TALKING POINTS
FROM THE COMMONWEALTH FOUNDATION

The Taxpayer Protection Act (House Bill 1316)

Control spending so Pennsylvania families can thrive.

Pennsylvanians are fleeing the state for opportunities elsewhere.

- Pennsylvania lost nearly 20,000 residents to other states in 2019—that's **54 people every day**. As a result, we will soon lose a Congressional seat.
- Families and the jobs they need are moving to more fiscally responsible states like Utah, Texas, and Florida.
- Overspending and high taxes are pushing residents away. We need commonsense spending limits to make Pennsylvania a destination for families and job creators.

The Taxpayer Protection Act will put state finances back on solid ground.

- State spending has more than tripled in the last fifty years, far outpacing the economy and families' ability to pay for it.
- Pennsylvania families would have nearly **$12,000 more in their pockets today** if the Taxpayer Protection Act had been in place since 2003.
- Continuing Pennsylvania's trend of overspending is unfair to taxpayers and is a recipe for financial disaster.
- The best way to put our finances back solid ground is the Taxpayer Protection Act, which limits spending increases to the rate of population growth and inflation.

Voters support the Taxpayer Protection Act across party lines.

- State spending isn't just about numbers and programs—it's about people. Hard-working families have to pay for overspending when the bill comes due.
- That's why **67% of Democrats, 68% of Republicans, and 67% of Independents support spending limits**, according to a 2019 poll. The Taxpayer Protection Act is a bipartisan success story in the making.

What the Taxpayer Protection Act does:

- The Taxpayer Protection Act, HB 1316, is a constitutional amendment that limits the growth of state spending to the average combined rate of inflation plus population growth.
  Note: The TPA would <u>not</u> require spending cuts.
- Lawmakers could exceed the spending limit with approval by a supermajority of the General Assembly.

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MYTHS AND FACTS
FROM THE COMMONWEALTH FOUNDATION

February 2020

Dispelling Myths about the Taxpayer Protection Act (House Bill 1316)

The Taxpayer Protection Act (TPA) *controls the growth of state spending* by tying budget increases to the average rate of inflation and population growth and requiring a supermajority vote to spend above that threshold. The TPA allows for ***sustainable growth*** in government spending, in line with taxpayers' ability to pay.

Myth: *The TPA would limit the government's ability to respond to ever-changing public needs, leading to cuts to education and other vital services.*

> **Fact:** The TPA caps annual spending growth, ***it does not require any cuts***. In FY 2020-21, the TPA allows a 2.1% spending increase. Spending limits can be overridden by a supermajority vote of the legislature—allowing lawmakers to suspend the limit in case of emergency.

Myth: *The General Assembly can limit or "check" new programs and balance the budget without a tax increase.*

> **Fact:** Pennsylvania has seen five state tax increases since 2009. This resulted from overspending in good economic times and deficits accrued during recession. Since 2003, the TPA would have allowed a General Fund spending increase of $9.4 billion. Instead, spending climbed by more than $12 billion.

Myth: *The TPA does not accurately reflect the growing cost of government services.*

> **Fact:** The point of the TPA is to ensure Harrisburg prioritizes spending and addresses rising costs through policy reforms instead of one-time revenues or higher taxes. If the TPA had been in place from FY 2003-04 through FY 2019-20, a cumulative $39 billion—or ***almost $12,000 per family of four***—would have remained in taxpayers' hands.

Myth: *The TPA undermines voters and the legislature.*

> **Fact:** This is a transparent process and voters will have their say. Because House Bill 1316 amends the Pennsylvania Constitution, the General Assembly must pass the bill in two consecutive legislative sessions, and voters must then approve it at the ballot box. A 2019 poll found **nearly two-thirds of voters (68%) favor limiting the growth of state government spending**.

Myth: *Spending limits have not worked in Colorado.*

> **Fact:** After Colorado implemented the Taxpayer Bill of Rights (TABOR), the state's tax burden declined by over one full percentage point. Colorado saw personal income and population rise faster than the national average and job growth improve in the decade after passage.

POLICY BACKGROUNDER
FROM THE COMMONWEALTH FOUNDATION

February 2020

The Taxpayer Protection Act

*Pennsylvania's high state and local tax burden is the consequence of a decades-long spending binge. Pennsylvanians pay **$4,589 per person** in state and local taxes, which equals 10.2% of residents' total income. This trend must be reversed by restraining spending growth through the Taxpayer Protection Act (TPA).*

Pennsylvania's Overspending Problem

- Over the last two decades, total state spending growth has outpaced the economy. Pennsylvania's population grew 4%, job growth totaled 6%, and inflation 47%. Meanwhile, state spending surged 71%.
- The commonwealth's total operating budget, which includes the General Fund and Shadow Budget, has more than tripled since 1970 (adjusted for inflation).
- This year is no exception, the Independent Fiscal Office projects Pennsylvania will overspend its FY 2019-20 budget by $779 million—a deficit that size could require a tax hike. In fact, past budget deficits lead to five tax hikes since 2009.
- High taxes driven by high spending contributes to brain drain. Pennsylvania is losing about 54 people every day, primarily to states with lower tax burdens.
- If the TPA had been enacted in FY 2003-04, spending could have increased by $9.4 billion through FY 2019-20. Instead, it climbed by more than $12 billion.

The Solution to Pennsylvania's Financial Challenges

- The Taxpayer Protection Act's spending limits would help reverse Pa.'s unsustainable spending trend. The TPA does not mandate cuts to government spending. It slows the growth of spending by tying increases to the rate of inflation and population growth.
- Fiscal guardrails will require the state to thoroughly review and prioritize programs to ensure spending growth is kept within the TPA index.
- If the TPA had been applied to the General Fund from FY 2003-04 through FY 2019-20, a cumulative $39 billion—or **almost $12,000 per family of four**—would have remained in the hands of taxpayers rather than state government.
- States that control spending growth can maintain a low tax burden, which is critical for economic growth and economy-boosting tax cuts. Colorado saw personal income and population rise faster than the national average and job growth improve in the decade after passage of a similar reform called TABOR.

Legislation to implement the TPA is under consideration in the House. HB 1316 is a constitutional amendment that must pass in two consecutive sessions and does not require Gov. Wolf's signature. Similar legislation passed the House in 2017.

By controlling government spending, lawmakers can restore the commonwealth's fiscal health and pave the way for tax reform that will benefit all Pennsylvanians.

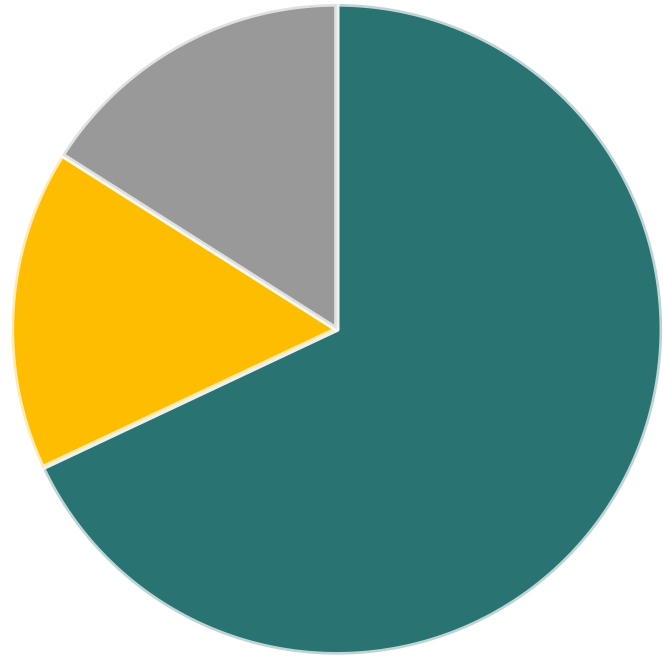
POLL: Pa. Voters Support the Taxpayer Protection Act

Over 2/3 of Pennsylvania voters support the TPA

68% Support

16% Oppose

16% Unsure



Universal Support for TPA

Republican 68%

Democrat 67%

Independent 67%

QUESTION: Pennsylvania lawmakers are considering a law that would limit increases in government spending to the rate of inflation plus the rate of population growth. The limit could only be exceeded by a two-thirds votes of both houses of the General Assembly or by a declared emergency. Generally speaking, would you support or oppose this legislation?

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