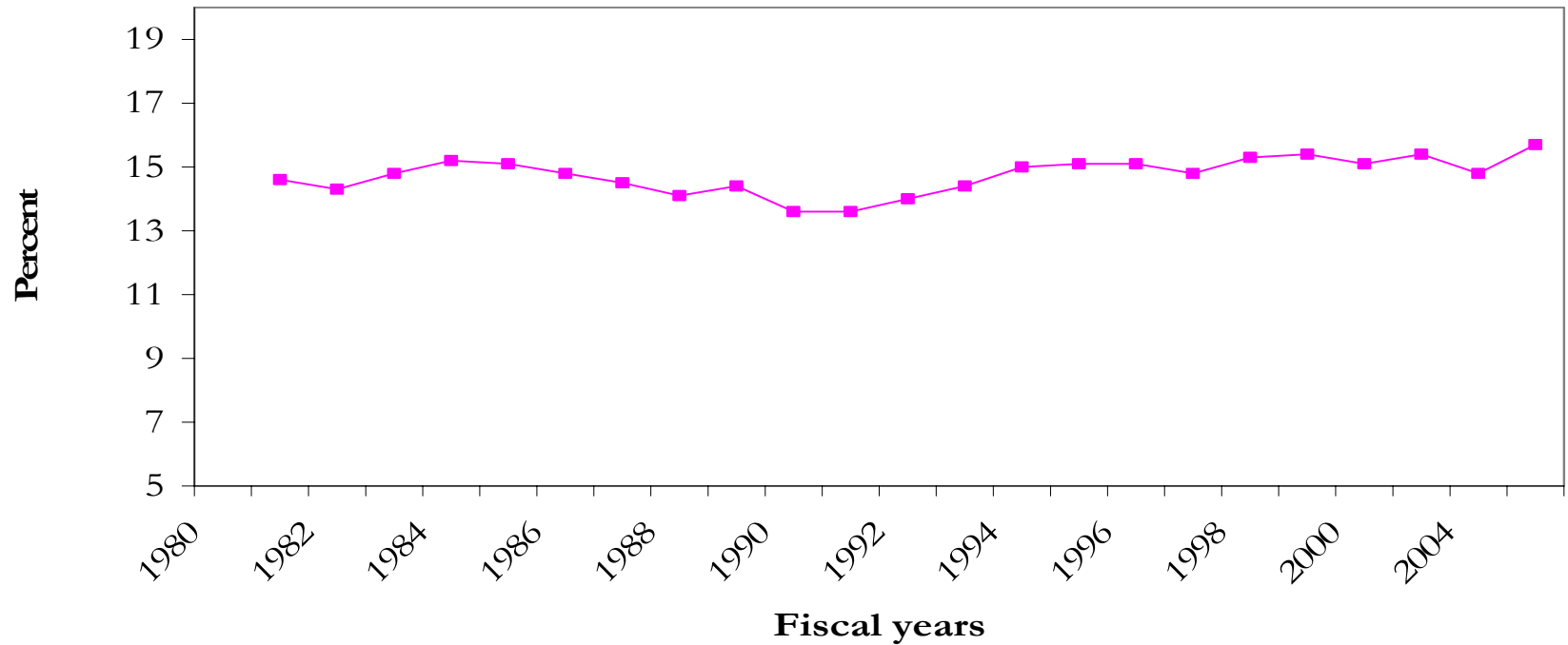

Tax Expenditure Limits:

A Bad Idea for Rhode Island

The Poverty Institute

Source: US Census Bureau and US Bureau of Economic Analysis

Rhode Island State and Local Revenues as a Share of Personal Income



House Resolution 7584 (Constitutional amendment)

Property Taxes:

- Property tax levy capped at 2.5% of market value
- Total tax levy cannot increase by more than 4%
- Exception to 4% cap for debt service and loss of local aid, otherwise voter override needed

State Spending:

- Total state spending cannot exceed prior year spending plus inflation and 1.5%
 - Surpluses up to 5% go to rainy day fund for fiscal stabilization, capital projects and debt payment
 - Exception to state cap in “emergency” with 2/3 vote of GA and governor approval
-

Senate Bill 3050 (statutory limit)

Property Taxes

- Total tax levy cannot increase by more than 4%, phased in over 5 years
- Exception to 4% cap for debt service and loss of local aid, health, retirement and energy costs that rise at more than double the allowable increase in levies.
- Voter override needed in other cases

State Spending

- Proposed limit on state spending withdrawn by bill's sponsor



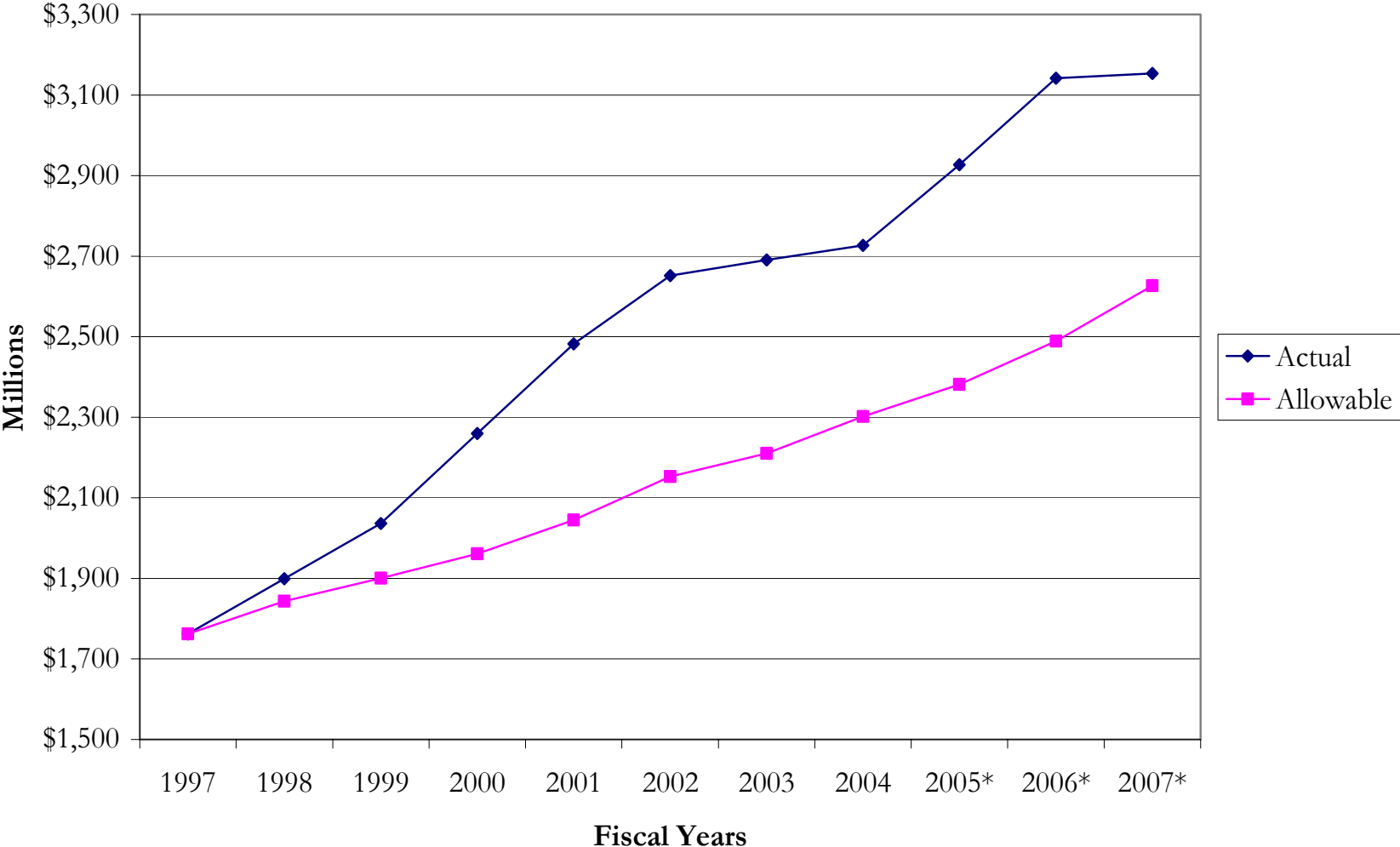
Risks with Resolution 7584

- The formula inflation (as measured by CPI) plus 1.5% doesn't capture the growth in costs of the goods and services purchased by states; CPI measures what consumers buy, not government
 - Does not allow policymakers to respond to rising costs of services health care, education, disasters, etc., or the needs of changing populations
 - TELs do nothing to encourage efficient spending of taxpayer dollars
-

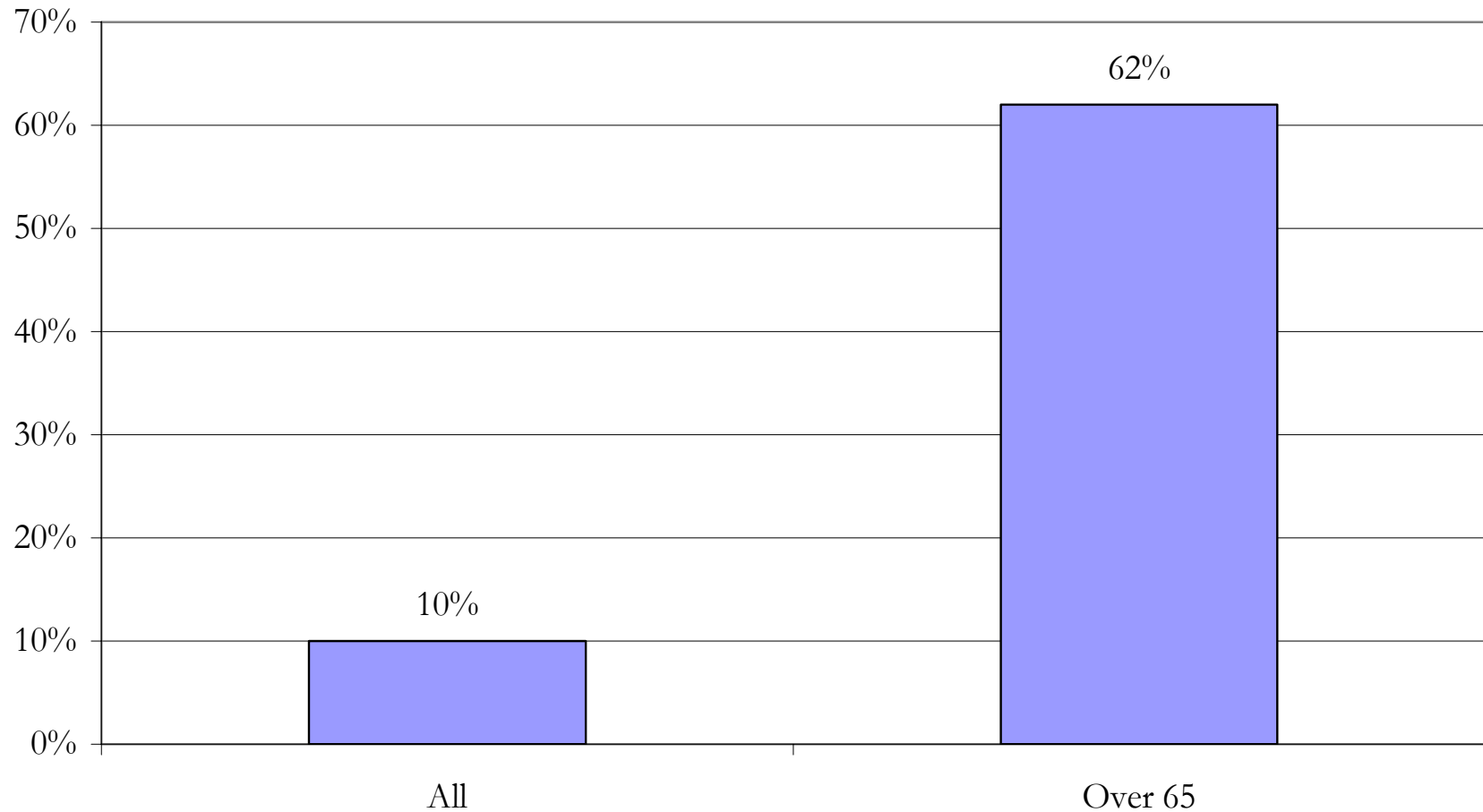
Risks with Resolution 7584

- Since local governments can exceed cap to replace lost state aid, dependence on local property taxes is liable to increase
 - 4% cap on local tax levies does not allow exceptions for growth of tax base, so towns and cities can't recoup additional costs associated with new development
-

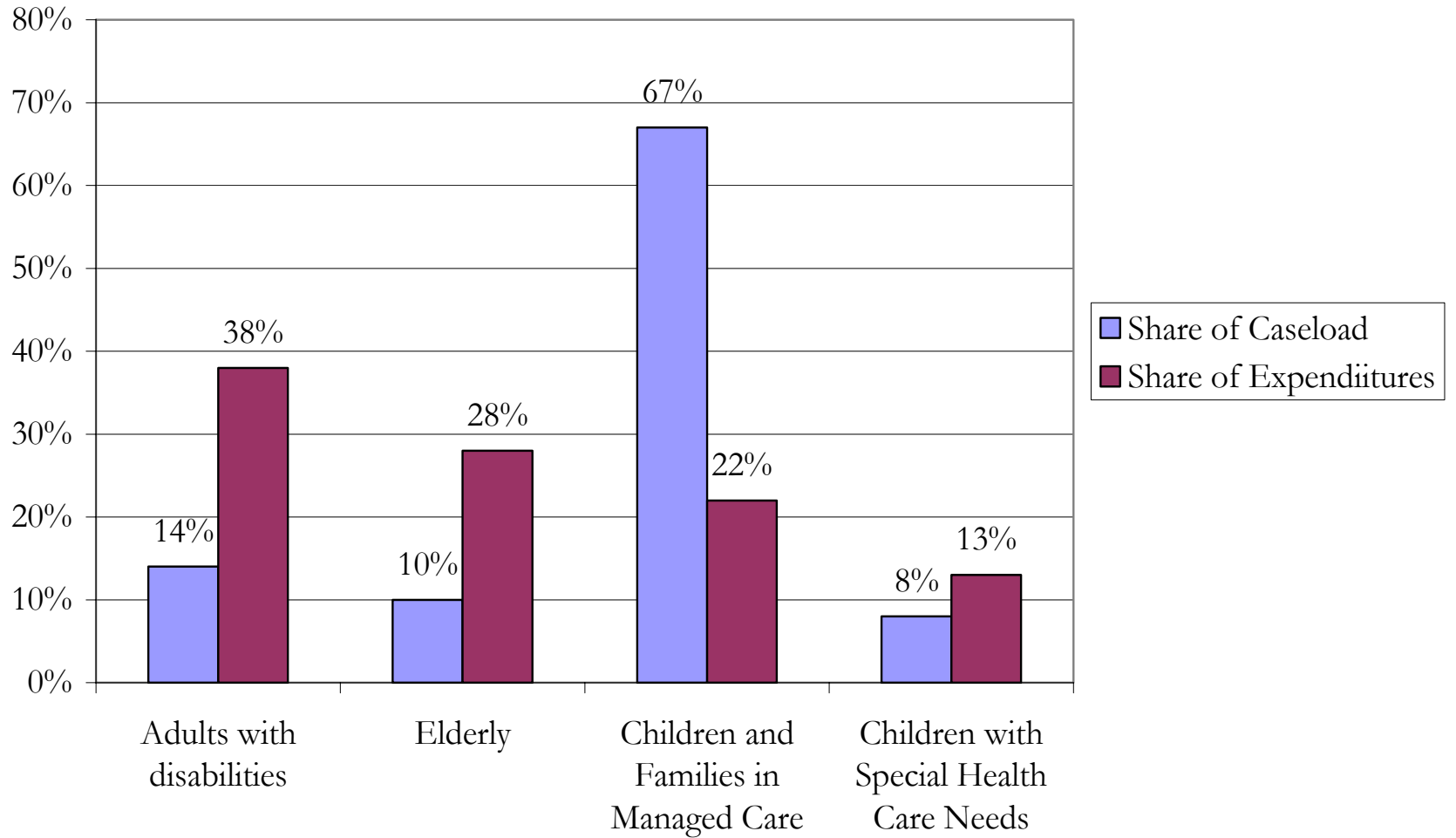
Actual vs. Allowable Expenditures Under Resolution 7584



Projected Percent Change in Rhode Island's Population 2000 -2030



Medicaid Caseload FY 2005



Colorado's TABOR: One State's Experience

- Percent of low-income children lacking health coverage rose from 15% to 27% (1992 – 2002)
 - Ranking on access to prenatal care fell from 23rd to 48th (1992-2002)
 - Ranking on childhood vaccination fell from 20th to 50th (1995-2003)
 - Ranked 49th in K-12 spending and 48th in higher education spending as a share of personal income.
 - State contributions to K-12 education fell by 38 percent (1992- 2004)
-

TABOR Did Not Improve Colorado's Economy, as Proponents Claim

Average Annual Employment Change Before and After TABOR		
	1980-1992	1992-2004
Colorado	2.1%	2.6%
Mountain States (median)	2.1%	2.8%

Source: Bureau of Labor Statistics.

Colorado Has Had Virtually No Job Growth Since the Recession

Job Growth
(March 2001- January 2006)

Arizona	12.8%
Colorado	0.2%
Idaho	10.3%
Montana	7.5%
Nevada	19.1%
New Mexico	8.7%
Utah	8.0%
Wyoming	9.8%

-
- Broad-based and bipartisan campaign to suspend TABOR
 - Republican Gov. Bill Owens joined with Democratic legislature
 - Unanimous support from Chambers of Commerce and active leadership of the business community
 - Involvement of unions, churches, health care providers, teachers, local officials, seniors, non-profits, etc.
-

What business leaders have said about TELEs

- **OKLAHOMA: “Chambers oppose tax limit plan.”** The Oklahoman, April 22, 2006
 - **“Business leaders protest Taxpayer Bill of Rights petition”** The Oklahoman, February 24, 2006
 - **COLORADO: “Business folks fed up with TABOR worship.”** Denver Business Journal
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