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NEWS RELEASE

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"TABOR II" WOULD HARM MAINE'S ECONOMY, BUSINESSES, AND FAMILIES

Ballot Proposal Virtually Identical to Colorado's Failed TABOR

Maine's efforts to improve its business climate and recover from the recession would be hindered if voters adopt the proposed Taxpayer Bill of Rights (TABOR) that is on the ballot in Maine this November, according to a new report from the Center on Budget and Policy Priorities.

The measure, known as "TABOR II" because a similar proposal was rejected by Maine voters in 2006, would impose rigid limits on state spending, forcing cuts to education, roads and highways, health care and other key services that support Maine's economy and quality of life. Moreover, state spending in Maine has already fallen as a share of residents' income over the last two decades, making TABOR unnecessary.

"This proposal is a solution in search of a problem," said Iris Lav, author of the report and senior advisor at the Center. "To address non-existent growth in state spending, it would impose crippling and arbitrary spending limits that would undermine public services and make Maine less competitive."

Colorado Experience Shows Failings of TABOR

Colorado, the only state that has adopted a TABOR, saw a serious deterioration in education, health care and other services, prior to the successful effort by a broad coalition -- including business leaders -- to suspend it in 2005. The business climate suffered under TABOR because businesses were unwilling to operate in a state in which schools and universities could not maintain quality standards and the infrastructure was becoming increasingly sub-par.

"This proposal is almost identical to the Colorado TABOR that voters suspended in 2005 because it was so detrimental to families and businesses," said Lav. "Maine should not go down that road."

Had TABOR been in place since 1992 (the year Colorado adopted TABOR), last year's state budget would have been 17% lower, requiring even deeper cuts to health care, education and other key services, than those made because of the recession.

To reduce spending so dramatically, the state might have had to cut education funding in half, for example. The separate limit TABOR II would place on the highway fund would have required reductions equivalent to eliminating two full years of spending on roads and bridges.

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TABOR II's effects in Maine would likely be even more harmful because of the ailing economy. Adopting a TABOR during a recession – especially one this severe – would lock the state in perpetuity into deep cuts the state was forced to make because of the downturn. It also would render impossible the kinds of investments in a highly-skilled workforce and quality infrastructure that Maine will need in order to compete and prosper when the economy recovers.

"Maine's voters rejected TABOR the last time it was on the ballot," said Christopher St. John, executive director of the Maine Center for Economic Policy. "It's still the same bad idea, and adopting it during a recession would make its harmful effects even worse. Voters should reject it again."

Promised Tax Refunds Unlikely to Materialize

TABOR II proponents claim the proposal would result in regular tax refunds for Maine residents. In many cases, the refunds are unlikely to materialize. For example, some 60 percent of Maine's senior citizens on Social Security would be ineligible for TABOR II tax refunds.

As occurred in Colorado, other Maine residents would likely find most of their tax refunds eaten up by rising out-of-pocket costs for state university tuition, fees for children's school books and after-school sports, recreation fees, health care, and other services no longer provided by states and localities.

Adequate Spending Limits in Place

Maine's spending has declined modestly as a share of the state's economy over the last two decades. An existing spending limit – known as LD 1 – will prevent a rapid spending increase as the economy recovers, without the harmful effects of TABOR. TABOR would in fact hinder Maine's efforts to prepare for future downturns or unexpected fiscal challenges by reducing the amount of funds the state can reserve in its Budget Stabilization Fund.

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