institute at 13952 Denver West Parkway, Suite 400, Golden, CO 80401, or call 303-279-6536.*

# The Power of Initiative in California

by Amy K. Frantz

One of the arguments against the Initiative is that elected officials feel it takes power out of their hands, hands that we elected and should entrust to take care of us. But what happens when the officials we elect don't seem to pay any attention to the wishes of a majority of those they represent?

In California, one of Governor Schwarzenegger's campaign promises was to reform the state's workers' comp system. Employers in California pay the nation's highest workers' compensation premiums. Workers' comp premiums in California have tripled since 1997, to an average of \$5.85 per \$100 of payroll. The national average premium for workers' comp is \$2.46 per \$100 of payroll. At the same time, injured-worker benefits for California rank almost last in the nation.<sup>1</sup> The high cost of workers' comp has caused businesses to lay off workers, eliminate jobs, or move out of the state.

Most would agree that this is a program in need of some kind of reform. A February poll showed 80 percent of voters supported the Governor's reform proposal for the worker's comp system.<sup>2</sup>

Governor Schwarzenegger called on California Legislators to send him a bill to sign reforming the workers' comp

system by March 1<sup>st</sup> of this year. When they failed to meet his deadline, the Governor took his case directly to the voters. He spoke at rallies and helped gather the signatures needed to put a workers' comp reform Initiative on the California ballot in November. He told Legislators if they didn't act, the people would.

The idea of the people deciding the issue seemed to be the spark needed to convince the California Legislature to take action. In April, the Legislature passed and the Governor signed a workers' comp reform bill into law.

California Assemblyman Russ Bogh highlighted the important role the power of Initiative played in getting this bill passed. "Let's be honest. We are here today because of one thing — because over 1 million people answered Gov. Schwarzenegger's call for signed petitions to reform workers' compensation."<sup>3</sup>

While perhaps not every Governor would be able to draw a crowd the way that the current California Governor can, and convince voters to sign petitions in support of their proposed reforms, this Governor was able to demonstrate the power of the people to the Legislators because of the Initiative.

## ENDNOTES:

<sup>1</sup>Information on California's workers' compensation system and rankings is from "Costco Politics," *The Wall Street Journal*, April 16, 2004, p. A14, column 1; and Susan Martin, "California Launches New Round of Workers' Comp Reform," *Budget & Tax News*, Heartland Institute, February 2004, p. 1, column 4.

<sup>2</sup>"Costco Politics," *The Wall Street Journal*, April 16, 2004, p. A14, column 1.

<sup>3</sup>"Political Victory for Schwarzenegger expected to save billions," MSNBC online, <<http://www.msnbc.com/id/4759480>>, April 16, 2004, (May 4, 2004).

*Amy K. Frantz is a Research Analyst with Public Interest Institute.*

## LIMITS

### Question of the Quarter:

Are Iowa Legislators responsive to the wishes of the majority of Iowans?

Send your thoughts on this issue to us at [public.interest.institute@limitedgovernment.org](mailto:public.interest.institute@limitedgovernment.org).

We may publish some of your ideas in the September 2004 issue of *LIMITS*.

# Limiting States Through TELs and Supermajority Requirements

by Amy K. Frantz

Fourteen states have some kind of supermajority or voter approval requirements to increase taxes. Some of these states, as well as other states, have Tax and Expenditure Limitations (TELs). TELs place limits on the ability of a state to increase revenue or expenditures or both.

In “The Case for a Pennsylvania ‘Tax and Expenditure Limitation,’” the Commonwealth Foundation for Public Policy Alternatives makes the case that Pennsylvania should join those states that have adopted TELs or supermajority requirements. However, the report also contains information on the impact of these limitations nationwide that is relevant for citizens of every state.

States with a Tax and Expenditure Limitation or a supermajority requirement generally have been more successful at limiting the growth of spending and tax revenue than states without the requirement or limitation.

In states with a TEL, state and local per capita spending growth fell from 6.1 percent in the five-year period prior to the adoption of the TEL, to 2.4 percent in the five-year period after the adoption of the TEL.<sup>1</sup>

In the 1990s, states with a supermajority saw their tax burden grow by 87 percent,

compared to growth of 104 percent for states without a supermajority.<sup>2</sup>

This report and other studies have shown that states with supermajority requirements or Tax and Expenditure Limitations have less tax and spending increases, more economic growth, and create more jobs, on average, than states without these limitations.

To read more about the fourteen states with a supermajority or voter approval requirement, and the states with Tax and Expenditure Limitations, visit Public Interest Institute’s web page at [www.limitedgovernment.org](http://www.limitedgovernment.org).

*The Limitations on Government* section includes a brief description of these limits, when they were adopted, and whether the limit is Constitutional or Statutory. This information can be accessed by type of limitation or state-by-state.

## ENDNOTES:

<sup>1</sup>Grant R. Gulibon and Thomas O. Armstrong, Ph. D., “The Case for a Pennsylvania ‘Tax and Expenditure Limitation,’” *Commonwealth Policy Brief*, Commonwealth Foundation for Public Policy Alternatives, June 2003, p. 6.

<sup>2</sup>Ibid.

*Amy K. Frantz is a Research Analyst with Public Interest Institute.*

## “My Regulatory Nightmare” Continues for Granite City, IL Homebuilder

One year ago, in the June 2003 issue of *LIMITS*, Public Interest Institute reprinted an article from Foundation for Economic Education’s *Ideas on Liberty* by Stephen Lathrop titled “My Regulatory Nightmare.” That article detailed the ordeal of Mr. Lathrop, a homebuilder in Granite City, Illinois, in his attempt to turn a mosquito-infested dump into a housing development with a lake and wildlife habitat.

Instead of achieving his dream, Mr. Lathrop encountered more than a decade of red tape and regulatory blockades from the U.S. Army Corps of Engineers and the Environmental Protection Agency, leaving he and his family in financial dire straits.

If you are interested in reading more about Stephen Lathrop’s situation, he has created a website, <http://granitejustice.mine.nu>, on which he posts news articles, affidavits, and other materials relevant to his case.

We wish Mr. Lathrop well as he continues his fight against his regulatory nightmare!

**Public Interest Institute  
at Iowa Wesleyan College  
600 North Jackson Street  
Mt. Pleasant, IA 52641**

NONPROFIT ORGANIZATION  
U.S. POSTAGE PAID  
MAILED FROM ZIP CODE 52761  
PERMIT NO. 338

## **Initiative and Referendum in the States**

**by Amy K. Frantz**

As the November election draws nearer, expect to see more ballot measures readied for voters to consider this fall.

### **CALIFORNIA**

One item that won't be on this state's ballot is a Constitutional Amendment Initiative to increase the commercial property tax rate to raise additional funds for K-12 schools and preschool education. The Howard Jarvis Taxpayers Association brought to light the fact that, as written, the property tax increase could also be applied to homeowners,

eliminating the tax limitation protections of Proposition 13. Efforts to place the Initiative on the ballot were discontinued, however supporters claim it was due to the increasing number of measures on the state's ballot calling for tax increases, rather than the drafting error.

### **NEVADA**

Last year, the Nevada Legislature and Governor enacted an \$800 million tax increase. Citizens for a Sound Economy (CSE) is partnering with Nevadans for Sound Government in an effort to

gather signatures and place a measure on the ballot to repeal the tax hike. Former House Majority Leader and current CSE Chairman Dick Armey is heading up the "Axe the Tax" petition drive.

*Amy K. Frantz is a Research Analyst with Public Interest Institute.*

### ***What's New at PII?***

***Check for new publications,  
Policy Studies, or events on  
our Website at:***

***[www.limitedgovernment.org](http://www.limitedgovernment.org)***