

FSBA Issue Brief: Taxpayers Bill of Rights

Background

The Taxpayer Bill of Rights (abbreviated TABOR) is a concept advocated by various groups as a way of limiting the growth of government. Typically, TABOR plans require that increases in overall tax revenue be tied to inflation and population increases unless larger increases are approved by referendum. In some cases, TABOR plans also place similar limitations on spending.

The most well-known example of TABOR was enacted in Colorado in 1992 when voters amended the state constitution to provide that any tax increase resulting in the increase of governmental revenues at a rate faster than the combined rate of population increase and inflation would be subjected to a popular vote in a referendum. These provisions applied to Colorado cities and counties as well as the state itself. Coloradans soon found the measure to be unworkable and, in November 2005, voters approved a ballot measure to substantially soften and neutralize many of TABOR's restrictions.

In Florida, TABOR was first given serious consideration in 2008 by the Taxation and Budget Reform Commission (TBRC) when they considered a proposal that would be very similar to the Colorado example. After hearing a great deal of testimony from advocates on both sides, TBRC did not approve the proposal. Since that time, TABOR proposals have continued to appear. Most recently, Senator Mike Haridopolos has filed a bill – SJR 2420 – proposing a TABOR amendment to the Florida Constitution for consideration during the 2010 Legislative Session. If approved by the legislature, this proposal would be placed on the November 2010 ballot.

SJR 2420 would establish revenue limits on state and local governments (including school districts) that would limit revenue in any given year to prior year revenue as adjusted for inflation and population changes (for school districts, enrollment changes, rather than population changes, would be used). Any revenues collected in excess of revenue limits must be deposited in budget stabilization funds, used to reduce future taxes, or refunded to taxpayers. In most cases, if the state or any local government wished to collect revenues in excess of the revenue limit, it would have to be approved by voters. This amendment would also prohibit the state or a local government from imposing new taxes, fees, assessments, or charges for services or from incurring multi-year debts or financial obligations without first obtaining approval by a ***supermajority*** vote of the electors.

Concerns

Over time, TABOR leads to a decrease in tax revenue whether the economy is good or bad. In a strong economy, additional income from year to year among the same population can not be effectively taxed because TABOR does not adjust for rising productivity. Because TABOR is based on the prior year, in a weak economy – such as a recession – if tax revenue declines, revenue can not rise back to the pre-recession levels without a referendum.

In addition, TABOR limits the scope of work that governments can accomplish for several reasons. First, the growth in the cost of providing most government programs and services DOES NOT track with population or inflation – health care, education, and children and family services are all examples of government services in which costs are growing far faster than inflation and population. Second, TABOR makes any new initiatives virtually

impossible to undertake because funds are committed to existing services. Third, TABOR completely short circuits a government's ability to respond to a natural disaster, emergency, or other unusual events. Fourth, TABOR undermines every principle of local control and representative government.

FSBA Position

FSBA opposes TABOR because it places unreasonable and artificial restrictions on funding for public education, restricts the school district's ability to respond to the individual needs of students, reduces the school district's ability to react quickly and efficiently to emergency and unexpected situations, and undermines the principles of local control and representative government.