After soundly rejecting TABOR I in 2006, this November Maine voters will face another TABOR initiative. Despite claims by proponents that TABOR I’s many flaws have been corrected, TABOR II contains all of the central elements that made the original proposal so dangerous for Maine’s economy, communities, and people. In fact, in important respects, TABOR II is considerably more problematic than its predecessor. This policy brief outlines the four core and serious dangers that TABOR II presents.

DANGER ONE:
TABOR II’s expenditure caps do not correspond to cost realities

The fundamental problem with TABOR initiatives is that they place rigid, formula-driven limits on public expenditure growth, and make it very hard to adjust these limits when circumstances require. TABOR II restricts state expenditure growth to increases in the Consumer Price Index (CPI) plus average population growth. This growth limit does not reflect the realities—either of cost inflation for public services or cost increases resulting from Maine’s changing demographics.

The first part of the TABOR II formula, the Consumer Price Index, is a measure designed to gauge cost inflation for the “basket of household goods” purchased by a typical urban American consumer. State and local governments, however, are not purchasing typical household goods. Instead, they are purchasing the inputs for public services: asphalt and school teachers, immunizations and jail cell doors, IT services, energy, and lots of health care.

Over the last 25 years, the CPI has risen by 108% overall.

By contrast, more relevant to state and local public service inputs are the so-called ‘urban’ CPIs. The second part of the TABOR II formula, average population growth, is based on national demographic data.

This difference is important because the state and local governments, however, are not purchasing typical household goods. Instead, they are purchasing the inputs for public services: asphalt and school teachers, immunizations and jail cell doors, IT services, energy, and lots of health care.

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Colorado’s experience with TABOR
In 1992, Colorado (CO) became the first and only state ever to have enacted TABOR legislation. Over the following decade, Colorado experienced steep declines in state and local services:
- CO declined from 35% to 49% in the nation in K-12 spending;
- Funding for higher education dropped 31 percent;
- 20 percent of children lacked health insurance, double the amount needed; and
- Roads deteriorated sharply and state investment in all of its infrastructure decreased.

By 2001, a wide coalition of business leaders, legislators, CO’s Republican Governor, and regular citizens – many of whom had been supporters of TABOR in 1992 – banded together to overturn TABOR. In 2005, Coloradans voted to suspend TABOR in order to allow the state to rebuff its public services.

The second component of the TABOR II formula, population growth, is equally problematic. Populations do not merely grow with time, but change in composition, with children and elderly citizens requiring far more public expenditures than working age adults. Maine’s population is elderly now and will become more so with time. The CO Bureau projects that between 2000 and 2030, the percentage of Maine’s 65 or older will almost double, growing from 14 percent of the overall population to 27 percent.4 The TABOR II formula does not take these important changes into account.

We certainly should be concerned by and proactive about the fact that the cost of public services inputs rises more quickly than do household goods and that Maine’s population is getting older. TABOR II, however, does not do enough to change these. By ignoring reality, TABOR II will simply place public budgets on the path to endless rounds of cuts as costs unwaveringly exceed permitted spending growth. Under TABOR II, Maine’s revenues will face steady, ongoing erosion in the range and quality of public services at all levels of government.

DANGER TWO: TABOR II ratchets down public budgets, locking in very low levels as the baseline for all future growth
TABOR II sets the year 2010 as the baseline year for which future state and local expenditures will be permitted to grow – unless a year with even lower spending levels occurs in which case this would become the new baseline for future growth. This “ratcheting” effect is perhaps the most dangerous element of all the TABOR II provisions.

One that already had undergone deep cuts of its own Maine’s Office of Fiscal and Program Review (OFPR) estimates that the 2010-2011 budget is $1.4 billion (or more than 20%) below the amount needed to continue public services at the levels provided in 2009.5 Meanwhile, preliminary revenue estimates (from late July 2009) suggest that 2010 and 2011 collections will be even worse than anticipated in May’s revised projections. Therefore, TABOR II will allow state and local agencies to agree on new revenues, still more budget cuts are certain, which government services that our elected leaders believe cannot be covered with the revenue collections cannot at present support. As a result of this federal help, Mainers are not experiencing the full effect of our current budget crisis. When the economy bounces back and revenues return to normal, Maine again will be in position to more fully fund education, public health, transportation and other public services, even in the absence of federal help.

Under TABOR II, however, every time taxes are automatically increased and other public services when the economy inevitably turns the corner.

DANGER THREE: TABOR II denies us state and local elected representatives the ability to make basic budget decisions
Proponents of TABOR II argue that their restrictive spending and tax limits are flexible, and can be exceeded whenever voters vote in favor of an increase. In fact, the mechanism for gaining such approval is both cumbersome and costly. It also requires voters to adopt a clear, non-negotiable stance in line with their neighbors’ wishes concerning spending and taxes and very likely to be removed from office. As such, elected officials work hard to balance the need and desire to provide public services with taxpayers’ willingness to pay. TABOR II creates greater bureaucracy while doing little if anything to improve accountability or control. At the same time, it generates ever larger budget shortfalls for state and local officials to address while denying them the tools they need to work with.

Under TABOR II, every decision by elected officials to exceed the spending caps or to raise additional revenues (in excess of $300,000) would require additional referendum vote mandated by the legislative body “followed by a majority vote of the people in a referendum. The Maine Municipal Association estimates that the cost of such a referendum vote mandated by TABOR II would have direct costs of $300,000, not including related administrative costs. There is no estimate for the expense associated with the additional, revised totals of ballotling required at the local level.

Most people are not interested in and do not have the time to follow budget issues in minute and ongoing detail. Instead, that is what we elect our town and state representatives to do on our behalf. Nevertheless, Maine’s local representative leaders may still exercise considerable control over the direction of government spending and taxes, at both the state and local level. At the local level, most budgets (including school budgets) already require voter approval of the overall package. At the local and state levels, most elected officials face re-election every two years. Those who are not in line with their neighbors’ wishes concerning spending and taxes are very likely to be removed from office. As such, elected officials work hard to balance the need and desire to provide public services with taxpayers’ willingness to pay.
Mainers will face steady, ongoing cuts as costs unwaveringly on the path to endless rounds by ignoring reality, TABOR II the cost of public service account.

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Under TABOR II, Maine will continue to receive the hundreds of millions of federal dollars that we now enjoy.” Under TABOR II, Mainer’s will experience an abrupt and steep decline in their public services. As bad as this is, however, the larger trend associated with TABOR II’s “ratchet effect”.

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Under TABOR II, every time budgets fall – for whatever reason – the new low budget will lock in, becoming the new baseline for future growth. As an example, if highways department spending was 70-90 inches of snow. Instead, maine winter, expecting to clear roads better, snowfall might be a surprising inch. In the case of TABOR II, even lower baseline spending levels will be locked in, place, but come 2012, Maine will not continue to receive the hundreds of millions of federal dollars that we now enjoy.”

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One that already had undergone deep cuts of its own Maine’s Office of Fiscal and Program Review (OFPR) estimates that the 2010-2011 budget is $1.4 billion (or more than 20%) below the amount needed to continue public services at the levels provided in 2009. Meanwhile, preliminary revenue estimates (from late July 2009) suggest that 2010 and 2011 collections will be even worse than anticipated in May’s revised projections. Therefore, TABOR II forces all other state agencies to agree on new revenues, still more budget cuts are certain, which government services that our TABOR II ratcheting down to the bottom of the trough”, during the deepest recession in three-quarters of a century - and ratcheting budgets down from there - is not a recipe for long-term economic success. TABOR II will prevent the State, the counties, municipalities and school districts from making appropriate and necessary real investments in our schools, universities, public health and corrections systems, transportation, environmental protection and other public services when the economy inevitably turns the corner.

DANGER THREE: TABOR II denies our state and local elected representatives the ability to make basic budget decisions

Proponents of TABOR II argue that their restrictive spending and tax limits are flexible, and can be exceeded whenever voters approve an increase in taxes. In fact, the mechanism for gaining such approval is both cumbersome and costly. It also requires voters to exercise their right to approve an increase in taxes, at both the state and local levels. At the local level, most budgets (including school budgets) already require voter approval of the overall package. At the local and state levels, most elected officials face re-election every two years. Those who are not in line with their neighbors’ wishes concerning spending and taxes are very likely to be removed from office. As such, elected officials work hard to balance the need and desire for public services with taxpayers’ willingness to pay.

TABOR II: A DANGER TO MAINE’S ECONOMY, COMMUNITIES, AND PEOPLE

Locking-in all future State and local spending at the “bottom of the trough”, during the deepest recession in three-quarters of a century - and ratcheting budgets down from there - is not a recipe for long-term economic success. TABOR II will prevent the State, the counties, municipalities and school districts from making appropriate and necessary real investments in our schools, universities, public health and corrections systems, transportation, environmental protection and other public services when the economy inevitably turns the corner.

DANGER FOUR: TABOR II “solves” a problem that doesn’t exist

Maine law already provides controls on spending growth at all levels of government. In January 2005, Gov. Baldacci signed into law LD 1, “An act to Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels”. This law created spending caps and a graduated phase-out of current property tax limits and local tax burden ranking to the middle one-third of all states by 2015.

Analysis by Maine’s Office of Fiscal and Program Review confirms that Maine’s baseline funding at state level was too low, and increased only $11 million over the past 10 years. As a percentage of total personal income (a good measure of maine’s overall ability to pay public services), state spending has grown from 14.5% in 1997 to 14.9% in 2007. “Since 2007, spending at the state level has risen very little over the past 10 years. As a percentage of total personal income (a good measure of maine’s overall ability to pay public services), state spending has grown from 14.5% in 1997 to 14.9% in 2007.”

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Notably, both of these measures have been trending steadily downward since enactment of LD 1.
This last session of the Legislature, likewise, offers ample proof that Maine’s elected officials have little appetite for growing either spending or taxes. In the face of large revenue declines, legislators reduced total FY2009 General Fund appropriations by some $110 million compared to FY2008 appropriations, and have appropriated $150 million less for the 2010-2011 biennium than they did for the 2008-2009 biennium. During the same session - and in the face of calls to fill growing budget gaps by relying far more heavily on new revenues - legislators and Governor Baldacci instead approved a sweeping tax reform proposal that drops the top income tax rate from 8.5% to 6.5%. State and local elected officials, creating the hands of our state and local government, locking in initial baseline spending at 2010’s historic lows, and ratifying down spending from there. TABOR II will require ongoing cuts to public budgets and result in the steady erosion of services and infrastructure, as was experienced in Colorado, the only state ever to have enacted a TABOR initiative. At the same time, TABOR II removes budgeting decisions needed to respond to the crises TABOR rules generate - from the hands of our state and local elected officials, creating instead a cumbersome and expensive system to override its stringent limits. Finally, TABOR II offers these dangerous “solutions” for a problem that doesn’t exist. State spending and taxes are limited under current law and as a result have been trending downward for each of the last four years since enactment of LD 1. TABOR I was bad for Maine in 2006. Arriving in the midst of a deep recession, TABOR II will be even worse.

About the Author
Kurt Wise is the State Fiscal Analyst at the Maine Center for Economic Policy.

Special thanks also go to J.B. Chun for the research and data analysis he contributed to this policy brief, Ms. Clam is studying Economics at Bowdoin College and joined MECEP as an intern for the summer of 2009.

Endnotes
1 BLS website: http://www.bls.gov/cpi/ Special requests/cpi/aot.cpi
2 BLS website: Table 3-3141: http://www. bts.gov/national/innovation/safetyTables. asp?Selectable=1
3 http://www.census.gov/prod/cen2010/soss/ sossproj/costproj.html
5 Data available on the OFPR website.
6 Maine’s General Fund will see federal revenue relief of some $200 million between 2009 and 2011. (See OFPR, July 2009 issue of Fiscal News, pg 50.) Maine also will receive closer to $1.5 billion in federal stimulus relief, but much of this will go to individuals or organizations rather than to our state govt.
10 Ibid, pg 34
11 OFPR Budget Summary, pg 1-2 (See link in endnote #5, above)

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