TALKING POINTS

Taxpayer Protection Act

THE TAXPAYER PROTECTION ACT (TPA)

- Reasonably limits future growth in state government spending to inflation plus population growth.
- Requires the government to prioritize spending.
- Ensures a prudent Rainy Day Fund that could be used to balance the budget in times of recession.
- Provides tax relief for working families and stimulates private-sector job growth.

PROTECTING TAXPAYERS

- Pennsylvania government spending has consistently outpaced the growth of personal income.
- Pennsylvanians currently pay **$4,374 per person** in state and local taxes, equaling 10.3% of resident's total income. Pennsylvania currently has the **10th highest** state and local tax burden in the nation, up from 25th in 1991.
- The TPA would ensure that a portion of excess revenues are returned to taxpayers by reducing the income tax rate, providing much needed relief to families.
- If the TPA had been applied to the General Fund between FY 2003-04 through 2013-14, a cumulative $28.7 billion would have remained in the hands of taxpayers rather than state government—**almost $9,200 per family of four over 10 years**.

HUGE SUCCESS OF SPENDING LIMITS IN COLORADO

- The Taxpayer Bill of Rights (TABOR), amended to the Colorado State Constitution in 1992, limited spending growth to inflation plus population growth.
- TABOR generated over $3.2 Billion in tax rebates from 1997 to 2001, returning nearly $3,200 to the average family of four.
- CO experienced one of the strongest growth rates in personal income and gross state product after TABOR.
    - o CO was 43rd among states in median family income growth in the 8 years before TABOR; in the 8 years after, it ranked 7th.
    - o CO was 33rd in job growth in the eight years before TABOR; it was 6th in the eight years after.
    - o CO was 43rd in economic growth per capita in the eight years before TABOR; it was 7th after the eight years.

ENCOURAGING RESPONSIBLE BUDGETS

- The TPA would require responsible budgets with sustainable levels of growth in both good economic times and bad, avoiding budgets that have resulted in the deficits of recent years.
- A spending limit merely slows the growth in spending, it does not mandate any cuts.
  - o Under the TPA index, state spending in FY 2014-15 could have increased by 2.38%, or $678 million if applied to the General Fund.
  - o For 2015-16, the TPA would allow for spending growth of 1.71%, or $498 million.
- The TPA is not a hard cap, but could be exceeded: 1) in cases of emergency, or 2) a two-thirds supermajority vote by legislators. Other states have also required voter referendum to approve additional spending.
- Had the TPA been in effect since 2003, spending would have increased every single year, yet **Pennsylvania would be facing a budget surplus**, not a deficit, next year.
- Overspending—that is, spending increases above the rate of inflation and population growth—has been the cause of budget deficits and tax increase.

Fiscal Year	Actual General Fund Spending (Final)	General Fund + New Funds Spending	TPA Index	Spending Limit if TPA in place in 2003
2002-03	$20,400,104,000	$20,400,104,000	2.83%	
2003-04	$21,885,366,000	$21,885,366,000	2.65%	$20,940,184,136
2004-05	$23,054,037,000	$23,054,037,000	2.18%	$21,396,131,330
2005-06	$24,664,610,000	$24,664,610,000	2.58%	$21,949,016,568
2006-07	$26,298,095,000	$26,298,095,000	3.36%	$22,686,281,980
2007-08*	$26,988,310,000	$27,384,322,000	3.15%	$23,401,206,045
2008-09	$28,323,830,000	$28,708,630,000	3.29%	$24,171,056,860
2009-10	$27,640,453,000	$28,023,953,000	3.05%	$24,908,174,979
2010-11	$28,129,063,000	$28,518,186,000	2.88%	$25,624,965,396
2011-12	$27,030,539,000	$27,448,832,000	2.29%	$26,211,737,471
2012-13	$27,656,000,000	$28,068,368,000	2.29%	$26,812,457,260
2013-14	$28,492,333,000	$28,921,334,000	2.72%	$27,542,212,220
2014-15	$29,098,996,000	$29,536,577,000	2.40%	$28,203,467,850
2015-16			1.71%	$28,685,660,099

** The Public Transportation Assistance Fund was created in 2007, earmarking part of sales tax revenue for mass transit. The TPA would cover any "new funds" created after the limit was enacted.*