



arizona business & education coalition

## **ABEC ISSUE BRIEF:**

### **TAXPAYERS BILL OF RIGHTS (TABOR)**

#### **REQUESTED ABEC ACTION:**

The ABEC Legislative Strategy Team requests the Board to oppose TABOR whether as an initiative or referendum.

#### **BACKGROUND & CURRENT STATUS:**

The “Taxpayer Bill of Rights” (TABOR) is part of a national movement to impose fiscal limits on government growth. Not all versions of TABOR proposals are the same. Colorado, which is considered the “political laboratory” on TABOR, passed a constitutional amendment creating TABOR in 1992. Earlier this month, they voted to temporarily suspend the law after 13 years of experience. The Colorado law created a strict limit on revenue growth which benchmarked it to population and inflation changes.

The recent vote in Colorado is seen as a blow to the TABOR movement; however, few believe supporters will abandon their efforts. Instead, the focus will likely be on creating revised versions of the Colorado law which eliminate some of the more troublesome or politically difficult provisions. The most notable of these was the “ratchet down” provision which, during cycles of economic downturn, reduced the “floor” from which all subsequent calculations were derived. This wreaked havoc with many government entities which budgeted based on forecasted revenue streams (capitol infrastructure and O&M items). As a result, opponents in Colorado were able to put together a broad-based coalition of over 1000 organizations to oppose “Referendum C” which set aside TABOR for five years.

In Arizona, the most likely leaders of an initiative effort recently stated that they may wait until 2008 (calling it a 50/50 chance). There has also been discussion of whether to split the initiative into three parts of a “budget reform trifecta”:

- 1) Spending Limits – This would require a constitutional change by the voters.
- 2) Income Tax Reduction, and
- 3) Accounting Reform (both of which could be dealt with statutorily).

One other key difference between Colorado’s plan and what may ultimately be introduced in Arizona is that Colorado returned all money to the taxpayers not spent by government. The early discussion in Arizona suggests a hybrid approach of taxpayer rebates combined with some money going into a “rainy day fund”.

#### **SUPPORTERS:**

- Americans for Tax Reform, a Washington D.C. based group dedicated to shrinking the size of government and the CATO Institute, a conservative think tank also in Washington. In Arizona we are not aware of a campaign committee or formally organized advocacy group but there are significant supporters in the legislature.

#### **ARGUMENTS IN FAVOR**

- Limiting the growth in government to a factor which mirrors population and inflation forces the public sector to live within its means and allocate limited resources in an efficient fashion.
- Absent constitutional and statutory measures, there are no other methods to force accountability on government and create downward pressure on expenditures.
- The founding fathers and traditional American values have supported the notion of limited government. TABOR is a mechanism that is consistent with these longstanding values.

#### **OPPONENTS:**

- A “No On TABOR” Task Force has been formed with roughly two dozen participants (Firefighters, Az. League of Cities, AEA, ASBA, Children’s Action Alliance, Az. Public Health Assn., ASU, NAU, U of A, PAFCO, Lutheran Advocacy Ministry, AARP, County Supervisors Assn. Paradise Valley Health Solutions, and the Association of Community Health Centers).

#### **ARGUMENTS IN OPPOSITION**

- Like other “ideologically based initiatives” TABOR attempts to impose a simplistic solution to deal with complex problems. It is bad public policy and bad tax policy.
- Government, like business, requires the flexibility to respond to changing needs and events. TABOR hamstring all levels of government into a rigid fiscal paradigm.
- Colorado suspended TABOR because it created disastrous fiscal consequences for cities, educational and health care institutions which were magnified with each passing budget cycle.

#### **IS THE ISSUE CONSISTENT WITH ABEC’S PRINCIPLES OF AGREEMENT?**

- Much the same can be said with TABOR as with the 65% Issue. ABEC’s Principles of Agreement contain supportive language related to Funding Long Term Investment, Flexibility and Accountability. They also speak to Teacher Quality in the form of Career Development. These provisions do not directly address the TABOR proposal but would cumulatively tend to make a case against it based on its inflexibility and the fact that, ultimately, it begins to diminish funds for education.

**[ ABEC Issue Brief – TABOR (11/21/2005) ]**