TABOR: A Proven Failure

HJ594 Would be a Costly Disaster for Virginia

By Sookyung Oh, Sara Okos and Michael J. Cassidy

The Commonwealth Institute

A bill currently being considered by the General Assembly would undermine Virginia's economy by starving schools, health care and other essential services of resources, putting Virginia on a path of proven failure. The legislation would impose a rigid and arbitrary limit on state spending, making it virtually impossible for the state to keep pace with changing needs and cope with new challenges. Virginia lawmakers should reject this bill.

House Joint Resolution 594 (HJ594) is a constitutional amendment that would limit the annual growth in state spending to an austere formula: population growth plus inflation in the cost of common consumer goods. While it includes exceptions for tax relief, deposits into the Rainy Day Fund, and one-time building projects, any other deviation would require approval by at least a two-thirds majority of both chambers of the legislature. That would allow a small number of lawmakers to thwart popular initiatives that have majority support.

This proposal closely resembles Colorado's now infamous "Taxpayer Bill of Rights" (TABOR), enacted in 1992. It led to such drastic cuts in public services and damaged the state's business environment to such an extent that a coalition of Coloradans – business leaders, higher education officials, and legislators of both parties, among others – worked together to promote a statewide measure to **suspend** TABOR in 2005 for five years. With Colorado's experience in mind, 30 states have rejected efforts to enact TABOR legislation since 2004.

Putting on a Straightjacket

A constitutional limit on spending is an extremely blunt instrument that would make it nearly impossible for the state to react to changing circumstances and unexpected challenges. Had it been in place in 2008, the year the Great Recession took hold in Virginia, state policymakers would have been forced to trim over $1 billion more from education, public safety, health care and other priorities to meet TABOR requirements. Virginia needs to be able to respond to changing circumstance in a timely and effective manner, but a rigid spending limit would prevent us from doing so.

Taking a longer view, if the proposed spending restrictions had been in place, the commonwealth would not have been able to afford such major initiatives as ending parole, expanding children's access to health care, or reducing class sizes.

A Formula for Failure

Under the proposed spending limit, Virginia lawmakers would be forced to surrender their judgment of how best to meet the state's needs. Inflation and population growth would guide those decisions, even though they are often difficult to gauge accurately and are regularly revised over long periods of time. The costs of providing health care, education, public safety, and many other services grow at a faster rate than the cost of consumer goods, which is the inflation measure prescribed by this bill.

Overall population growth is also a flawed predictor of costs. That's because certain segments of the population grow at different paces and require more services than others. As Virginia's elderly and school-age populations grow, health care and education needs will grow as well. To the extent that these populations grow faster than the population as a whole, the cost of maintaining even the current level of services would require more funding than the spending limit would allow.

Shifting Costs to Localities

If Virginians wanted or needed to spend more on their schools, health care and other public services than would be allowed under the state spending limit, their only option would be to raise local sales and property taxes and fees, the revenue sources that localities control. That's precisely what happened in Colorado following TABOR, where there were 367 successful votes to increase local taxes, including property taxes.

Big Risks for Virginia

It's hard to argue that Virginia is spending beyond its means. Among states, Virginia already ranks near the bottom in investment in key areas such as health and education. It is 47th in per capita Medicaid spending, and has some of the most stringent eligibility requirements for parents. Virginia also ranks 38th on state per-pupil spending on K-12 education. For a relatively wealthy state, we spend comparatively little on these key public priorities. A rigid constitutional spending limit would only make things worse.

Damage Report: Colorado's Experience with TABOR

Less than a decade after it enacted TABOR, Colorado's schools, health care and other services fell from middle of the pack nationally to bottom of the barrel.

- Higher education spending as a share of personal income dropped from 35th to 48th lowest in the nation
- K-12 education spending as a share of personal income dropped from 35th to 49th
- Health coverage for low-income children dropped from 18th to 44th
- Access to prenatal care declined from 23rd to 48th
- The share of children receiving their full vaccinations declined from 24th to 50th
- Nearly 100,000 senior citizens lost their property tax exemptions.

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