Center on Budget and Policy Priorities

820 First Street NE, Suite 510
Washington, DC 20002

Tel: 202-408-1080
Fax: 202-408-1056

center@cbpp.org
www.cbpp.org

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EDUCATION, HEALTH, PUBLIC SAFETY, AND INFRASTRUCTURE WOULD DECLINE UNDER SJR 2420'S PROPOSED TABOR LIMIT

By Michael Leachman, Iris J. Lav, and Erica Williams

The Florida legislature is considering a TABOR proposal, SJR 2420, to limit state revenue growth by the combined rate of inflation and population growth — the adoption of which would undermine Florida's ability to meet the needs of its residents and invest in the future.[1] If the bill passes the legislature, the measure would go to a vote of the people to decide whether to place the limit in the state constitution.

Colorado is the only state with a TABOR. In 2005, Colorado voters suspended the TABOR formula to halt the deluge of harmful budget cuts that had occurred and were slated to occur under TABOR. 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. 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.

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.

- If Florida had adopted a TABOR in 1992, the same year as Colorado did, the limit would have forced drastic cuts in state services by 2006, *before* the current recession struck and falling revenue collections in the recession forced budget cuts. Compared to actual 2006 general fund revenues, Florida would have had 25 percent less funds to expend on programs and services.

- Making a cut of 25 percent in the 2006 budget would have been equivalent to Florida eliminating *two-thirds* of general revenue fund support for preK-12 schools that year.

- Alternatively, it would have been equivalent to eliminating *all* general revenue fund appropriations for every aspect of public safety expenditures, including prisons, courts, juvenile

[1] The bill was amended in committee on March 23, 2010 and passed out as CS/SJR 2420 (Committee Substitute for Senate Joint Resolution 2420).

justice operations, crime lab services, the state parole board, public defenders, state's attorneys, and community supervision — combined — plus *all* general revenue appropriations for environmental protection, transportation, fish and wildlife conservation, veterans affairs, wildfire prevention, the Governor's office, the state legislature, the attorney general's office, the secretary of state's office, the state archives, the state revenue department, public funds accounting, and highway safety.

- SJR 2420's base year — the year from which revenues would be allowed to grow by the combined rate of inflation and population growth — would be fiscal year 2010-11, a recession year in which state revenue collections are expected to still be depressed by the recession and will be extremely low — amounting to little more than four-fifths of pre-recession levels. Using this low point as the base year for limiting future revenue growth through a restrictive formula assures that the state will not be able to recover from the current recession.

- By five years after implementation, Florida would have to cut services in the general fund by 18 percent (compared to the projections of revenues under current law made by the Office of Economic and Demographic Analysis). Required cuts would rise to 21 percent by eight years after implementation.

- SJR 2420 would have other negative effects on Florida's ability to protect its future. For example, the difficulty of issuing debt under SJR 2420 — the requirement of a two-thirds supermajority vote of the people to borrow to construct a new road or refurbish a bridge, for example, could bring state infrastructure investment to a halt. Moreover, annual interest on any debt the state would incur would be subtracted from the TABOR limit, so some other part of the budget would have to be cut in order to finance infrastructure.

- SJR 2420 would require a *two-thirds* vote of the people to approve any new state revenue source, including a charge for services or a fee. This would leave the state without the flexibility needed to provide the types of services that in the past have been supported by revenues approved on the ballot by a *majority* of residents.

- SJR 2420 would make it difficult to access the state's reserve funds, even when those funds are needed during recessions or another emergency. It adds the requirement that the governor declare an emergency *and* two-thirds of each house of the legislature vote to use the funds.

- Florida already ranks near the bottom among the states on a number of key public services and can't afford any further declines in the public services upon which Floridians depend, such as health care, education, and public safety. But as the Colorado experience has shown, this is likely to happen if the proposed revenue limit is adopted.

The Colorado Experience

In 1992, Colorado adopted the Taxpayer Bill of Rights (TABOR), a constitutional amendment that limits budget growth to changes in population plus inflation. A growing body of evidence shows that in the 13 years following its adoption, TABOR contributed to deterioration in the

What Would SJR 2420 Do?

The following are the key provisions of SJR 2420:

- State government general fund revenues would be limited. The limitation applies broadly to taxes, fees, assessments, licenses, fines, and charges for services. There are very few exceptions: revenues to meet the requirements of bonds, lottery revenues that are returned as prizes, receipts of the Florida Hurricane Catastrophe Fund and Citizens Property Insurance Corporation, and a few others.

- Revenues to the General Revenue Fund would not be allowed to grow faster than specified by a formula. The formula is the combined rate of inflation (defined as the Consumer Price Index for Urban Wage Earners and Clerical Workers for the South region) and population growth.

- It would be more difficult to use funds from the state's primary reserve account, the Budget Stabilization Fund, which is intended to help the state weather a recession or emergency. Using the funds to plug budget holes would require an emergency declaration by the Governor and a two-thirds vote of each house of the legislature.

- Overriding the TABOR limit on revenue growth (to be able to use additional revenues that are collected) would require the state first to deplete the state's emergency reserves. Then, the legislature could override the limit only with a two-thirds vote of each house of the legislature and an emergency declaration by the Governor.

- A two-thirds vote of the people would be required to impose a new tax or fee. Issuing bonds to finance new roads, bridges, schools, or public buildings — would also require a two-thirds vote of the people.

availability and quality of nearly all major public services in Colorado. The Colorado experience has serious implications for the residents of Florida because the proposed revenue cap would likely lead to similar outcomes in Florida.[2]

- **TABOR contributed to substantial declines in Colorado K-12 education funding**. Between 1992 and 2001, Colorado fell from 35th to 49th in the nation in K-12 spending as a percentage of personal income.[3] During that same time period, Colorado's average per-pupil funding fell from $379 to $809 below the national average; by 2006 per pupil funding was $988 below the national average.[4]

- **TABOR played a major role in the significant cuts made in higher education funding.** Under TABOR, higher education funding per resident student dropped by 31 percent after adjusting for inflation. Between 1992 and 2001, Colorado's college and university funding as a

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[2] For a more detailed analysis of the problems experienced in Colorado under TABOR, please see 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. Available at: http://www.cbpp.org/cms/index.cfm?fa=view&id=753.

[3] Center on Budget and Policy Priorities calculation of National Center for Education Statistics data (Table 176. Current expenditures for public elementary and secondary education, by state or jurisdiction), and Bureau of Economic Analysis quarterly personal income data (http://www.bea.gov/regional/sqpi/).

[4] CBPP analysis of National Center for Education Statistics data (Table 184. Current expenditure per pupil in fall enrollment in public elementary and secondary schools, by state or jurisdiction).

share of personal income fell from 35th to 48th in the nation and as of fiscal year 2008, the state maintained this ranking.[5]

- **TABOR led to drops in funding for public health programs.** Between 1992 and 2002, Colorado declined from 23rd to 48th in the nation in the percentage of pregnant women receiving adequate access to prenatal care; since 2002, the share of women receiving adequate prenatal care in Colorado has deteriorated from 67.3 percent to 64.5 percent in 2006. Colorado also plummeted from 24th to 50th in the nation in the share of children receiving their full vaccinations. Only by investing additional funds in immunization programs was Colorado able to improve its ranking to 23rd in 2008.[6]

- **TABOR hindered Colorado's ability to address the lack of medical insurance coverage for many children in the state.** Under TABOR, the share of low-income children lacking health insurance doubled in Colorado, even as it fell in the nation as a whole. Although Colorado recently improved on this measure, its ranking remained low in 2008 at 47th.[7]

Colorado Business and Community Leaders View TABOR as Deeply Flawed

A wide range of Coloradoans — business leaders, higher education officials, children's advocates, and legislators of both parties, among others — recognize that TABOR has limited the state's ability to fund critical services:

> "Coloradoans were told in 1992 . . . that [TABOR] guaranteed them a right to vote on any and all tax increases. . . . What the public didn't realize was that it would contain the strictest tax and spending limitation of any state in the country, and long-term would hobble us economically." — Tom Clark, Executive Vice President, Metro Denver Economic Development Corporation

> "The [TABOR] formula . . . has an insidious effect where it shrinks government every year, year after year after year after year; it's never small enough. . . . That is not the best way to form public policy." — Brad Young, former Colorado state representative (R) and Chair of the Joint Budget Committee

> "[Business leaders] have figured out that no business would survive if it were run like the TABOR faithful say Colorado should be run — with withering tax support for college and universities, underfunded public schools and a future of crumbling roads and bridges." — Neil Westergaard, Editor of the *Denver Business Journal*

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[5] Grapevine Annual Compilation of Data on State Tax Appropriations for the General Operation of Higher Education (2008), Center for the Study of Education Policy, Illinois State University

[6] United Health Foundation analysis of National Center for Health Statistics data, http://www.americashealthrankings.org/Measure/2009/List%20All/Prenatal%20Care.aspx.

[7] U.S. Census Bureau, Current Population Survey, 2009 Annual Social and Economic Supplement, "Table HI10. Number and percent of children under 19 at or below 200% of poverty by health insurance coverage and state: 2008," http://www.census.gov/hhes/www/cpstables/032009/health/h10_000.htm .

TABOR Did Not Improve Colorado's Business Climate

Colorado, the only state with a TABOR, has an economy that is stronger than Florida's. However, that has nothing to do with TABOR. The strength of Colorado's economy is largely a legacy of a post-World War II public investment boom by the military and federal government.

The federal investment left Colorado with a strong infrastructure of high-tech firms and researchers, a young, highly educated workforce, and public universities with well respected science and technology programs. By 1991, before TABOR was adopted, more adults in Colorado had completed at least four years of college than in any other state in the nation.

Other advantages, such as energy resources, natural beauty, a location in the center of the country, and massive public investment in a new Denver airport have also helped create a strong economy. (See http://www.cbpp.org/cms/index.cfm?fa=view&id=2497)

But TABOR did not cause Colorado's success. A study by two prominent economists in the area of state and local public finance found that Colorado's growth during the first decade under TABOR was roughly the same as what it would have been without TABOR. The study used statistical analysis to control for factors other than TABOR that could affect economic growth. (See http://www.taxpolicycenter.org/publications/url.cfm?ID=1000940).

Colorado business leaders and citizens banded together and successfully campaigned to suspend the TABOR formula beginning in 2006 and permanently change some of its most damaging features. It is unclear what will happen when the suspension expires, since in most areas Colorado still has not regained the services it lost while TABOR was in effect.

The failure to regain services during the suspension reflects the difficulty of generating enough annual revenue to improve services in the aftermath of so many years of revenue starvation. There would have to be very robust and sustained revenue growth to allow Colorado to go beyond maintaining its current, low level of services and begin to recoup lost ground. It is extremely difficult to restore services once TABOR has been in place for a long period of time.

Colorado's experience provides Florida with an important cautionary tale.

The Core of Both Proposals: the Population-Growth-Plus-Inflation Formula

TABOR's central flaw is its population-growth-plus-inflation formula.[8] A population-growth-plus-inflation formula does not allow a state to maintain year after year the same level of programs and services it now provides.

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[8] Colorado's TABOR limits revenue growth to the population growth plus inflation. SJR 2420 limits growth to "the combined rate of inflation and the rate of population." We assume this means that revenue growth would be limited to population growth PLUS inflation, as in Colorado. SJR 2420's limit could be interpreted to "combine" population growth and inflation somewhat differently, such as by combining the two growth rates through the following formula: (1+population growth)*(1+inflation)-1. The effect on TABOR's impact of using this slightly different formula is not material.

TABOR is Still Damaging, No Matter the Design Changes

This report considers the consequences of SJR 2420, a constitutional amendment that would limit the growth of state general fund revenues by a specified formula — the combined rate of inflation and population growth. The proposed amendment is quite similar to TABOR, which was adopted by Colorado in 1992. And, as described in detail in this report, SJR 2420 could be expected to have the same types of negative effects on the ability of Florida to provide public services and maintain a strong economy as TABOR did in Colorado. For example, five years after SJR 2420's implementation, Florida would have $5 billion less in general revenue than is projected to be available without TABOR — requiring an 18 percent cut in the general revenue fund budget. It would require massive reductions in vital services that residents want and need — education, health care, public safety, roads, environmental protections and others.

There are many possible TABOR design variations, and some TABOR proponents may claim that a variation on the TABOR formula can avert the negative impacts. Such claims typically are not true.

For example, the TABOR proposal considered and rejected by the Taxation and Budget Reform Commission in 2008 (CP 45) would have allowed growth by an extra percent point each year. The formula would have been the sum of inflation plus population growth plus one percent. While that sounds like a much more generous growth rate, it still would require very large reductions in services that residents want and need.

If Florida were to adopt a TABOR with an allowed growth formula of inflation and population growth *plus* one percentage point a year (essentially adding an additional one percentage point a year growth to SJR 2420):

- By 2015-16, just five years after implementation, Florida would have to make do with 14 percent less revenue than the Office of Economic and Demographic Research projects to be available without a TABOR.

- To make a cut of 14 percent today, the state would have to eliminate well over *one-third* (37 percent) of all its general revenue fund support for K-12 public schools. Alternatively, it would have to eliminate all its general revenue fund expenditures on corrections, juvenile justice, law enforcement, and the state court system.

Other variations on the design are also possible. For example, it could be possible to use a five-year average of inflation and population growth to calculate the limit, combined with an extra percentage point. One might think that could add stability to funding, but in fact the result would be the same as described above. Five years after implementation, services such as education or public safety would have to be cut by 14 percent.

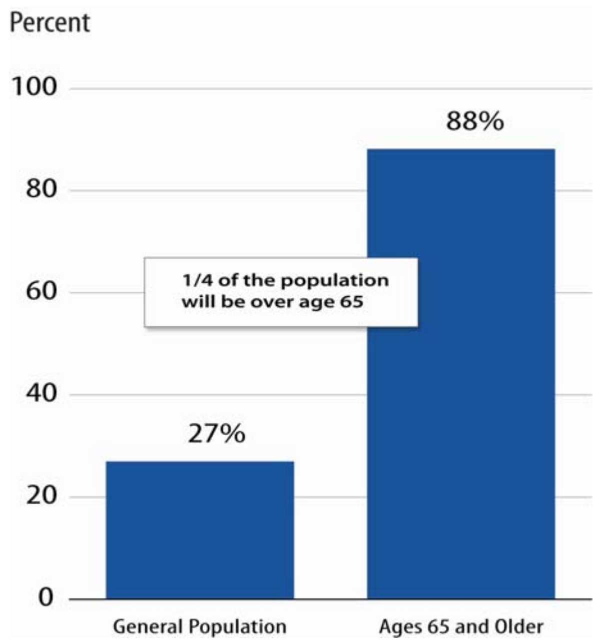
- No matter how a TABOR limit might be tweaked, it still would undermine Florida's ability to meet the needs of its residents and invest in the future. As business leaders in Colorado have made clear, a state in which key services have deteriorated to such an extent is not a state in which businesses can grow and thrive.

Instead it shrinks public services over time and hinders the state's ability to provide its citizens with the quality of life and services they need and demand.[9]

FIGURE 1:

Florida's Elderly Population Growing Much Faster than Total Population

Projected Change: 2010-2030



Source: Florida Legislature's Office of Economic & Demographic Research.

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Population

The first part of the population-growth-plus-inflation formula is the change in overall population growth. Overall population growth, however, is not a good proxy for the change in the populations served by public services. The segments of the population that states serve tend to grow more rapidly than the overall population used in the formula.

An example is senior citizens. According to Florida's Office of Economic and Demographic Research, Florida's total population is projected to increase by 27 percent from 2010 to 2030, while Florida's population aged 65 and older is projected to increase three times as fast, increasing by 88 percent from 2010 to 2030.[10] As Florida's elderly population — which will be a quarter of its total population — increases, so will the cost of providing the current level of health care and other types of services. The allowable state revenue limit, however, would prevent health care and other services from growing with need because it would be calculated using the much slower growing total population. 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.

Inflation

The second part of the formula — inflation — also does not accurately measure the change in the cost of providing public services. The measure of inflation used in SJR 2420 is the "Consumer Price Index for All Urban Wage Earners and Clerical Workers (CPI-W)" for the south region, which is calculated by the U.S. Bureau of Labor Statistics. The CPI-W for the South region measures the

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[9] For a more detailed analysis of the problems with the population-growth-plus-inflation formula, please see David Bradley, Nick Johnson and Iris Lav, "The Flawed 'Population Plus Inflation' Formula: Why TABOR's Growth Formula Doesn't Work," Center on Budget and Policy Priorities, January 2005. Available at http://www.cbpp.org/1-13-05sfp3.htm.

[10] Florida Legislature's Office of Economic & Demographic Research, Demographic Estimating Conference Database, updated August 2009, http://edr.state.fl.us/population/web8.xls.

change in the total cost of a "market basket" of goods and services purchased by the households of urban wage earners and clerical workers in 16 states and the District of Columbia.[11] It excludes the households of professionals, managers, retirees, the self-employed, the unemployed, and others not in the labor force.[12] Since wage-earning households spend a majority of their income on housing, transportation, and food and beverages, those items are the primary drivers of the CPI-W. 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.

Moreover, the "goods"— or public services— in the state of Florida's basket (and in every other state's) are in economic sectors that are less likely to reap the efficiency and productivity gains achieved by other sectors of the economy. For example, teachers can only teach so many students, and nurses can only care for so many patients. As a result, the costs of these public services are rising faster than the costs in other sectors. Indeed, the items in the "basket of goods" most heavily purchased by states — such as health care, education, and prescription drugs — have seen significantly greater cost increases in the past decade than the items in the basket of goods purchased by wage-earning households, and those faster-growing costs are expected to continue.[13] Limiting the growth in revenues to a formula that uses the rate of growth in general inflation will not affect the level or growth of public service costs in the economy; instead, it will affect the quantity and/or quality of public services the state is able to provide to its citizens.

On the Cutting Block

It is important to note that all state programs funded with general revenue — not just those with cost pressures exceeding the formula — are threatened by a rigid population-growth-plus-inflation limit. This is because the revenue cap applies to all state revenues that flow to the General Revenue Fund. Under the proposal, if one area were to grow faster than population growth plus inflation (for instance due to cost pressure, court order, or popular demand), then another area would have to grow at a slower pace — which would mean a reduced level of services in this second area. This type of formula-driven budgeting hamstrings meaningful discussions about the priorities of the citizens and the ability of the state to respond to them.

Local Government

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 would be protected from cuts.

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[11] The 16 states included in the south region are Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia.

[12] According to the Bureau of Labor Statistics, households of wage earners and clerical workers comprise about 32 percent of the total population.

[13] From 2000 to 2009, the CPI-W for the South region rose 23 percent, while education costs for all urban consumers rose 70 percent, medical care service costs rose 49 percent, and prescription drug costs rose 37 percent. And these are costs to consumers, not costs to governments. Rapidly growing education and health costs are a much higher percentage of state budgets than consumer budgets.

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 was the prior fiscal year. That means that when recessions hit and revenues decline, the recession-depressed revenue level becomes the new base from which the formula is applied. Thus, the base for future growth shifts, or "ratchets," downward. 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. Under SJR 2420, the base year is always fiscal year 2010-11, so future recessions will not cause the base to shift further downward.

However, *the key issue is not the ratchet but TABOR's "population-plus-inflation" formula* — common to both the Colorado TABOR and the Florida proposal. The formula 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.

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. 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.

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.

How Would TABOR Affect Revenues and the Programs Funded by Them?

In order to better understand the magnitude of cuts SJR 2420 would require, we conducted an analysis of how state revenues would have been limited if Florida had adopted TABOR in 1992, like Colorado.[14] This analysis finds that TABOR would have not just controlled state spending, it would have forced large reductions in basic state services. An additional analysis looks forward to assess

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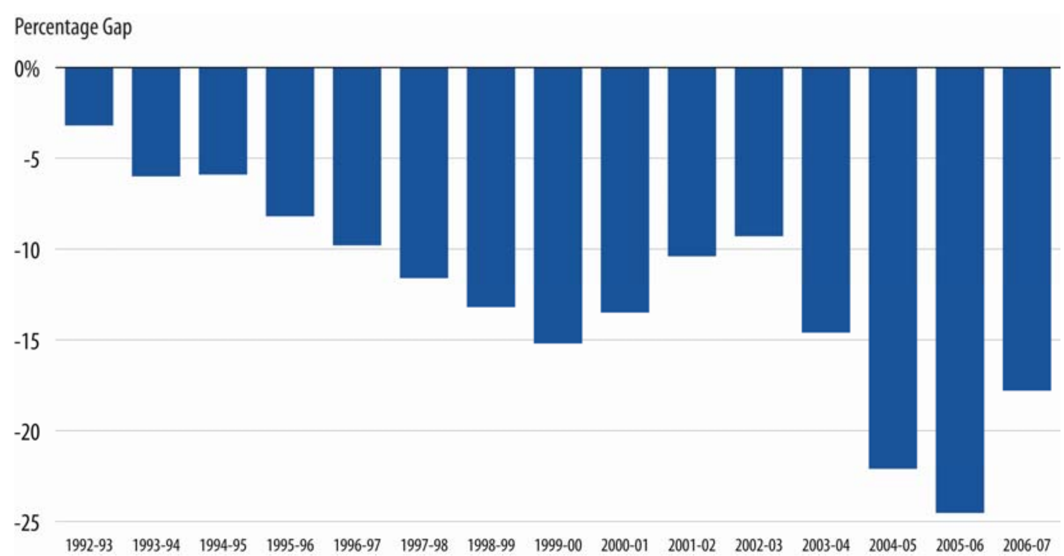
[14] In completing this analysis we used detailed data from the Florida legislature's Office of Economic & Demographic Research on revenue to the General Revenue Fund, population figures from the U.S. Census Bureau, and the annual average CPI-W for the South region from the Bureau of Labor Statistics.

the potential reductions that would be required in the near future if TABOR were to be adopted in Florida.

FIGURE 2:

If Florida Had Adopted TABOR in 1992, Revenue Would Have Been Severely Limited

Gap Between Actual Revenue and TABOR-Limited Revenue



Source: CBPP analysis of data from the Florida legislature's Office of Economic & Demographic Research, U.S. Census Bureau, and Bureau of Labor Statistics.

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Looking Back

Under TABOR, Florida would have been allowed to expend $37 billion *less* than it actually did between fiscal years 1992-93 and 2006-2007.

The greatest gap between actual and allowed revenues would have been in fiscal year 2005-06, prior to the current recession, when the state would have had *$6.5 billion* less revenue to expend than it actually had.[15] That would have required *a cut of 25 percent of the general revenue fund budget that year*. To help understand the magnitude of this shortfall, cutting 25 percent from Florida's general revenue fund in the 2005-06 fiscal year would have been equivalent to:

- *Two-thirds* of general revenue fund appropriations for preK-12 schools; or

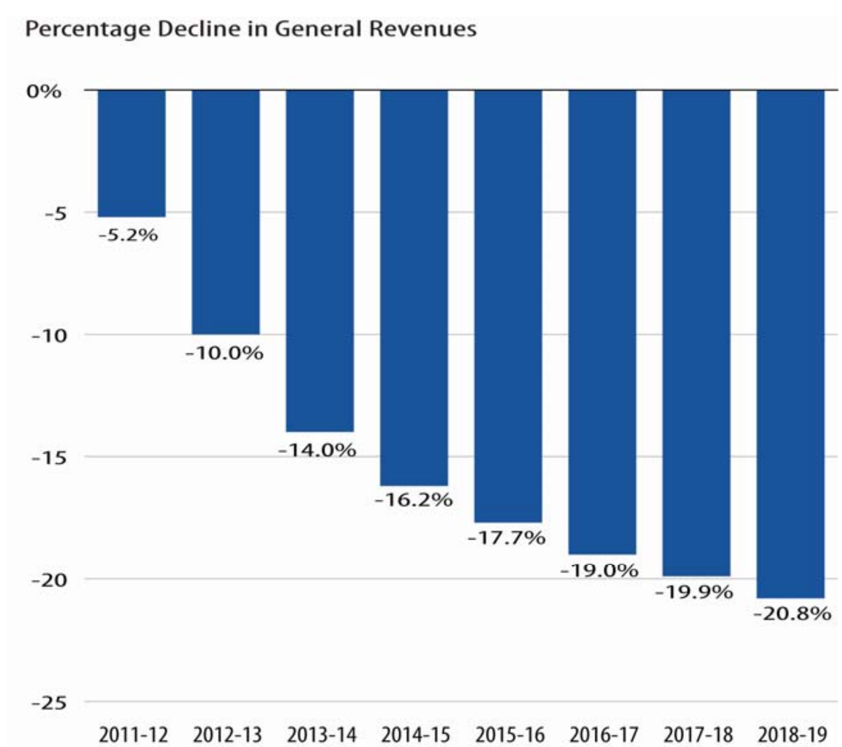
[15] The analysis looks at fiscal year 2005-2006, just before the lead up to the current recession began to reduce Florida revenue collections. This provides a picture of what would happen in a normal year. In the subsequent recession, revenues dropped along with the economy and resulted in significant budget cuts. As noted in the text, TABOR would lock in those recession-induced budget cuts for the foreseeable future.

- *All* general fund appropriations for public universities, community colleges, and student financial aid — combined — plus *all* general revenue appropriations for public health, elder affairs, programs helping low-income people achieve economic self-sufficiency, assistance to the mentally ill, support for domestic violence victims, and substance abuse programs.

- *All* general revenue fund appropriations 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 — plus *all* general revenue appropriations for environmental protection, transportation, fish and wildlife conservation, veterans affairs, wildfire prevention, the Governor's office, the state legislature, the attorney general's office, the secretary of state's office, the state archives, the state revenue department, public funds accounting, and highway safety.[16]

FIGURE 3:

Based on Official State Projections, TABOR Would Quickly Produce Sharp Cuts



Source: CBPP analysis of data from the Florida Office of Economic & Demographic Research and Congressional Budget Office.

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Looking Ahead

Based on projections for the next several years from the Florida legislature's Office of Economic and Demographic Research, (EDR) we also analyzed how revenues can be expected to be limited in the first few years after the implementation of SJR 2420.[17]

This analysis produced similar results to the one using actual revenues back to 1992. 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

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[16] CBPP analysis of Florida's 2009-10 budget data by agency posted at http://www.ebudget.state.fl.us/bdagencies.aspx.

[17] In completing this analysis, we used projections of General Revenue Fund revenues covered under TABOR and population projections from the Florida legislature's Office of Economic and Demographic Analysis. Because calendar year projections of the CPI-W were not available, we used projections of calendar year, national CPI-U from the Congressional Budget Office.

TABOR. That would require a cut of 18 percent of the general revenue fund budget. And public services would continue to deteriorate from there. Eight years after TABOR's enactment, Florida would have $7.2 billion (21 percent) less general fund revenue to support public services than EDR currently projects.

To make a cut of 18 percent today:

- The state would have to eliminate *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, plus all general fund spending for services to the elderly.

- 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, plus all general fund spending to run the state legislature.

SJR 2420's impact in the next few years would be exacerbated because TABOR's 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.

SJR 2420's Harsh New Procedural Hurdles

In addition to imposing a TABOR on Florida, SJR 2420 would also create harsh new procedural hurdles that would put Florida in a fiscal straightjacket, leaving the state without the flexibility needed to make necessary new investments or provide services a majority of residents may want and need.

- **SJR 2420 requires an excessively steep two-thirds vote of the people for all new fees, charges, and taxes.** A two-thirds vote of the people to approve any new state revenue source, including a charge for services or a fee, 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.

- **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. 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, under SJR 2420, would be even greater than are being suffered in this one.

How Far Can Florida Fall?

When Colorado adopted TABOR it ranked in the middle of the pack among states on a number of key public services. Under TABOR, Colorado fell to the bottom of states on many of those rankings and despite TABOR's suspension in 2005, the state has been unable to recover in a number of areas. Florida, unlike Colorado, already ranks among the worst-performing states on a range of education and health care measures:

- Florida ranks 49th in the nation in K-12 spending as a percentage of personal income.[18]
- Florida ranks 38th in average per-pupil funding—$1342 less per student than the national average.[19]
- Florida ranks 37th in the nation in the average number of students per teacher.[20]
- Florida ranks 41st among the states in state funding of higher education per $1,000 of personal income.[21]
- Florida ranks 48th in the percentage of low-income, nonelderly adults with health insurance.[22]
- Florida ranks 50th among the states in its share of low-income children with health insurance.[23]

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18 Center on Budget and Policy Priorities calculation of National Center for Education Statistics data (Table 176. Current expenditures for public elementary and secondary education, by state or jurisdiction), and Bureau of Economic Analysis quarterly personal income data (http://www.bea.gov/regional/sqpi/).

19 CBPP analysis of National Center for Education Statistics data (Table 184. Current expenditure per pupil in fall enrollment in public elementary and secondary schools, by state or jurisdiction).

20 CBPP analysis of National Center for Education Statistics data (Table 66. Teachers, enrollment, and pupil/teacher ratios in public elementary and secondary schools, by state or jurisdiction).

21 Grapevine Compilation of Data on State Tax Appropriations for the General Operation of Higher Education (2008), Center for the Study of Education Policy, Illinois State University.

22 Center on Budget and Policy Priorities' analysis of the Annual Social and Economic Supplements to the 2008 and 2009 Current Population Surveys. Rankings include the District of Columbia.

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 healthy, educated individuals in order to grow.

Conclusion

SJR 2420 would damage Florida's ability to meet the needs of its residents and invest in the future. As Colorado's experience has shown, TABOR does more than control state spending. It requires massive reductions in vital services that residents want and need. Under SJR 2420, Florida would never escape the impact the current recession has had on services and quality of life in the state. Even more, it would find itself in a fiscal straightjacket, without the flexibility needed to meet future demands and challenges.

[23] U.S. Census Bureau, Current Population Survey, 2009 Annual Social and Economic Supplement, "Table HI10. Number and percent of children under 19 at or below 200% of poverty by health insurance coverage and state: 2008," http://www.census.gov/hhes/www/cpstables/032009/health/h10_000.htm. Rankings include the District of Columbia.