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A RESPONSE TO AMERICANS FOR PROSPERITY'S MISLEADING CLAIMS ABOUT FLORIDA'S TABOR (CP 45)

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Americans for Prosperity recently issued a critique of the Center on Budget and Policy Priorities' analysis of the Florida Taxation and Budget Reform Commission's revenue cap proposal. In its critique, Americans for Prosperity made several false claims. This analysis addresses the major flaws in their critique.

There is no disagreement between the Center and Americans for Prosperity about the large size of the expenditure cuts that CP 45 would require. But Americans for Prosperity exaggerates the role of the revenue stabilization fund.

- Americans for Prosperity does not dispute a central finding of our analysis: If the CP45 revenue limit had been put in place in 2001, Florida state government would have been able to expend $5.7 billion less than it actually did between fiscal years 2002-03 and 2006-07. In one year alone, the spending cuts would have been equal to nearly one dollar out of every five that the state provided as aid to local governments, or half of all general revenue spent on all health and human services programs.

- These cuts would be entirely unaffected by the revenue stabilization fund that CP45 would create. Under CP 45, money in the revenue stabilization fund could not have been used to mitigate the $5.7 billion in spending cuts. Those cuts would have been required whether there were funds in the revenue stabilization fund or not.

- Moreover, it is entirely possible that even during a severe economic downturn, there would be little money available in the revenue stabilization fund. CP45 *allows* the state to put revenues above the limit into the fund, *but it does not require* that any money be placed in that fund. (This situation is not much different from current law.)

There is no disagreement between the Center and Americans for Prosperity that Florida already has a constitutional revenue limit. But Americans for Prosperity is incorrect to say that Florida no longer calculates this limit.

- Florida already has a constitutional revenue limit — based on a five year average of personal income growth — which allows state revenues to grow at a rate no faster than the economy.

In many recent years, the legislature and governor have chosen to cut taxes in order to stay well below the existing limit.

- Contrary to Americans for Prosperity, Florida each year recalculates this limit to ensure that revenues stay below it (see for example http://edr.state.fl.us/reports/revenue%20limitation/Rev%20cap%20forecast%201107%20with%202006-07%20actuals.pdf)

There is no disagreement between the Center and Americans for Prosperity that the CP 45 closely resembles, but is not identical to, Colorado's TABOR limit. But Americans for Prosperity exaggerates the differences.

- Like Colorado's TABOR, CP 45 uses a formula that reflects the Consumer Price Index. Since a typical urban consumer spends a majority of his or her income on housing, transportation, and food and beverages, those items are the primary drivers of the CPI-U. By contrast, the state of Florida spends its revenue primarily on education, health care, corrections, and roads. In short, the market baskets of spending are entirely different.

- A difference between the two formulas is that CP45 lacks the so-called "ratchet" feature that was part of Colorado's TABOR from 1992 to 2005, but the importance of this difference is exaggerated by Americans for Prosperity. With or without the ratchet, public services under CP 45 would still deteriorate. This is evident from the fact that 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 45th in access to prenatal care, a sign of funding shortages in local health clinics. (The role of the "ratchet" in Colorado's TABOR is explored fully in a Center analysis available at http://www.the Center.org/3-21-06sfp.htm.)

- Another difference between the two formulas is that under TABOR, a simple majority of voters was required to suspend TABOR, while CP 45 could be suspended only by a 75 percent supermajority of each house of the legislature. Anyone who has attempted to cobble together simple majorities in any legislature for any bill knows that getting a 75 percent supermajority can be extremely difficult, although winning a statewide ballot measure is not easy either.

There is a large body of evidence that TABOR was harmful to Colorado while it was in effect.

- In order to remain a readable length, the Center's analysis provided only a partial glimpse of the deep and troubling problems TABOR created in Colorado. In a series of analyses, plus a video, all of which are available on the Center's website (www.cbpp.org), the Center has explored the Colorado experience under TABOR in much greater depth. (One of those analyses is at http://www.cbpp.org/10-19-05sfp.htm.) The longer analyses confirm that public services deteriorated under TABOR.

- Some of the figures that Americans for Prosperity uses in its response fail to account for the fact that even before TABOR, Colorado was among the nation's highest-income and most highly educated states. The state's mediocre test scores today, for example, are far less impressive when one realizes that Colorado has a history of high levels of educational attainment. Middle-of-the-pack test scores (which Americans for Prosperity cites approvingly) may appear strong by Florida standards, but in a state with Colorado's history, they represent a clear failure of public policy. Similarly, one would expect Colorado to be healthier than other states given its relatively youthful and well-off population. What is telling about the Colorado experience is that the state is *less* healthy than one would expect from a state with its demographics.

- More important than statistics may be the testimony of Coloradoans themselves on whether TABOR has been good for their state. Many Coloradoans, including the business leaders quoted on p. 6 of the Center analysis, have criticized TABOR. In 2005, Colorado voters chose to suspend the TABOR limit.

- TABOR was bad for the Colorado economy. Americans for Prosperity asserts that CP 45 will help Florida's economy, but this assertion is undermined by the fact that TABOR hurt Colorado's economy. The tables below show that under TABOR, Colorado underperformed its Mountain States neighbors.

TABLE 1:
AVERAGE ANNUAL EMPLOYMENT CHANGE BEFORE AND AFTER TABOR

	1980-1992 (pre-TABOR)	**1992-2004 (TABOR)**
Colorado	2.1%	2.6%
Mountain states (median)	2.1%	2.8%

Source: Bureau of Labor Statistics

TABLE 2:
TOTAL JOB GROWTH DURING AND AFTER THE LAST RECESSION
UNTIL TABOR'S SUSPENSION
(March 2001 – January 2006)

Arizona	12.8%
Colorado	**0.2%**
Idaho	10.3%
Nebraska	7.5%
Nevada	19.1%
New Mexico	8.7%
Utah	8.0%
Wyoming	9.8%

Source: Bureau of Labor Statistics
Note: The recession began in March 2001. TABOR was suspended as of January 2006.

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