

# ***TABOR (“Taxpayers Bill of Rights”) and Wisconsin Higher Education***

## **What is TABOR?**

A constitutional amendment to:

- Cap state, school, county and municipal spending based on a set formula.
- Require referenda to exceed spending caps, tax increases and for all bonding decisions.

The proposal is a response to perceived rising tax burdens in Wisconsin, however:

- Average school property tax rates have fallen by nearly 50% since 1991.
- Property taxes on the median value house have grown more slowly than inflation.
- The individual income, sales and corporate tax burden is unchanged since 1975.
- Relative to personal income, in 2000 Wisconsin ranked 18<sup>th</sup> in state and local spending.

TABOR’s one-size-fits-all approach eliminates the ability of policymakers to make sound public policy based on state and local needs or to respond to budgetary crises.

## **What does TABOR mean for higher education in Wisconsin?**

The 20 highest earning professions all require at least a bachelor’s degree and occupations that require a college degree are growing twice as fast as others. Wisconsin, with 23.8% of its residents having a four-year degree, lags behind the US average (26.0%) and neighboring states Minnesota (31.2%) and Illinois (27.1%). Ultimately, TABOR will result in diminished access to higher education, which will further erode Wisconsin’s economic health.

- *Because higher education is not a mandated or entitlement program* it can, like other discretionary programs, expect to see reductions in state funding so that TABOR limits are not exceeded. State support for higher education in Colorado fell from 17.6% of the general fund budget in 1992 when TABOR was adopted to 10.5% in 2004.
- *TABOR does not take into account institutional costs* such as utilities, technology advancements, health insurance benefits, and others that often rise faster than inflation or personal income. Because higher education institutions have little control over many of these costs, spending caps essentially cut their base budget. As a result fewer students would be admitted, and/or tuition would increase significantly (if allowed) and/or the quality of higher education would suffer.
- *Under TABOR, higher education will not be able to meet increasing demand by non-traditional and part-time students* who typically require more resources than traditional undergraduate students. For example, three part-time students taking the equivalent course load of one undergraduate student will each require advising, library services, financial aid processing, etc. Non-traditional students often demand costly evening/weekend or distance learning options.

## **What does TABOR mean for Wisconsin’s quality of life?**

Looking at the Colorado experience with TABOR,

- Per-pupil funding in K-12 schools was \$6,515 in Colorado in 2001– trailing the national average by \$769 (compared to \$8,158 in Wisconsin). Colorado ranked 43<sup>rd</sup> nationally in percent of school expenditures used for instruction, compared to 14<sup>th</sup> for Wisconsin.
- 14% of Colorado children are uninsured, compared to 12% nationally and only 5% in Wisconsin.
- Medicaid in Colorado covered 15% of poor, non-elderly residents in 2002, compared to the 29% nationally and 30% in Wisconsin. This gap may widen because Colorado eliminated health care coverage for 15,600 families by freezing enrollment.
- TABOR’s fixed equation fails to consider the impact of the baby boom generation on Medicaid.
- In 2003 Governing magazine issued a report card on each state’s tax systems based on adequacy of revenue, fairness to taxpayers and system management. Out of 12 stars, Wisconsin received eight and Colorado got five.
- Job creation remains one of Wisconsin’s biggest long-term economic challenges. Yet TABOR hasn’t led to job creation in Colorado. In fact, only four states have lost a larger share of employment than Colorado, which lost 18,000 jobs in 2003 alone.

Exempting any specific service area, such as health-care or K-12 education, from the TABOR caps places a disproportionate burden on the rest of state and local government services.