NEVADA POLICY RESEARCH INSTITUTE

analysis

Frequently Asked Questions (and Hysterical Allegations) Regarding TASC

by Michael J. New, Charles F. Barr and Steven B. Miller

Executive Summary

A nonpartisan research and educational organization, the Nevada Policy Research Institute does not advocate the election of specific political candidates or the passage of specific legislative or constitutional measures.

Nevertheless, on the level of policy the Institute is not neutral. Three hundred years of experience demonstrate overwhelmingly that the free market is the most powerful engine of economic prosperity that mankind has ever known. Likewise, the bloody history of the 20th Century establishes beyond question that faith in a benevolent, all-powerful state is grievously misplaced. Rather, it is the principles of the American Revolution — individual liberty, limited government, free markets and the rule of law — that offer the paradigm for a genuinely enlightened society.

For these reasons, the Institute focuses upon Nevada public policy issues that have a significant potential to either strengthen or weaken the Silver State's historic legacy of individual liberty.

The Tax and Spending Control (TASC) amendment currently proposed for the Nevada Constitution is clearly a measure of such significance. This is the one point on which advocates and opponents alike agree.

If voters approve TASC, the routine growth of government spending at both state and local levels will be constitutionally limited to a rate approximating the growth of Nevada's economy — specifically, the pace of population growth combined with that of inflation.

Even so, government will still be able to grow faster if voters consent. Essentially, TASC puts voters in charge of deciding how big their tax burden — and their government — should be. If future Nevada politicians want to increase taxes and spend above normal TASC limits, they will have to first convince voters.

In principle, the idea behind TASC is a good one: As America's Founders taught us, a healthy civil society — indeed, the rule of law itself — requires firm limitations on the reach and power of government. Moreover, as the analyses in this report reveal, many of the objections to TASC turn out, upon inspection, to be surprisingly hollow.

Nonetheless, not all of them do. Unavoidably in human affairs, choice entails assessing prospective benefits and risks alike.

Is TASC, finally, worth the candle? The people of Nevada will make that judgment. NPRI offers this review of the arguments.

Nevada Policy Research Institute

The Nevada Policy Research Institute is an independent research and educational organization dedicated to improving the quality of life for all residents of the Silver State through sound free-market solutions to state and local policy questions. The Institute assists policy makers, scholars, business people, the media and the public by providing non-partisan analysis of Nevada issues and by broadening the debate on questions that for many years have been dominated by the belief government intervention should be the automatic solution.

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Nevada Policy Research Institute
1700 E. Desert Inn Rd.
Suite 405A
Las Vegas, Nevada 89169
(702) 222-0642 ◆ Fax (702) 227-0927
www.npri.org ◆ office@npri.org

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Michael J. New,

Charles F. Barr

and

Steven B. Miller*

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** Dr. Michael J. New is Asst. Professor of Political Science at the University of Alabama and an adjunct scholar at the Cato Institute in Washington, D.C.*

Charles F. Barr is a doctoral candidate at the University of Nevada at Las Vegas and a policy fellow at the Nevada Policy Research Institute

Steven B. Miller is policy director for the Nevada Policy Research Institute

PREFACE

The typical American family pays more in total taxes than it spends on food, clothing, and shelter combined.

Tax and Expenditure Limitation measures — also known as “TELs” — are by their nature controversial. People who desire more government funding for their favorite causes will, almost always, find any measure that might limit such funding to be disagreeable. On the other hand, people who believe that modern governments — state, local and federal — have grown far beyond their appropriate bounds will often find modern TELs hardly worth the effort, as the measures largely focus on merely controlling the rate of government growth, rather preventing or reversing it.

Complicating matters further, surveys show that most voters like to keep a foot in each camp. While believing government has grown too large and expensive, they will still answer “yes” when asked if “the government” should spend more on the goals that they personally favor.

It is this all-too-human tendency to equate the public interest with our individual interests that the Framers of the American Constitution sought to keep in check. In 1787 Philadelphia they crafted a remarkable solution, one that — appropriately — has long been venerated. It was a government of strictly limited powers, where those powers were also further divided among three different federal branches, multiple states and many localities.

Over time, however, the itch for government benefits — in the form of money, power or special privileges — has eaten away many of the limitations on government power fashioned by the Framers. Thus, governments created to protect the right to property have instead, over time, become political engines for violating that right and confiscating an ever-larger share of that same property. The result, today, is that the typical American family pays more in total taxes than it spends on food, clothing, and shelter combined — while the different levels of American government now combine to consume over one-half of national income.

Such a radical transformation of Americans' expectations of government has produced numerous initiatives in states across the country as Americans seek, once again, to impose reasonable, constitutional constraints on the growth of government.

Currently, 30 states have some sort of tax and expenditure limit (TEL) on the annual growth of either expenditures or revenues. However, most TELs are largely ineffective at limiting government growth. There are several reasons for that. Many of the limits were passed by state legislatures that usually do not have the incentive to place long-term binding constraints on their own ability to tax and spend. Furthermore, many of the limits are set too high to bind revenue and expenditure growth or have any meaningful effect.[1]

A few TELs established lower limits for government growth and have enjoyed some short-term success. They include California's Gann Limit and Washington State's I-601.

However, the best example of a revenue limit that has enjoyed significant long-term success is Colorado's Taxpayer's Bill of Rights (TABOR). While TASC is clearly not a carbon copy of TABOR, the Nevada proposal retains TABOR's most essential feature: voter control over state and local government spending increases.

INTRODUCTION

What, exactly, is TASC for Nevada?

The word “TASC” is an acronym for “Tax And Spending Control.”

In principle, TASC is quite simple. If voters approve the petition and then the resulting ballot question, the growth of government spending at both state and local levels will be constitutionally limited to approximate the growth of Nevada's economy — as measured by the pace of population growth plus that of inflation. When surplus taxes are collected, some will go to fill rainy day reserve funds and the rest will be returned to taxpayers.

Nevertheless, government can grow at a faster rate — if voters want. TASC puts voters in charge of deciding how big their government — and their tax burden — should be. Thus, if future Nevada politicians want to increase taxes and spending above TASC's normal rate, they must first convince voters that such an increase is worthwhile.

What impact would TASC have on average Nevadans?

First and foremost, it would almost certainly halt the rise in the tax burden of average Nevada residents. As the chart on page 6 reveals, the tax increases imposed against the will of most Nevadans during the 2003 Legislature will result in state tax and spending levels over one-third higher next year.

Based upon the experiences of Colorado residents under their state's Taxpayer Bill of Rights, Nevadans can also expect more and better jobs, and a stronger and more diversified state economy. Perhaps the greatest benefit, however, will be peace of mind. TASC should provide important protection for people who believe they should be able to have control over their own hard-earned money — that families and individuals, not politicians, should decide how their money is spent.

Do the people of Nevada need TASC?

Many of those who support TASC believe that the people of Nevada need protection from the special interests that now often dominate Nevada government. For evidence they cite recent Nevada history. In late 2002 and again in early 2003, an overwhelming majority of Nevadans told pollsters they opposed the plans of the Guinn administration to increase Nevada taxes. Making these results especially notable was the fact that they followed two years of intense campaigning by Gov. Kenny Guinn to convince voters that the new taxes were needed. That campaign had been supported by a report from a hand-picked “Governor's Task Force on Tax Policy in Nevada” that warned the state was facing drastic revenue shortfalls and huge future revenue needs.

Nevertheless, throughout the 2003 Legislature, Nevada voters continued to reject the tax-hike campaign at its core, deluging lawmakers with phone calls, faxes and e-mails. It took Gov. Guinn and his allies — primarily lobbyists for several major players in the casino industry and government-employee unions — the full length of an extremely long, divisive and harsh legislative session, plus two special sessions and a trip to the Nevada Supreme Court, to eventually impose the new taxes on the people of Nevada by a single-vote margin.

That, however, was not the end of the story. It was the people of Nevada, not the government's experts, who turned out to be right. Significantly higher than projected state revenues — already fully visible during the 2003 legislative session — have, over the last three years, continued flowing into state

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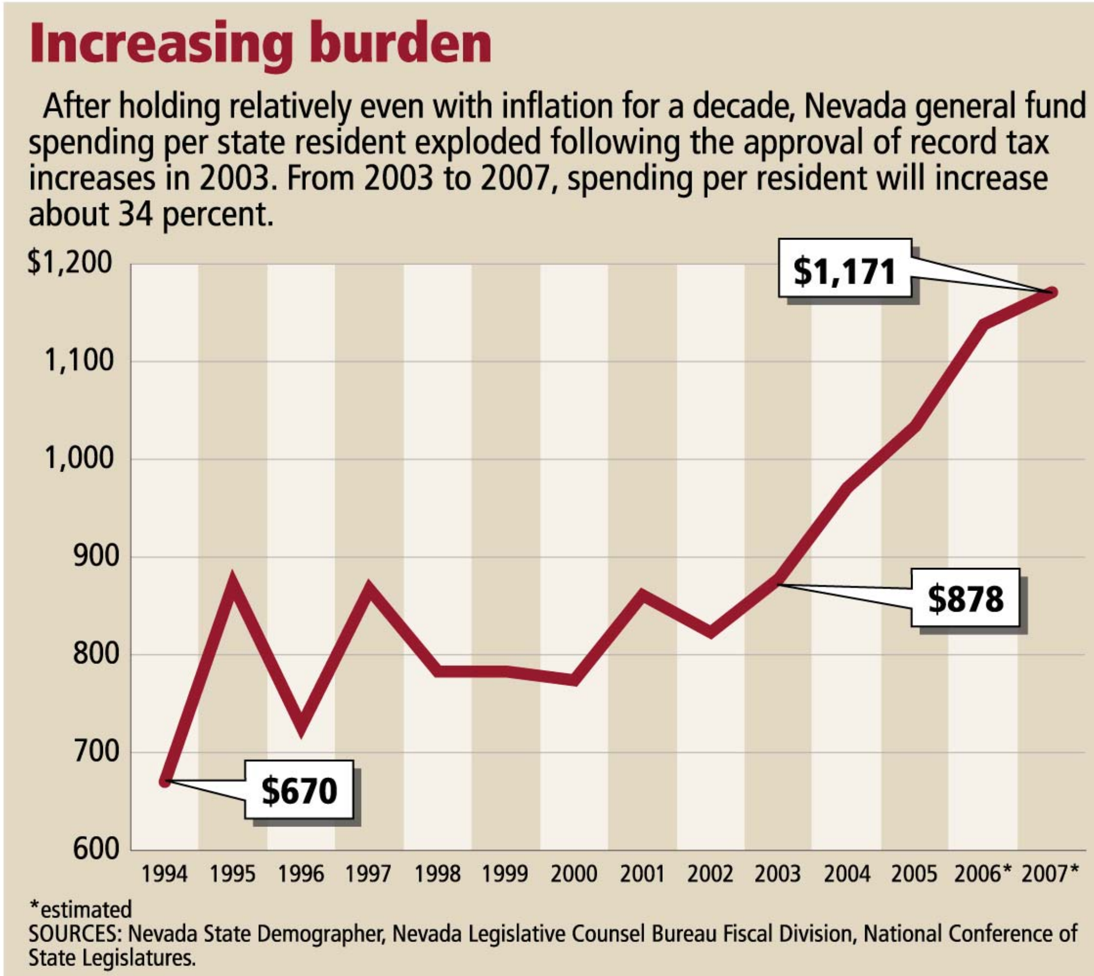


Chart courtesy of Las Vegas Review-Journal

coffers, proving that the projections so aggressively flogged by the Guinn administration and its "Task Force" were not worth the paper they were written on. The current surplus amounts to over $275,000,000 per year, which is more than $400 per year for each Nevada family of four.[2]

Today many Nevadans, having digested the events of 2003, realize that something important is broken in Nevada government. They look at state government, where, the evidence suggests, the Guinn administration insisted on ignoring the most credible forecasts — and the will of the people — in order to please a handful of casino executives and government-employee union lobbyists.

Frustrated by such blatant disregard for their wishes, it is not surprising that most Nevadans believe that an entirely new level of constitutional protection is needed to deal with the powerful, organized and predatory special interests that have come — as various recent Southern Nevada scandals demonstrate — to dominate much of Nevada government.

Doesn't Nevada law already cap spending?

Nevada law (NRS 353.213) does appear to require a balanced budget, but the statute is essentially a pretense.

First, the measure only constrains the initial proposed budget submitted by the governor to the legislature. It does not cap or constrain spending increases for which the governor later lobbies the legislature during the same session. Nor does it constrain the final budget as it is modified and passed by the legislature and then signed by the governor.

Second, the statute only applies to the state General Fund — which nowadays is, on average, only about 36 percent of the entire state budget.[3]

Finally, the statute's provisions have been repeatedly circumvented through the simple artifice of keeping the old spending ceiling in place while moving programs and their spending outside the general fund.

The circumstances in which this 1979 law was passed are illuminating. Nevada voters the previous November had approved ballot Question 6, which would have instituted Proposition-13-style property tax limits statewide. Eager to keep the measure's constraints on them out of the Nevada constitution, state lawmakers hastened to head off a second endorsement by voters in November 1980. Thus the 1979 legislative session was spent on crafting the famous "Tax Shift" — and substituting higher sales taxes for cuts in property taxes — while also ballyhooing, and passing, what is now NRS 353.213.

The measure's language is "interesting," Nevada Taxpayer Association President Carole Vilardo recently noted on statewide television,[4] "because nobody paid attention to it for what — 27 years? — and because you could spend as much as you wanted."

"What we did in between the '70s and the '80s," she said, "is we moved out two major items that had been in the general fund previously…. That was the debt retirement and PERS (public employees' retirement system) [that] were moved to trust funds. And I'm not positive, but I believe that employment security was moved to a trust fund [also]."

Asked the size of the "items," Vilardo called them, "absolutely astronomical."

So inconsequential was the 1979 spending cap that between 1981 and 1989, state lawmakers increased Nevadans' taxes *scores* of times, as duly recorded in chapter 13 of the famed 1990 study by analysts for Price Waterhouse and the Urban Institute.[5]

Why is TASC controversial?

As so often, it's about the money. If TASC becomes part of the Nevada Constitution, special interests that feed on higher taxes will no longer be able to reach taxpayers' billfolds quite so easily. New and higher taxes will require the approval of Nevada voters — not just the approval of state or local government officials and their politically-connected allies.

Convincing Nevada voters that the higher taxes are worthwhile may well be more difficult. After all, they are the people who would have to actually pay the taxes. And the incentives that special interests use to sway politicians — campaign contributions, political endorsements and campaign workers, for example — won't impress taxpayers.

Thus, these special interests — primarily government employee unions and allied corporations that make their money from government contracts — oppose TASC. But they face a difficult problem. They would encounter a fierce backlash if they were to publicly acknowledge the real reason they oppose TASC: that they do not want voters to "have a say in what they pay."

Colorado State Senator Mark Hillman identified the central issue: "We need to stop and ask ourselves: Do the taxpayers exist for government, or does the government exist for taxpayers?" Opposition to TASC is concentrated in special interests that believe citizens exist to serve government — and those who run the government. These special interests can be expected to mount a well-funded campaign to convince voters to allow them to continue their high-tax, free-spending ways.

'Do the taxpayers exist for government, or does the government exist for taxpayers?'

The TABOR Experience

Is TASC similar to Colorado's TABOR? What if any are the differences?

Between 1997 and 2002, Colorado reduced taxes more than any other state, issuing annual tax rebates that totaled more than $3.2 billion.

The state of Colorado's Taxpayer Bill of Rights (TABOR) contains several features that have been very effective at limiting the growth of government and generating tax relief for Colorado taxpayers. TABOR limits revenue growth to the inflation rate plus population growth and mandates immediate refunds of surplus revenues to taxpayers.[6] Furthermore, TABOR is constitutional, not statutory, and as such cannot be overturned by a vote of the legislature. Finally, the only way the Colorado legislature can spend surplus tax revenue is if voters let it: TABOR restrains government by requiring voter approval for any increases in government spending beyond the limit.

Shortly after TABOR was enacted, state revenue began to exceed the expenditure limit that was mandated by TABOR. As a result, Colorado taxpayers were entitled to tax rebates. Overall, between 1997 and 2002, Colorado reduced taxes more than any other state, issuing annual tax rebates that totaled more than $3.2 billion (Table 1)[7]. TABOR has rightly received much of the credit for Colorado's booming economy and strong fiscal position. Colorado led the nation in economic growth between 1995 and 2000.

Table 1

Tax Rebates in Colorado under TABOR
(in millions)

Year	Rebate
1997	$139
1998	$563
1999	$679
2000	$941
2001	$927
Total	$3,249

Source: Colorado Office of State Planning and Budgeting, "TABOR – The Taxpayer's Bill of Rights: Special Report," September 2004, Table 1, p.3.

TASC resembles TABOR in that both measures put the people in charge of state decisions that would increase their tax burdens. Also, in both cases surplus taxes get returned to taxpayers. TASC, however, has been customized to meet Nevada's unique situation.

One big difference is that TASC's spending limit will not ratchet down following a recession in which state revenues may have fallen. TASC is also different in that, if a recession produces a shortfall in state revenue, funds from a new, constitutionally protected, budget stabilization fund will automatically flow in to make up that shortfall. Thus the budget stabilization fund will function as a "shock absorber" for government and the Nevada economy.

A separate, new, constitutionally protected fund to provide for state emergencies is also established by TASC. For the first time, Nevada will finally be guaranteed of having reserves in place should a natural disaster or terrorist attack occur. Currently for such emergencies, Nevada law only offers a single line item in the state's chronically underfunded and easily raided[8] rainy day fund. The source of these vulnerabilities is the fund's basis in merely statutory law. TASC provides constitutional protection for both its budget stabilization and emergency reserve funds.

What has been TABOR's effect in Colorado?

As to be expected given the intense controversy surrounding taxpayer protection initiatives, opinions differ wildly on this question. The patterns of the responses, however, are very clear: Opponents are intent on attributing even hypothetical Colorado ills to TABOR, while denying the measure any credit for positive developments; proponents highlight the state's economic performance.

> "Since Tabor … was originally put into the state constitution in 1982 (sic) in Colorado, it has witnessed a dramatic erosion to that state's education system, its infrastructure and its ability to provide healthcare and other essential services to and to its residents, especially to the poor, the young and the elderly."
>
> *-State Assemblyman David Parks, Nevada Transport Motor Association, December 14, 2005*

The source of this litany of allegations — repeated mechanically by opponents of both TABOR and TASC around the nation — is the Center for Budget and Policy Priorities, a liberal Washington, D.C. advocacy organization. It specializes in opposing — at both state and federal levels — measures that would lower taxes or reduce spending.[9]

For example, it asserts that, "During the twelve years since TABOR was adopted in Colorado, K-12 funding declined to 49th in the nation.…"[10] Only occasionally does the CBPP acknowledge that it gets this figure not by any common sense measure but by calculating what Coloradoans — who have the highest income levels of any state west of the Mississippi[11] — pay *as a percentage of their personal income*.[12] Similarly, the CPBB berates the state's TABOR protections for the fact that, "In the last four years, system-wide resident tuition [at state universities] increased by 21 percent after adjustment for inflation." Anyone acquainted with the rates of tuition growth occurring all over the nation in recent years would recognize the unintended comedy of this charge.[13] When the College Board, just two years ago, looked at tuition and student aid trends, it found that the average annual increase at four-year public colleges and universities was 14.1%.[14] This annual rate has continued or even accelerated in subsequent years — making the four-year cumulative figures CBPP cites for Colorado institutions decidedly positive by national standards.

Other allegations of the CPBB were the subject of a detailed response by NPRI, in consultation with the Tax Foundation in Washington, D.C., available on the Web at http://www.npri.org/TABOR_TASC/facts_on_TABOR.htm.

Proponents of Colorado's Taxpayer Bill of Rights, on the other hand, love to cite the state's outstanding economic productivity and job growth that followed the passage of TABOR:

> Not only have taxpayers benefited from lower taxes since the Taxpayer's Bill of Rights (TABOR) was enacted, but all Colorado workers have received the blessings of strong income gains brought about by annual tax refunds and reduced government spending growth."
>
> http://www.ntu.org/main/page.php?PageID=86

Numerous studies document that Colorado's per-capita tax burden — recently identified as 10th lowest in the nation by the Tax Foundation — dropped significantly following the passage of TABOR. (See Chart 1, next page.)

During the 1980s, undisciplined spending and tax increases by Colorado politicians had increased the effective state income tax rate by 15 percent and the gasoline tax by 214 percent.[15] As Chart 1 shows, before TABOR, state spending increased dramatically in relation to taxpayers' ability to pay, even briefly surpassing the national average. After TABOR, the burden of government declined and Colorado's competitiveness with the rest of the nation improved.

Indeed, following TABOR's enactment, Colorado's job growth surged to almost double the rate of the previous ten years. As the next chart (Chart 2) shows, before TABOR,

Following TABOR's enactment, Colorado's job growth surged to almost double the rate of the previous ten years.

Colorado's economy has for years consistently ranked atop the nation in multiple measures as the place to succeed in business.

Colorado government jobs were growing at a 21 percent rate and private sector jobs at 17 percent. After TABOR, however, while government jobs grew at about the same rate (by 20 percent), the rate of private sector job growth almost doubled — 37 percent.

Foes of TABOR note that the late 1990s were years of prosperity for most states. It is important to realize, however, that Colorado's performance not only improved after TABOR, but continued to outperform the national average.

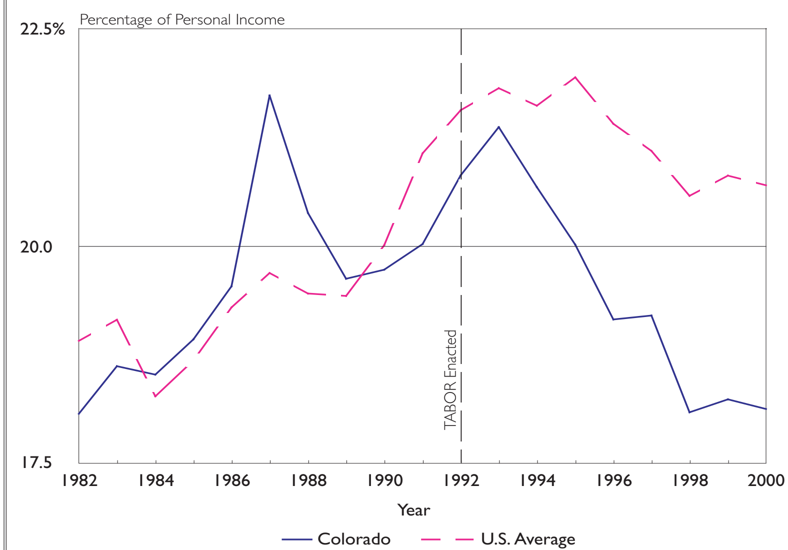
Finally, as Chart 3 on page 11 shows, as TABOR took effect its impact on the state's economy was realized almost immediately. As government spending in Colorado shrank as a share of the economy, it freed vital resources for the private sector. So while the burden of government in other states also declined, Colorado brought to the contest an extra advantage and thus performed better than the rest of the nation.

Such results demonstrate why Colorado's economy has for years consistently ranked atop the nation in multiple measures as the place to succeed in business.[16] With TABOR, Colorado found a way to deal with the mentality that has afflicted Nevada and most other states for the last 20 years: Politicians spending freely in the good years and raising taxes to cover those expenditures when the bad years roll around. This is a serious problem, for, as Alison Acosta Fraser, director of the Thomas A. Roe Institute for Economic Policy Studies at the Heritage Foundation, points out, "Government spending creates constituencies that exert powerful influence over elected officials and policymakers to protect their interests, but the taxpayers have no such advocates. Only TABOR can protect the interests of … families and taxpayers from such forces."

Chart 1

B 1873

Colorado State and Local Spending Burden as a Percentage of Personal Income, Before and After TABOR



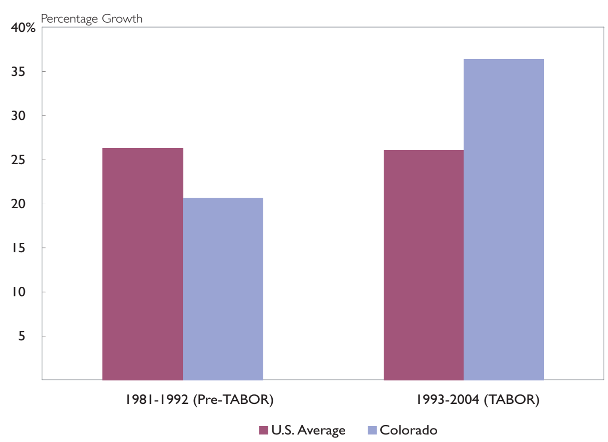
Sources: Heritage Foundation calculations based on data from the U.S. Bureau of the Census, State and Local Government Finances; U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Accounts, at *www.bea.gov/bea/regional/data.htm* (July 20, 2005); and Office of Management and Budget, *Historical Tables, Budget of the United States Government, Fiscal Year 2006* (Washington, D.C.: U.S. Government Printing Office, 2005), pp. 29–30, Table 2.1, at *www.whitehouse.gov/omb/budget/fy2006/pdf/hist.pdf* (July 20, 2005).

chart courtesy the Heritage foundation

Chart 2

B 1873

Colorado Per Capita Personal Income Growth, Before and After TABOR



Source: Heritage Foundation calculations based on data from U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Accounts, at *www.bea.gov/bea/regional/data.htm* (July 20, 2005), and Office of Management and Budget, *Historical Tables, Budget of the United States Government, Fiscal Year 2006* (Washington, D.C.: U.S. Government Printing Office, 2005), pp. 29–30, Table 2.1, at *www.whitehouse.gov/omb/budget/fy2006/pdf/hist.pdf* (July 20, 2005).

chart courtesy the Heritage foundation

Did TABOR contribute to Colorado's budget woes during the post 9-11 recession?

Colorado's budget woes were caused by the 2001-2002 recession, and by two conflicting legal mandates that were unique to Colorado, and do not apply to Nevada.

The post-9/11 recession triggered losses in both Colorado's state revenues and spending. Between 2001 and 2002 revenues subject to the TABOR limit fell from $8.8 billion to $7.7 billion, a decline of more than 12 percent.[17] Furthermore, in fiscal 2003 revenues declined for a second consecutive year.

Colorado was not alone — virtually all states experienced a decline in revenue starting in fiscal 2001. However, revenues declined considerably more sharply in Colorado than in other states, due to a combination of the 9/11 attacks and a severe drought.

The September 11, 2001, attacks occurred right before the start of ski season in Colorado. Since many Americans stayed away from air travel after the attacks, Colorado's tourism industry suffered. A bigger economic hit came in the form of the 2002 drought, the worst in more than 25 years. Not surprisingly, that severe drought had a negative impact on agriculture, one of the largest sectors of the Colorado economy. The drought also resulted in a record number of forest fires in Colorado, which cost federal, state, and local governments more than $150 million.[18] Manufacturing employs 9.3 percent of Colorado's workforce, and many individuals in food products manufacturing lost jobs because of the decline in agricultural output.

Adding to Colorado's budget woes was Amendment 23, passed in the year 2000, which required per capita education spending to increase by the rate of inflation plus one percent for ten years. Since Amendment 23 mandated that per pupil spending increase by the inflation rate plus 1 percent, it guaranteed that education would consume a progressively larger share of Colorado's budget until 2011. Those education-funding increases were constitutionally required even when overall revenues declined. As a result, Colorado's revenue shortfall was exacerbated by the fact that the state had to spend additional sums on education every year. Needless to say, that put considerable strain on the Colorado budget.

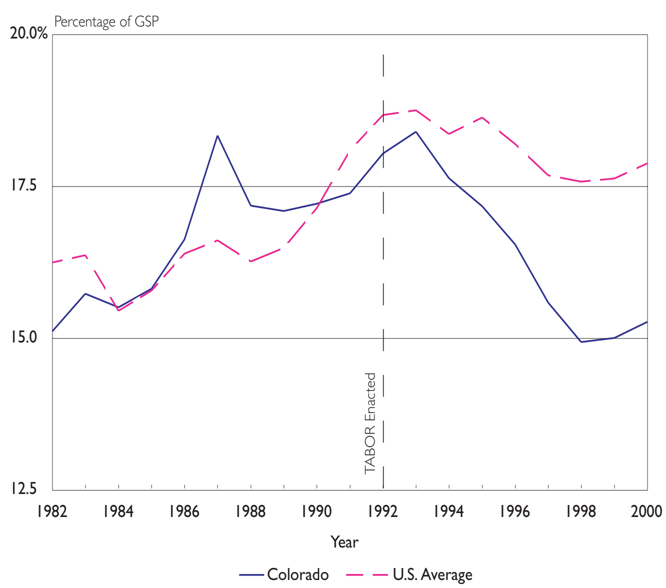
TABOR, meanwhile, contained a "ratchet" provision that tied state spending to the previous year's spending level, plus adjustments for population increase and inflation. (TASC does not contain a "ratchet" provision.) TABOR's "ratchet" provision prevented spending from returning to its former level as the economy recovered. However, mandated education spending continued to increase, forcing severe budget cuts in other state programs such as transportation and public health. The situation was resolved in November, 2005

Between 2001 and 2002 [Colorado] revenues ... fell from $8.8 billion to $7.7 billion, a decline of more than 12 percent.

Chart 3

B 1873

Colorado State and Local Spending Burden as a Percentage of Gross State Product, Before and After TABOR



Sources: Heritage Foundation calculations based on data from the U.S. Bureau of the Census, State and Local Government Finances; U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Accounts, at *www.bea.gov/bea/regional/data.htm* (July 20, 2005); and Office of Management and Budget, *Historical Tables, Budget of the United States Government, Fiscal Year 2006* (Washington, D.C.: U.S. Government Printing Office, 2005), pp. 29–30, Table 2.1, at *www.whitehouse.gov/omb/budget/fy2006/pdf/hist.pdf* (July 20, 2005).

chart courtesy the Heritage foundation

Colorado voters ... exercised their judgment under their Taxpayer Bill of Rights options and gave state government an extra allowance over the next five years.

when Colorado voters approved an increase in the overall level of state spending.

By contrast, Nevada does not require education spending to increase by a set amount each year. In recent years, Nevada has increased education spending at an even faster rate than Colorado, but education must still compete with other priorities in determining its appropriate share of Nevada's tax dollars.

TASC, unlike TABOR, does not contain a "ratchet" provision. This means that temporary reductions in state spending, caused by recessions or other events, will not affect future years' state spending limits. In addition, voters will continue to have the option of increasing state spending above the TASC limits, just as voters in Colorado did in 2005.

Were Colorado highways deprived of needed maintenance because of TABOR?

> … In Colorado a year ago they had a rock slide on I-80, and that rock slide, it shut down I-80 for weeks, and the whole reason they had this rock slide was they had no longer allocated money to do inspection of the cliffs along highways in Colorado….
>
> *— State Assemblyman David Parks*
> *Nevada Transport Motor Association*
> *December 14, 2005*

Since this charge was so specific, NPRI asked the Colorado Department of Transportation about it.

"That's not true," wrote back department spokesman Stacey Stegman. "First, there isn't an I-80 in Colorado. Second, we have had a couple of massive rockslides over the past couple of years that closed I-70 for a couple of days at a time. However, we're spending more money than ever before on rockfall mitigation efforts. We have a rating system of 746 sites and have been able to mitigate about 60 of them over the past 10 years. We spend about $3 million annually and we're able to do about four sites a year. Some of the sites are extremely costly, though, and the cost benefit may not result in mitigation. We've never done annual cliff inspection. However our inventory and rating system provides the data necessary for prioritization."

What happened to TABOR in Colorado's November 2005 vote?

Colorado's Taxpayer Bill of Rights, like TASC for Nevada, gives voters the constitutional power to decide how large a financial allowance to give to state and local governments. At the local level in Colorado voters have done this many, many times, but November 1, 2005, was the first time that Colorado voters approved a longer leash at the state level.[19]

Although foes of TASC and TABOR have made much of this, painting the November vote as proof that "TABOR failed," in reality what occurred was that Colorado voters — as they often have in the past — simply exercised their judgment under their Taxpayer Bill of Rights options and gave state government an extra allowance over the next five years. Specifically, for that period, they will forego the tax refunds they otherwise would have received.[20]

Without TABOR, of course, Colorado voters would have been almost completely shut out of the process — as Nevada voters are today. Under those circumstances, it is not unreasonable to conclude that Colorado's legislature, like Nevada's, would have embarked upon a continuous cycle of increased spending and higher taxes. Because of TABOR, however, voters and taxpayers in Colorado retain their leash on government.

Objections to TASC

Wouldn't TASC be catastrophic for Nevada education?

Under TASC, there would be an opportunity for increases in per-pupil spending in Nevada. This is because TASC allows annual increases in state spending based on inflation and overall population growth. According to the State of Nevada Demographer, the overall Nevada population will grow at a faster rate than the population of school-age children (ages 6 to 18). Thus, if the proportion of state spending on education is held constant, the amount of money spent for each public school student (adjusted for inflation) will increase over time.

The more significant issue is whether the billions that Nevada already spends on its statewide system could be spent more productively. Money is only one factor in educational achievement, and not necessarily the most important one. Per-pupil spending by the District of Columbia is nearly triple the per-pupil spending by Utah. Yet test scores in District of Columbia schools rank among the lowest in the country, while those in Utah rank among the highest. Private schools in America generally spend less than half per pupil what public schools spend, but have much higher rates of success in all important testing measures.

The Nevada Legislature has two options for increasing education spending beyond the amount needed to meet population growth and inflation. The first option is for the Legislature, without voter approval, to increase K-12 funding faster than Nevada's population growth by reducing spending in other areas. The other option is to ask the people of Nevada to approve an increase in spending beyond the TASC spending limit. If the voters agree, then the spending limit goes up. If not, it keeps growing at a steady but modest pace in keeping with the growth of inflation and population.

The more important issue is whether the billions that Nevada already spends on its statewide [school] system could be spent more productively.

Wouldn't TASC hurt health care and other state services by forcing cuts year after year to stay within spending limits?

TASC would allow state spending to increase at the rate of population growth and inflation. This includes spending on health care as well as all other state services. Under TASC, if the Legislature wishes to fund further increases in state health care spending, it can either reduce spending on other programs or ask voters to approve a spending increase for this purpose.

It is worth pointing out that Colorado, with a state spending limit, scores higher in most public health measures than Nevada, which has no state spending limits. Compared to Nevada, Colorado's overall mortality rate is 13.7% lower, its premature death rate is 20.6% lower, and its infant mortality rate is 1.6% lower. Colorado's rate of infectious disease is 41% lower than Nevada's.[21]

Between 1996 and 2001 — a period when Colorado taxpayers were receiving the most TABOR tax rebates — Colorado had the second-fastest increase in Medicaid recipients of any Rocky Mountain state: a 45 percent increase. This increase in Medicaid recipients was well above the national average of 27 percent. Furthermore, Colorado's payment per Medicaid recipient was first among Rocky Mountain states in 2001 ($4,969).[22]

The risk of 'unintended consequences' will actually be greater if TASC is *not* implemented.

Don't the costs of government services go up faster than our economy grows?

There is a simple reason why government programs such as education and healthcare often increase in price faster than goods and services in the private sector. Because these services are provided by governments, they are subject to all of the public sector's well-known problems — chronic waste, strangling bureaucracies, and legally enforced monopolies that block innovation at every turn.

Families, individuals, and businesses all have to budget to be successful. State and local governments, on the other hand, tend to measure success by their ability to create new programs and expand existing ones. Without sensible limits on the growth of state spending, this attitude leads to never-ending increases in government "services" and the taxes needed to fund them. The huge tax and spending increases approved in recent Nevada legislative sessions provide a clear example of this process in action.

TASC fixes this problem, bringing accountability and logic to the state budget. Without TASC, we can reasonably expect that the growth in state taxes and spending will continue to far exceed the rates of population growth and inflation. With TASC, any such expansion of Nevada's government will require the consent of the voters and taxpayers who must ultimately foot the bill.

Isn't there a risk of 'unintended consequences' if TASC is implemented?

The risk of "unintended consequences" will actually be greater if TASC is *not* implemented. This is because voter oversight adds a level of sanity and meaningful discussion to an often chaotic political process.

The 2003 legislative session offers a perfect example of poor decision making in the absence of voter participation. A relatively small group of politicians, lobbyists and special interest groups with a high-tax, high-spending agenda succeeded in panicking the Legislature into passing a set of massive tax increases. This occurred even though it was well publicized at the time that the additional revenues were far more than the amount needed to balance Nevada's budget.

Most voters did not favor such a large tax increase, but they had little influence on the frantic backroom deal-making and arm-twisting that led to passage of this highly flawed legislation.

As predicted, the tax increase has led to an embarrassing glut in state revenues at the expense of Nevada taxpayers. Politicians have attempted to divert attention from their mistake with one-time rebates and other gimmicks, but Nevadans continue to pay millions in unnecessary taxes each year.

Polls taken at the time indicate that Nevada voters would have turned down the Legislature's tax and spending package, although they would likely have approved a more modest set of tax increases.[23] Thus, the negative "unintended consequences" of the Legislature's tax bill would have been avoided.

To avoid the "unintended consequence" of a revenue shortfall, TASC provides a straightforward mechanism for voter approval of a temporary or permanent tax increase, provided Nevada's voters agree that such an increase is necessary.

Summary and Conclusions

The American principle of limited government has been gradually abandoned during the last several decades. Today the overall tax bill of the typical American family is higher than the cost of basic living expenses. Nevada has been no exception to this trend of higher taxes and ever-increasing spending.

TASC is a serious, well thought out initiative designed to put an end to the State of Nevada's biennial raid on its taxpayers. TASC will permit government spending to remain at current levels, adjusted for population growth and inflation. When excess taxes are collected, some will be set aside for emergencies and the rest will be returned to taxpayers. Tax and spending increases above the TASC limit will be allowed, but only if Nevada's voters agree.

Most states already have some sort of limit on the annual growth of either expenditures or revenues. One example of a revenue limit that has enjoyed significant long-term success is Colorado's Taxpayer's Bill of Rights. TABOR is a major reason why Colorado led the nation in economic growth between 1995 and 2000.

Without a similar measure in place, Nevada taxpayers are no match for the high-tax, big-spending special interests that today dominate all three branches of state government. By adopting TASC, Nevada voters have an historic opportunity to create a "level playing field," one that will insure that their voice is heard before any future tax or spending increases become law.

Nevada taxpayers are no match for the high-tax, big-spending special interests that today dominate all three branches of state government.

Endnotes

1 For more details on why some TELs are more effective than others, see Michael J. New, "Limiting Government through Direct Democracy: The Case of State Tax and Expenditure Limitations," Cato Institute Policy Analysis no. 420, December 13, 2001.

2 Sean Whaley, "Beers resurrects proposal to eliminate state fuel tax," *Las Vegas Review-Journal*, April 28, 2006.

3 "Budget In Brief, 2005-2007," State of Nevada Department of Administration, Budget Division, http://budget.state.nv.us/bb0607/BB0507Intro.pdf .

4 Interview, 'Nevada Newsmakers,' television program, Sam Shad Productions, June 2006, http://www.nevadanewsmakers.com.

5 R. D. Ebel, editor, *A Fiscal Agenda for Nevada: Revenue Options for State and Local Governments in the 1990s* (Reno and Las Vegas, 1990), pp 343-348.

6 Constitution of the State of Colorado, Article X, section 20.

7 Colorado Office of State Planning and Budgeting, "TABOR-The Taxpayer's Bill of Rights: Special Report," September 2004, Table 1, p. 3.

8 For example, in the 2003 legislative session, Gov. Kenny Guinn sought and received legislative approval for emptying the fund of the $135 million in it at the time. But while Guinn was at the time loudly proclaiming a statewide fiscal emergency, he was also channeling regular incoming tax revenues into new, not critically needed but politically popular government programs that had been passed by the 2001 Legislature in expectation of rosier times. Guinn, who had signed those bills, continued to hire for the new programs, notwithstanding the fact that Nevada, he said, was facing a drastically different fiscal future, and the new staffers would now have to be paid for years to come.

9 As this is written, the front page of the CBPP.org website displays an attack on proposals to repeal the estate or "death" tax, an attack on a tax expenditure limitation measure in Montana, an article opposing line-item veto legislation for the presidency, an attack on proposals for Health Savings Accounts to reward individuals for rationally managing their consumption of healthcare services, and an entire section devoted to opposing tax expenditure limitation measures wherever they might be found.

10 See: http://www.cbpp.org/4-21-06sfp.htm.

11 Center for Business and Economic Forecasting, Inc., "Colorado Economic Outlook: State Recovery Gains Strength," May 12, 2005, http://dola.colorado.gov/demog/Economy/Forecasts/CBEFEconomicOutlookMay2005.pdf.

12 National Education Association (NEA) and U.S. Census Bureau figures put Colorado 25th and 30th, respectively, in actual current expenditures per pupil.

13 Ohio State economist Richard Vedder notes in his recent book, Going Broke By Degree: Why College Costs Too Much, that state spending on universities has a strongly negative correlation with state economic growth. "Due to the presence of state funding," says Vedder, "universities are highly inefficient institutions that face few incentives to do things in a less costly manner. By any reasonable measure, higher-education productivity per worker has fallen over the past generation, while it has risen considerably in more competitive areas of the economy. Most increased funds have not gone for instructional items, such as

smaller class sizes or tutorial work, but for hiring more staff, general pay hikes, easier faculty schedules, fancier facilities and greater intercollegiate athletics subsidies."

14 Colorado Office of Economic Development. See: http://www.collegeboard.com/prod_downloads/press/cost03/cb_trends_pricing_2003.pdf.

15 "TABOR Legislative Handbook," Independence Institute Issue Paper No. 1-2000, January 2000, at i2i.org/articles/1-2000.pdf (July 21, 2005).

16 See: http://www.state.co.us/oed/business-development/rankings.cfm.

17 Part of the reason for the decline in TABOR revenues is Amendment 23, which mandates increases in education spending and exempts part of Colorado's income tax collections from the TABOR limit. However, even if that money were counted against the limit, TABOR revenues would still have declined by more than 10 percent between 2001 and 2003.

18 State of Colorado Water Availability Task Force, "2003 Drought Impact and Mitigation Report," April 14, 2003, p. 47.

19 One reason an overtly plausible argument could be constructed for the 5-year hiatus of refunds was that the early '90s TABOR, unlike Nevada's TASC, had no budget stabilization reserve fund to make up for revenues lost in a recession. Moreover, Colorado's TABOR, unlike Nevada's TASC, has a "ratchet" provision that forces the spending ceiling downward when a recent recession has produced less revenue than the previous year. Thus, under the Colorado rule, unlike the one proposed for Nevada, the state could find itself returning tax revenues at the same time it was facing budget shortfalls.

20 It should be noted that polling by Colorado opponents of TABOR established beyond doubt that Colorado voters would have rejected any effort to repeal TABOR. It should also be recognized that the 2005 measure passed in Colorado, Referendum C, is, in part, legally unsound, since it attempts – in fine print usually unmentioned -to override the TABOR government growth formula written into the state constitution through passage of a mere statute. See Fact #28, "What Taxpayers Should Know about Colorado's TABOR," National Taxpayers Union, http://www.ntu.org/main/page.php?PageID=86. See also: "The Hidden Tax in Colorado's Referendum C," by Dr. Barry Poulson, and Randall Holcombe at http://www.americansforprosperity.org/index.php?id=355

21 United Health Foundation, "America's Health: State Health Rankings - 2004 Edition." See www.unitedhealthfoundation.org/shr2004/states/Colorado.html and www.unitedhealthfoundation.org/shr2004/states/Nevada.html

22 Calculations based on data on Medicaid recipients published by Centers for Disease Control, National Center for Health Statistics, Health, United States, 2004, Table 151.

23 Dave Berns, "Poll shows support for raising taxes on cigarettes, liquor, gaming," *Las Vegas Review-Journal*, July 11, 2003; Also: Jane Ann Morrison, "VOTER SURVEY: Tax foes see rating rise," *Las Vegas Review-Journal*, October 5, 2003.

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