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The Latest Missouri "TABOR" Proposal Would Require Significant Cuts to Education, Health Care and Infrastructure

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Earlier this year, the Missouri House approved House Joint Resolution 43 (HJR 43). If approved by the Senate, the measure would place before voters a state constitutional amendment creating one of the strictest appropriations lids in the nation. HJR 43 is known as "TABOR," after Colorado's Taxpayer Bill of Rights (TABOR) amendment, which had dire consequences for public services and infrastructure in Colorado. Although HJR 43 has some deviations from Colorado's measure, the impact would be very much the same: a significant decline in public services that would hinder economic recovery and negatively impact quality of life for all Missourians.

Summary of HJR 43

HJR 43 relies on the same flawed formula as Colorado's TABOR amendment: tying growth in funding for state services to the change in population plus inflation (as measured by the consumer price index). This formula was proven to be damaging in Colorado. The consumer price index measures only what consumers purchase, not what government purchases on behalf of its citizens. As a result, TABOR restricts state spending to an unreasonably low level, depleting the ability of the state to respond in times of crisis, or to respond effectively as the demographics within the state population change, such as the aging of the population.

HJR 43 is distinct from Colorado's TABOR because it allows spending on state services to grow up to 1.5 percent higher than the strict population plus inflation measure. However, applying even this more generous formula to Missouri's historical spending shows clear and damaging consequences. **If enacted in 1992 Missouri would have hit the HJR 43 lid in nearly <u>every year</u> from fiscal year 1993 through fiscal year 2012.**[1] In fact, over that twenty-year period, Missouri would have been required to reduce spending on state services by **$13 billion** compared to actual expenditures. These cuts would have been in addition to cuts already made during the ongoing fiscal crisis over the last decade.

In addition, although HJR 43 was amended in the House to allow the TABOR lid to be implemented only after the state returns to FY 2008 funding <u>and</u> when the current K-12 school funding formula is fully funded, **those additions simply delay the inevitable crisis that has been proven to result under TABOR.**

Impact on Public Services: K-12 Education

Reviewing specific categories of public services indicates just how devastating TABOR would be to Missouri. **Over the same twenty-year period, Missouri would have been required to cut funding for higher education by more than $723 million, reduce funding for elementary and secondary education by $5.79 billion, and cut funding for health care services by $9.6 billion.**[2]

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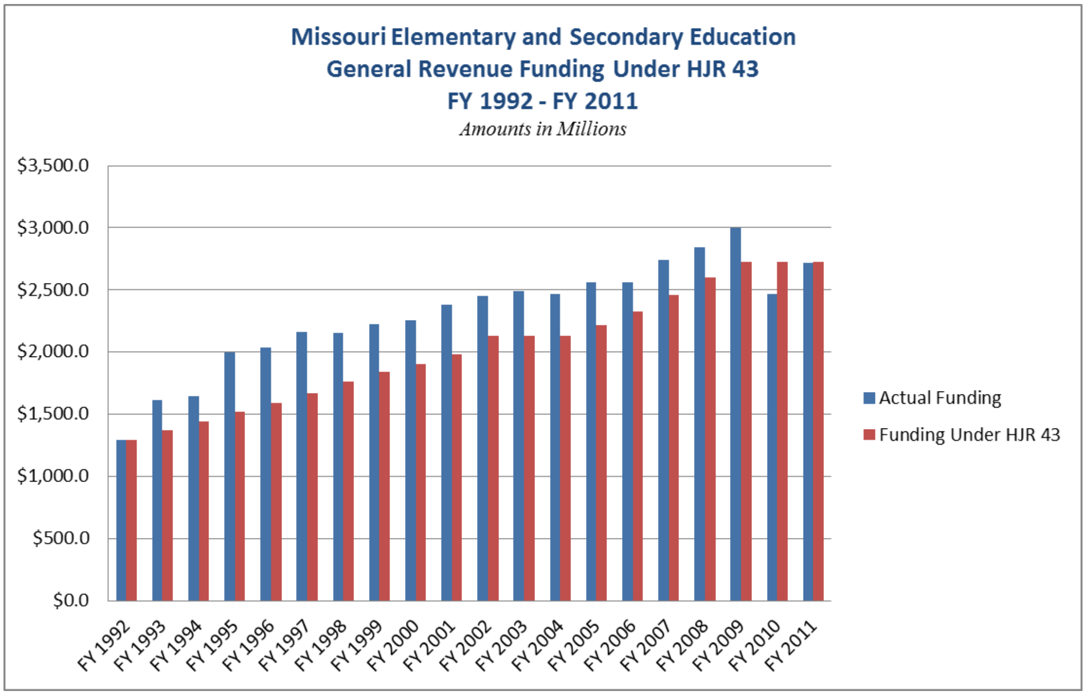
[1] Missouri Budget Project calculation using data on general revenue spending from the Missouri Office of Administration, data on the Consumer Price Index from the U.S. Bureau of Labor Statistics, and Population data from the U.S. Census Bureau.
[2] Ibid. For departmental impacts, the modified TABOR formula as directed under HJR 43 was applied to each departmental budget.

As demonstrated within the following chart, state funding for K-12 school districts would have been higher than allowed under the formula contained in HJR 43 in nearly every year over the last two decades. Even in the current state fiscal year, although Missouri's aid to local school districts is estimated to be $250 million below its legally required funding level,[3] policymakers would have been prohibited from investing more in education under HJR 43.

Although HJR 43 was amended in the House so the TABOR lid would be implemented only after the state returns to FY 2008 funding and when the current K-12 school funding formula is fully funded, **the changes only postpone the drastic cuts TABOR creates.** As the chart below indicates, once the school funding formula reaches that required level, over time the TABOR constraints perpetually reduce the amount that can be invested in future years, eroding the ability of school funding to keep pace with changing needs and a changing formula.



Impact on Public Services: Higher Education and Health Care

Similar trends as those above occur when the modified TABOR spending formula is applied to higher education and health care services. Had HJR 43 been in effect beginning in 1992, **higher education funding would have been reduced over the twenty-year period by more than $723 million and health care services would have faced cuts of $9.6 billion.**[4]

Given the severe spending limits included in TABOR, Missouri would not have been able to invest in the Children's Health Insurance Program, or meet the health care needs of a growing aging population under HJR 43.

Colorado's Experience

Colorado was the first state to experiment with TABOR, and it has long experienced its ill effects. As a result, in 2005, a broad-based coalition of business and community leaders successfully advocated for a voter-approved suspension of the spending limit.

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[3] Missouri NEA
[4] Ibid.

TABOR forced drastic education funding cuts in Colorado.

- Before TABOR, Colorado ranked 35th among all states in education funding. By 2001, Colorado had fallen to 49th in K-12 spending, making the state near dead last in the country in the percentage of state resources devoted to public schools.
- Teacher salaries dropped compared to the national average, falling from 30th to 50th in the nation.
- Colorado ranks 48th in state funding for higher education as a share of personal income. As a result, tuition has dramatically increased, causing a greater burden on students and families.

TABOR forced reductions in funding for **health care programs** and services for Colorado workers, families, and seniors. Health care services proved to be particularly vulnerable to inflexible spending caps because health care costs in both the public and private sectors rose at a faster rate than the limit allowed. Those costs will continue to grow rapidly because of the aging of the baby-boomers.

- Colorado now spends less on many public health programs than most states.
- Colorado is at the bottom in rates of prenatal care.
- Under TABOR, the share of low-income children lacking health insurance has doubled in Colorado – dropping the state to 50th in the nation.
- At one point, Colorado suspended the requirement that children be fully-immunized before enrolling in school, *because there were not enough state funds to buy vaccines*.
- Colorado ranks 49th in the nation in the percentage of both low-income non-elderly adults and low-income children covered by Medicaid.

TABOR did not improve Colorado's economy as promised. Instead, in the last recession it cost Colorado jobs. It delayed economic recovery, left the workforce untrained, and weakened the state's infrastructure.

- Colorado lost more jobs in the last recession than all states but three.
- After being in effect for ten years, Colorado's growth rate after the last recession was the lowest in the Rocky Mountain region.
- In 2002, per-capita income in Colorado fell faster than in any other state in the country.
- Colorado's highways are in a state of growing disrepair, with less than 60 percent rated good or fair.

TABOR created instability for businesses, communities, and families when Colorado entered the economic recession. At a time when businesses and families needed services most, the public sector became a weak partner in the recovery.

- Financial analysts blamed TABOR for making the state's fiscal crisis during the last recession worse.
- Bond-rating agencies downgraded Colorado's bond rating because of TABOR.
- Prior to the time-out from TABOR as approved by Colorado voters, Governing Magazine ranked Colorado's finances as among the worst managed in the country, again due to TABOR.

Summary

As shown by Colorado's experience, TABOR is a proven failure. As a constitutional amendment, it would be extremely difficult to alter when Missouri's schools, families, local communities, public safety, and economy began to see the ill effects of TABOR's flawed formula. Moreover, Missouri already has in place the Hancock amendment, which limits the state's ability to increase revenues. In fact, according to a recent report by the State Auditor, in FY 2011, state tax collections were $4 billion below what is allowed by Hancock – showing that TABOR is a flawed solution to a nonexistent problem.[5]

[5] "Review of Article X, Sections 16-24, Constitution of Missouri, Year Ended June 30, 2011," Missouri State Auditor, March 2012.