Taxpayer Empowerment Amendment – Talking Points

Objective:
MS to highlight spending cap bill (Taxpayer Empowerment Amendment, or TEA) that will be introduced today in the Senate by Ryberg and Peeler and will be dropped in the House after the budget.

Logistics:
In statehouse lobby, podium, no PA.

MS will be flanked by lawmakers from House and Senate.

Speaking Order – Ryberg, MS, Harrell
Ryberg has to leave for another engagement. MS should welcome everyone to press conference, then immediately hand off to Ryberg so he can speak and leave. MS should then make comments, then hand off to Harrell

Audience:
Legislators and press

Attachments:
Talking points
Supplemental on the problems with Colorado's TABOR avoided by our bill
Op-ed from Colorado Gov. Bill Owens on spending caps

CHARTS

Kevin Bozzuto(?)

(2) > let people decide > lottery – → when spend → leg. sum; how much (spend)

Overall:
Senator Ryberg is dropping a TEA bill today. The Senate bill is sponsored by Ryberg and Peeler plus a number of other Senators. The House bill be dropped after the budget and will be supported by the Speaker and others.

(1) TRANSFORMATIVE Δ –

What the bill ~~would do:~~
Offer the voters a choice to cap future government spending increases to population plus inflation

Bobby Harrell

If implemented, would create a Taxpayer Relief Fund that would hold over any dollars in excess of population plus inflation

(3) Pop + inf – (– constitutional requirements)

If revenues in the next year are on track to meet projections, we'd rebate that money back to the taxpayers

glide slope

If revenues fall behind, the holdover dollars in the Taxpayer Relief Fund would be the first avenue for addressing shortfalls in funding core services like education and healthcare.

This bill would also cap spending at the local level, which can only be lifted by voter referendum, and only for two years at a time.

Reasons Why We Need It:
Last year's budget grew 9.1%, compared to personal income growth and population plus inflation of roughly 4 percent. This year, Pop+inf is 5.15%

SC taxpayers contribute $330 more per person than the rest of the nation to government revenues (SC per capita revenue collections of $4,140 vs. US average of $3,810).

SC citizens spend 19 percent of their income on government while the average person across the nation only contributes 15 percent.

If We Had TEA in Past Years
While times were good during the mid to late 1990's, dollars were appropriated to create new programs and grow existing services – growing government by 11.4% in FY1999 and 12.2% in FY2000.

As the economy turned and revenues began to slow, there were over $800 million in mid-year cuts from FY 2000-01 to FY 2003-04.

All of these cuts could have been avoided with TEA, while preserving trust and reserve funds.

If we had started TEA 20 years ago, more than $6.6 billion could have been reinvested in the private sector of this state – translating into each taxpayer receiving an average return of almost $3,700 over this time period.

Able to Fund Core Services
Our Executive Budget lives by the TEA limit, completely repays all trust and reserve funds, refunds $150 to each family; and fully funds core services

We are not the only state advocating this
Ohio and Maine – A tax and spending limit proposal brought on by a citizens' initiative will be on the ballot in Nov. 2006 for both these states – showing there is a desire by citizens to hold government accountable.

17 other states (including us) are also in the process of putting a spending limit on the ballot through legislation or through citizens' initiative.

Response to "Why did Colorado's TABOR not work"?

There were three core problems with the mechanics of TABOR:

"The Ratchet Down Effect"
During a recession, TABOR's law uncovered an unintended glitch. As the economy came out of a recession, the law did not allow for the budget to return to pre-recession levels – effectively continuing to budget below a population plus inflation level. Any future budget growth had to be calculated based on the amount of revenue from the prior year or the previous year's cap – using the lower of the two. Using revenue from the prior year during a recession kept the budget below population plus inflation.

Not a problem for TEA, because we propose the Taxpayer Relief Fund (the surplus dollars) be used as the first means to fill any revenue gap during a recession and that the base not be lower than the base used prior to the recession – assuring growth at the population plus inflation rate. It also must be noted that Colorado did not have the other reserve funds that SC has (ie. General Reserve Fund, Capital Reserve Fund).

The Colorado Legislature was not prohibited from spending excess surplus during the year it's accrued.
Colorado ran in to a problem by spending surplus dollars that were committed to the taxpayers – with hopes that next year's uncertain surplus would fund the rebate to the taxpayers. When the revenues continue to outpace spending, it is not a problem to give the refund in this manner. However, once revenues dipped below the TABOR trigger amount, the Legislature was forced to dip into the reserve funds and accumulate debt to pay the tax refund, thus leaving them short for spending in the current year.

Not a problem for TEA – This won't be a problem for us because we are proposing to not refund the surplus until the following fiscal year and the surplus fund can't be touched prior to this.

Mandated Spending Increases
An amendment in 2000 to the TABOR spending cap mandated that K-12 education must increase one percent greater than the calculated population plus inflation figure on an annual basis – essentially taking more and more of the budget each year due to a higher growth rate than other government services.

Not a problem for TEA – Our plan will not have such an exception for education. But our plan does insure that K-12 education and other core services are fully funded while not exceeding the cap – just as we did in this year's budget. This is in part due to legislative mandates that already require us to fund education at a certain level each budget cycle – better known as meeting the "educational funding test". We met this requirement for educational funding in the FY2007 budget.

From: Grant (check email)

latimes.com Los Angeles Times

http://www.latimes.com/news/printedition/opinion/la-oe-owens5nov05,1,4846596.story

Spending caps do work

Colorado voters didn't reject budget limits, they just fixed their law. California, too, can learn to live within its means.

By Bill Owens

Republican BILL OWENS has been governor of Colorado since 1998.

November 5, 2005

SOME CALIFORNIANS may be under the impression that the state spending cap in Colorado — our Taxpayer Bill of Rights — is dead. To paraphrase Mark Twain, the reports of its demise are greatly exaggerated.

In our election a few days ago, Colorado voters fixed a glitch in the spending cap law; they didn't overturn it, as some reports might have you believe. There was no "up or down" vote. I believe that a majority of Coloradans support the law, and when the election dust settles, other states will see how well spending caps can work and more will adopt them.

California voters will have the opportunity to do exactly that in a few days by voting for Proposition 76.

The spending cap in Colorado is a success story. Added to the state Constitution by referendum in 1992, it helped keep the reins on Colorado's budget, primarily by using a formula based on population growth and inflation. If taxes provided surpluses above that budget, the money was returned to the taxpayers.

This has meant that our budget could grow, but only at a prudent pace. So when the recession hit, the resulting drop in tax revenue meant serious belt-tightening, but it did not lead to the cataclysmic cuts seen in other states.

The recession did, however, uncover an unintended glitch in the law. As the economy recovered, the law didn't allow for the budget to return to earlier levels, even though the revenue was available. Any future budget growth had to be calculated by using the lowest point hit during the recession as the base. That was too restrictive.

Compare the budget to a reservoir.

During a drought, the water recedes. Then, when the rain returns, you should be able to refill the lake. But instead, because of the glitch, the reservoir had to stay dry. In Colorado, our budget was being kept too low by the rules even though state revenue was increasing.

Last Tuesday, the voters — by approving our Referendum C — fixed the glitch. The voters gave the state permission to retain all surplus revenues for five years, allowing the budget reservoir to return to pre-recession levels. The measure also allows for similar flexibility in the future if an economic downturn again drains the reservoir.

In the few days remaining before the vote in California, if you hear opponents of Proposition 76 claim that Colorado voters decimated the spending cap because they decided it wasn't working, don't believe it. The taxpayer protections that originally were part of the law are still in place — the same formula for figuring the budget, a requirement that tax increases be voted on and, after the general fund is replenished, the return of tax surpluses to taxpayers.

Placing appropriate limits on the growth of state spending makes sense. The name given to Proposition 76 in California — the "Live Within Our Means Act" — says it all. Why shouldn't government, just as a business or a family, be required to live within its means? Why should government spending grow at a rate faster that the growth of the economy in general? The answer is easy. It shouldn't.

Proposition 76 sets up a different way for California to measure growth than Colorado does. Instead of a formula based on inflation and population, the California measure uses average revenue growth over the three prior years as a base. But the differences in the formula are irrelevant as long as, at some point, you apply the brakes.

There is simply no reason that state spending should exceed available revenue.

Gov. Arnold Schwarzenegger and I first discussed Colorado's taxpayer rights' law shortly after his election. He realized then that a constitutional restraint on spending was imperative. I applaud his courage in taking his plan to the voters.

The governor is finding that it is not always easy to put state government on a diet.

However, for its own health, it is essential.