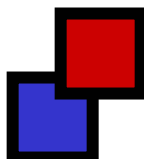


Worldview or “Whirried View?”
or

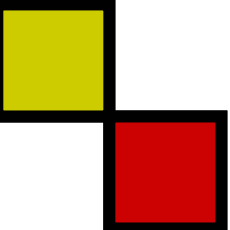
Why we need to improve our
Revenue Cap



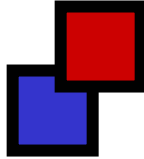
■ Tim Dunn



A “Whirriled” View



Underlying Assumption: Government’s impact on solving problems and helping people is directly proportional to *Level of Expenditure*. Examples:



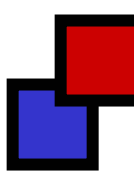
- Katrina –the talk was about “how much to spend” rather than on specific solutions to problems

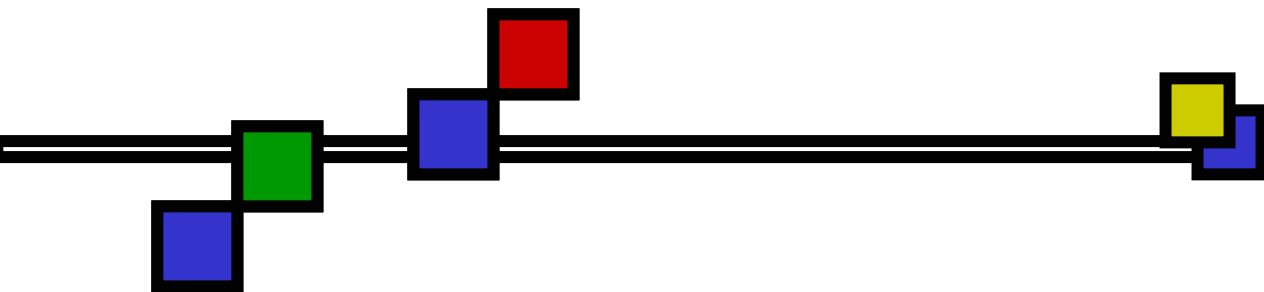


A “Whirriled” View



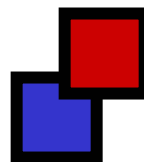
Another example:

- Education spending: teacher pay raises. If we double teacher pay, how would that improve education? Are they holding back teaching well? If we pay the same people more to do the same thing, there will be *no change!* Education will not improve (or get worse) it will just cost more.
- 



This “Whirriled” View Leads to an Erosion of Freedom

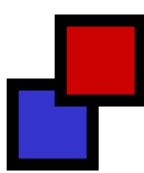
- Measurable is “More Spending” ...
- Without accountability for results
- Increasing size of government with decreasing accountability...
- Erosion of “of, by and for the people”
- Focus becomes “handing out the goodies”





A Proper Worldview

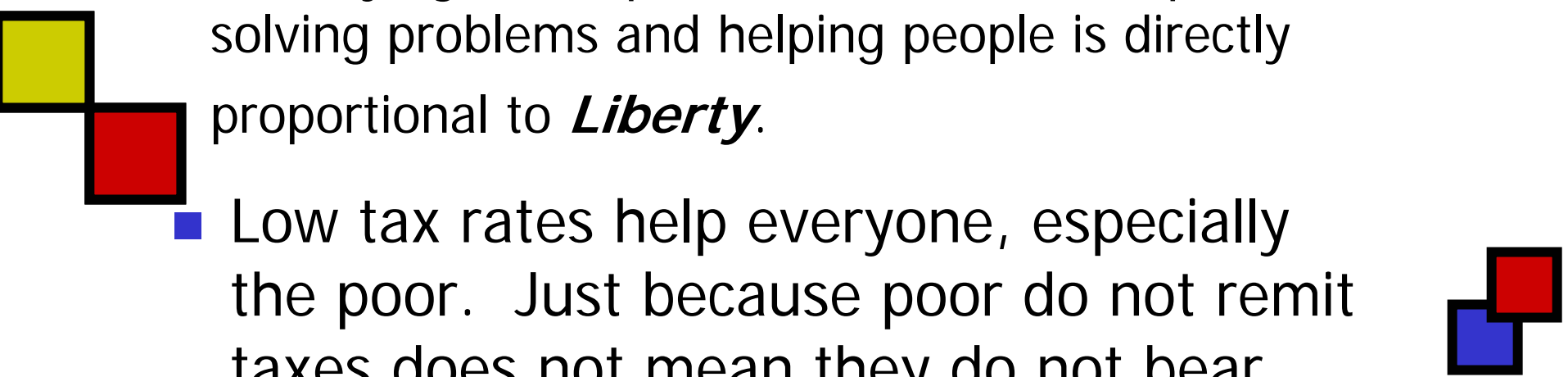
Underlying Assumption: Government's impact on solving problems and helping people is directly proportional to *Liberty*.

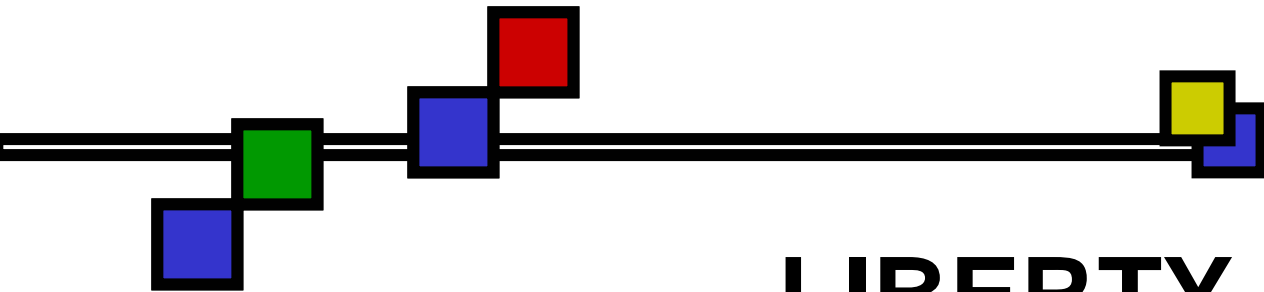
- Providing liberty and security generates better results – the market is relentless about insisting on efficiency – when it works in an environment of honesty. Government has a primary role in ensuring justice/honesty: sanctity of contract and private property for example.
- 



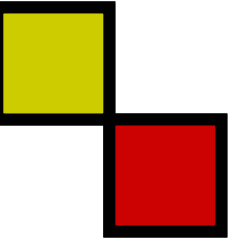
A Proper Worldview

Underlying Assumption: Government's impact on solving problems and helping people is directly proportional to *Liberty*.

- Low tax rates help everyone, especially the poor. Just because poor do not remit taxes does not mean they do not bear the burden of taxes in: higher costs of goods, lower wages, and higher rental and property ownership costs.
- 



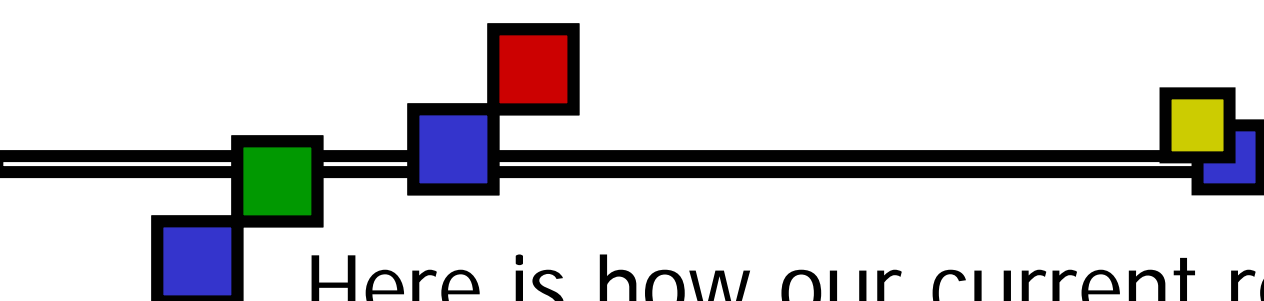
LIBERTY



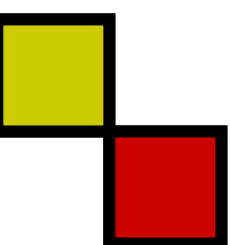
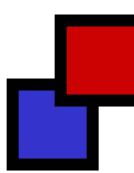
Improving our current revenue cap can make a meaningful change in our approach to government and promote

LIBERTY



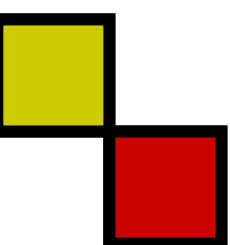
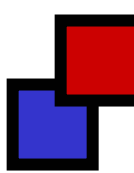


Here is how our current revenue cap works:

- 
- LBB projects growth in the state economy;
 - This growth rate is also the maximum growth rate for the state budget.
 - Legislature can override in an “emergency”
 - Limited to a portion of the state budget.
- 

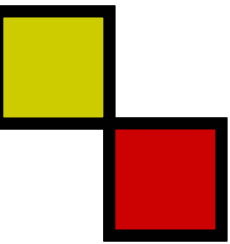
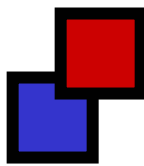


Ways to improve the revenue cap

- 
- Include all taxing jurisdictions – just shifting tax burden does not aid citizens
 - Require vote of citizens to override cap
 - Better define limiting rate
- 

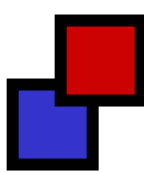


How can a strengthened revenue cap promote Liberty?

- 
- Requiring an explanation to ordinary citizens for extraordinary spending increases should lead to more focus on results and accountability for spending ;
 - Accountability should lead to market solutions, and increased liberty
- 

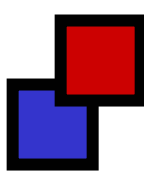


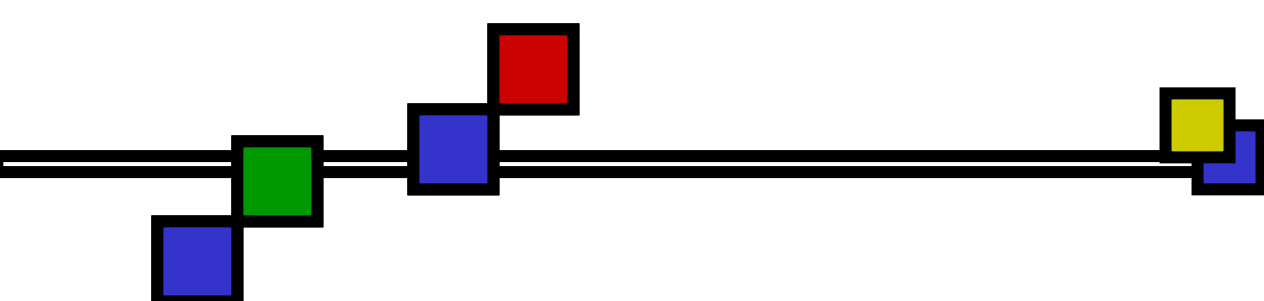
Revenue Caps Do NOT

- Prevent increases in spending
 - Reduce taxes
 - Convert Republican form of government to a tyranny of the majority
- 

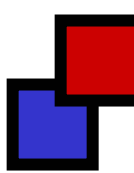
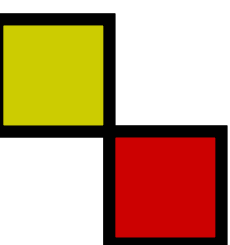


Citizen Approval within Revenue Caps:

- Involves citizens;
 - Requires an explanation to citizens of benefit received for spending ;
 - Leads to treating a political promise imbedded in an increase of government programs the same way we treat a legal obligation to repay a bond – voters approve before the obligation is incurred.
- 

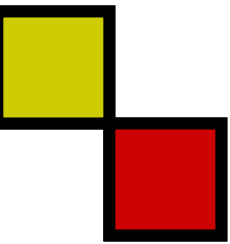
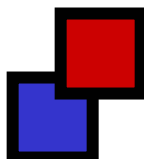


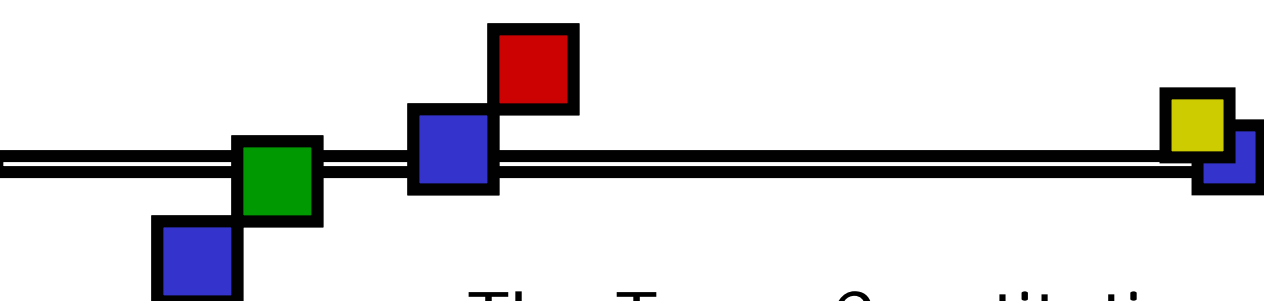
We should want government spending to help people. The Texas Constitution expects the government to help people. How? By securing *individual liberty*.



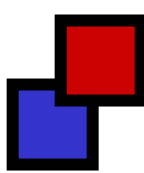


Liberty – from the Texas Constitution

- 
- “All political power is inherent in the people and all free governments are founded on their authority, and instituted ***for their benefit***. The faith of the people of Texas stands pledged to the preservation of a republican form of government, and, subject to this limitation only, they have at all times ***the inalienable right to alter, reform or abolish their government in such manner as they may think expedient.***”
- 

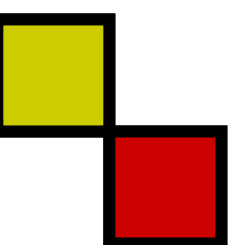
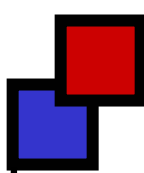


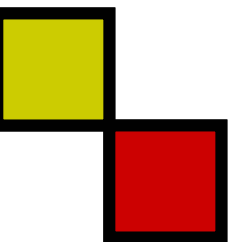
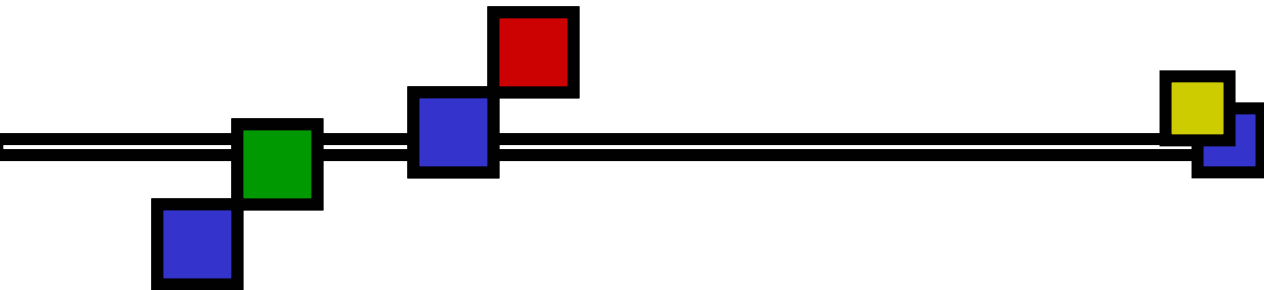
The Texas Constitution sets forth expectations for government to benefit citizens:

- Protect individual liberties
 - Provide and protect justice for all citizens
 - Education of the populace
 - Protection of commerce (community)
 - Taxation to fund the foregoing
- 

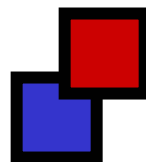


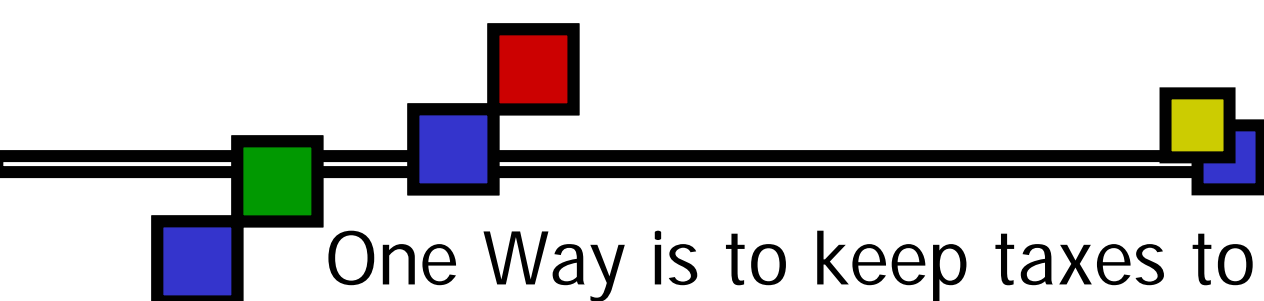
Can Government be Charitable?

- Government is not personal, cannot be charitable
 - Our government does not have any money, it takes money from people. It is not able to “give” because it does not “have.”
 - Government redistributes. Redistribution is not charity. Redistribution may eliminate the need for charity, but it is not charity.
- 
- 

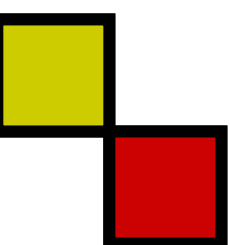
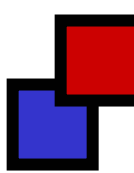


So, if government cannot be charitable, how can government help people?





One Way is to keep taxes to a minimum.
Taxes hit low income earners
hardest.

- 
- The Texas Comptroller publishes a study on “tax incidence” – not a study of who *remits* taxes, but who bears the burden of taxes.
 - The lowest deciles (bottom 20%) of income earners bear a higher proportion of their income in taxes in Texas.
 - This is true for sales taxes *as well as taxes on business income!*
- 

Average % of Tax Paid: 2005

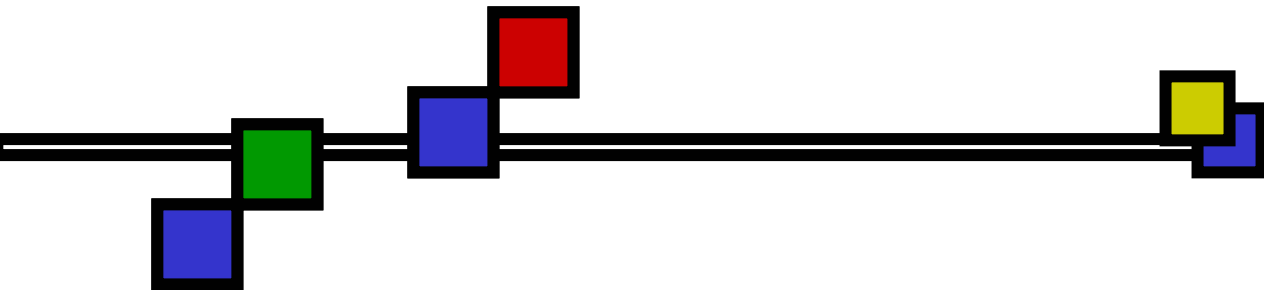
Income Decile	All Taxes % Tax	All Taxes % Income
1	4.3	23.4
2	5.2	10.5
3	6.3	8.9
4	7.3	7.4
5	8.3	7.2
6	9.0	6.7
7	10.2	6.5
8	11.3	6.2
9	12.8	5.7
10	15.2	4.6

Sources: Texas Comptroller's *Tax Exemptions and Tax Incidence* reports, 2005;
author's calculations

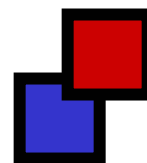
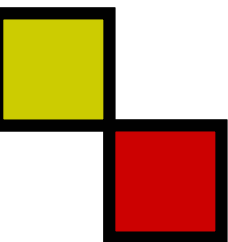
Average % of Tax Paid: 1999 - 2005

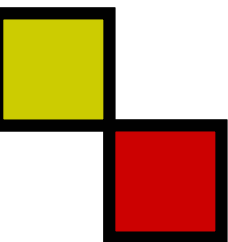
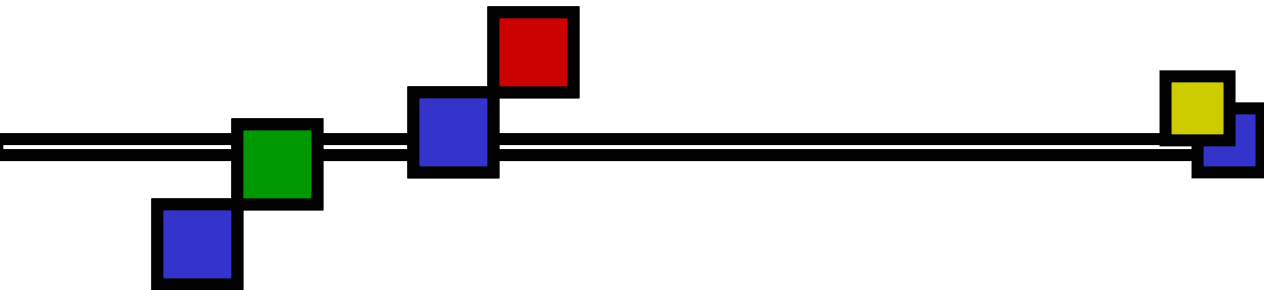
Income Decile	Sales/Use Tax	Franchise Tax	Gasoline Tax	Motor Vehicle Sales/Use Tax	School Property Tax	Natural Gas Tax
1	3.2	3.9	4.3	2.8	3.1	0.5
2	3.8	4.5	5.2	3.6	3.6	1.1
3	4.7	5.0	6.3	5.1	4.2	1.7
4	5.6	5.6	7.3	5.6	4.9	2.3
5	6.7	6.2	8.3	7.8	5.7	3.1
6	7.6	6.7	9.0	8.5	6.9	4.0
7	8.7	7.6	10.2	9.8	8.1	4.9
8	10.3	8.7	11.3	11.7	10.3	6.2
9	12.2	10.1	12.8	13.5	13.5	8.5
10	16.7	15.2	15.2	18.1	21.3	17.1

Sources: Texas Comptroller's *Tax Exemptions and Tax Incidence* reports, 1999-2005; author's calculations

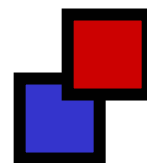


By enhancing our revenue caps, we can aid the citizens and the entire political process to ensure that each expenditure is really a benefit to the entire community, not just a portion of the community with a powerful voice.

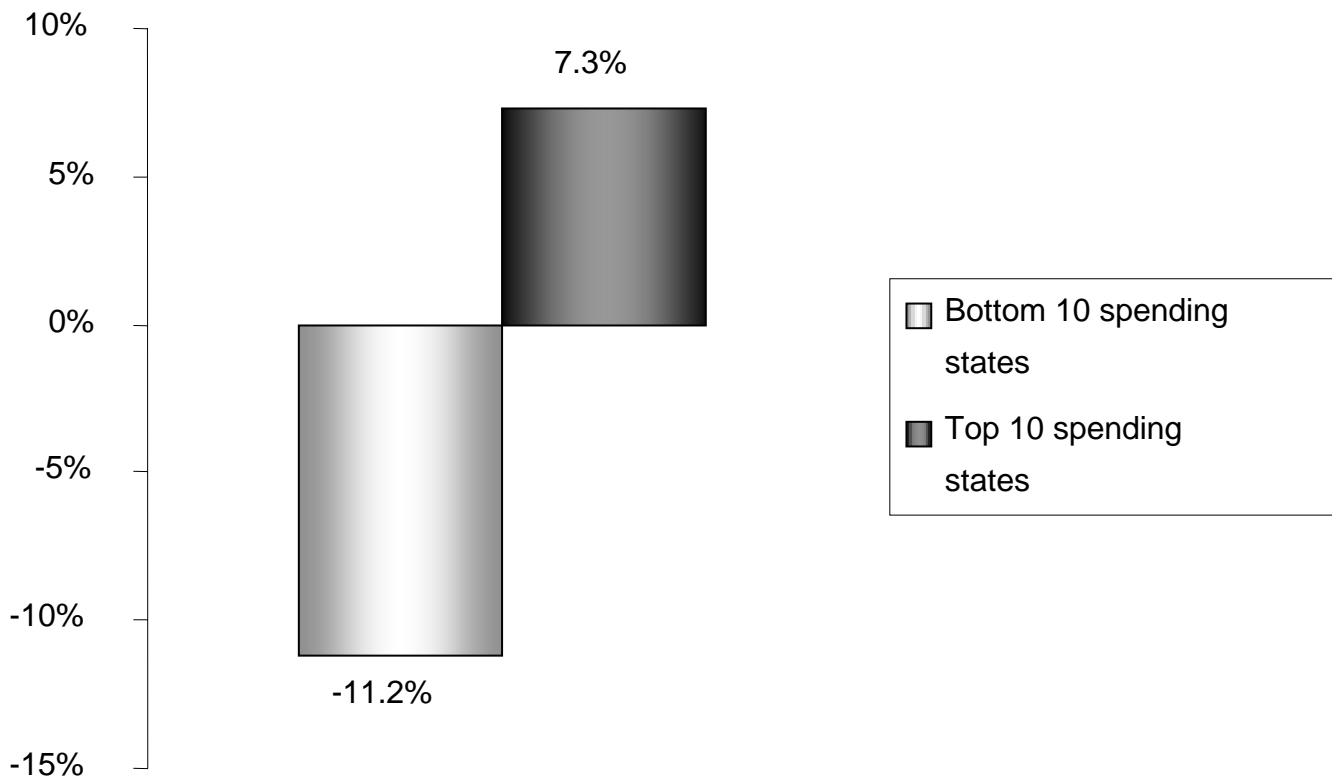




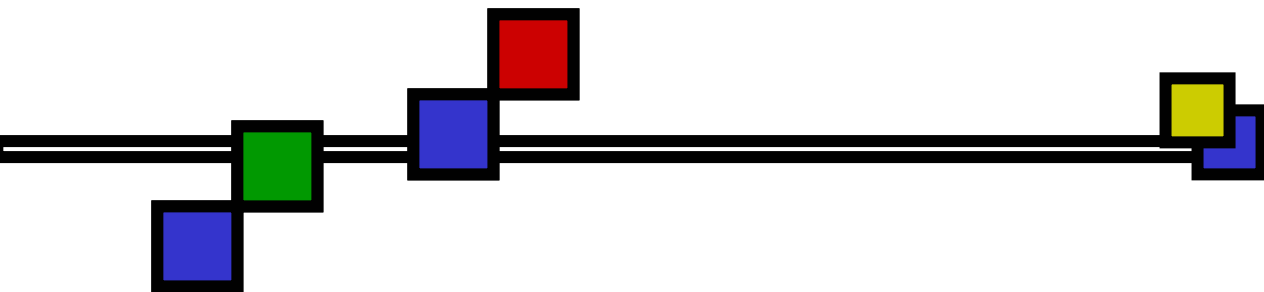
The following slide shows that the largest reduction in poverty in the last decade has transpired in *low spending states*. This makes sense, as low tax rates provides incentives for business investment, leading to expanded job opportunities and wages and lower housing costs.



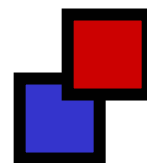
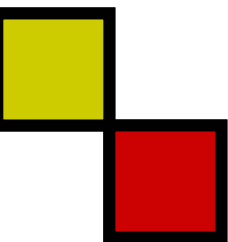
**Figure 2: Average Poverty Rate Declines
(Increases) in Low and High Spending States, 1990-
2000**

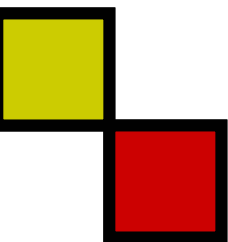
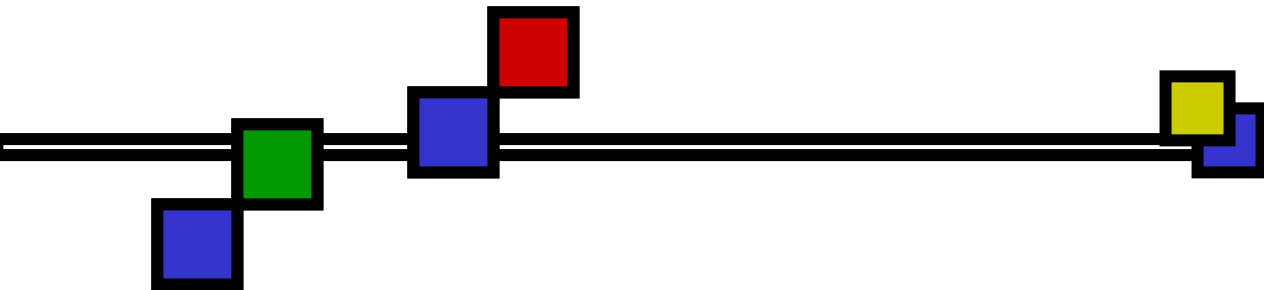


Source: Author calculations from Digest of Education Statistics, 2002. Data available online at <http://165.224.221.98/programs/digest/d02/dt020.asp>.

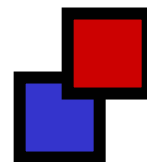



By restraining government spending to increasing by population plus inflation, the M&O property tax can be reduced to zero in approximately 17 years



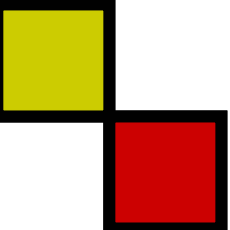


Think about the affordability of housing with zero school property taxes! Think about real estate values. This would help everyone!

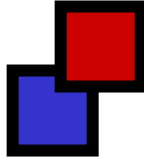


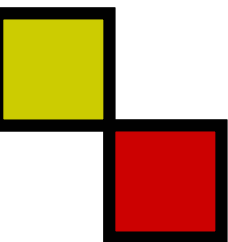
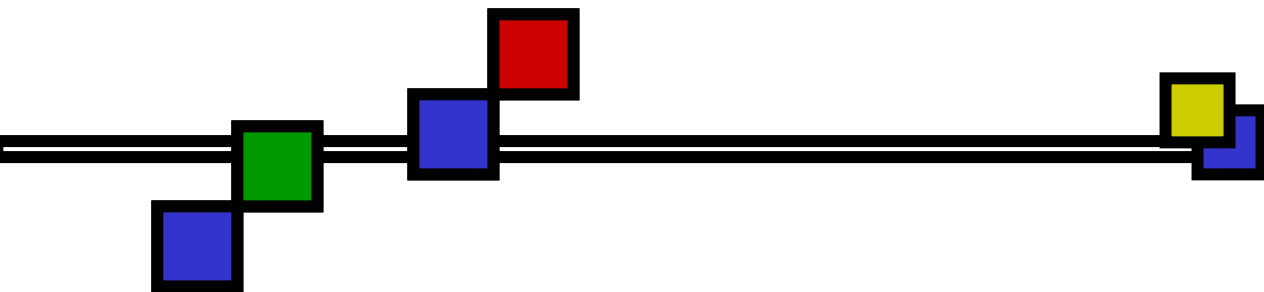


There are many who maintain that Colorado's revenue cap is an example why Texas's revenue cap should not be strengthened. They say that Colorado's spending has declined dramatically, creating a social disaster.

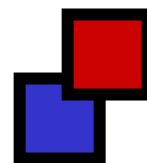


This is true, if you have a "whirled view" that all government spending is a benefit. From this perspective, the primary way to benefit people is to increase government spending, and any obstacle to that increase is a disaster.

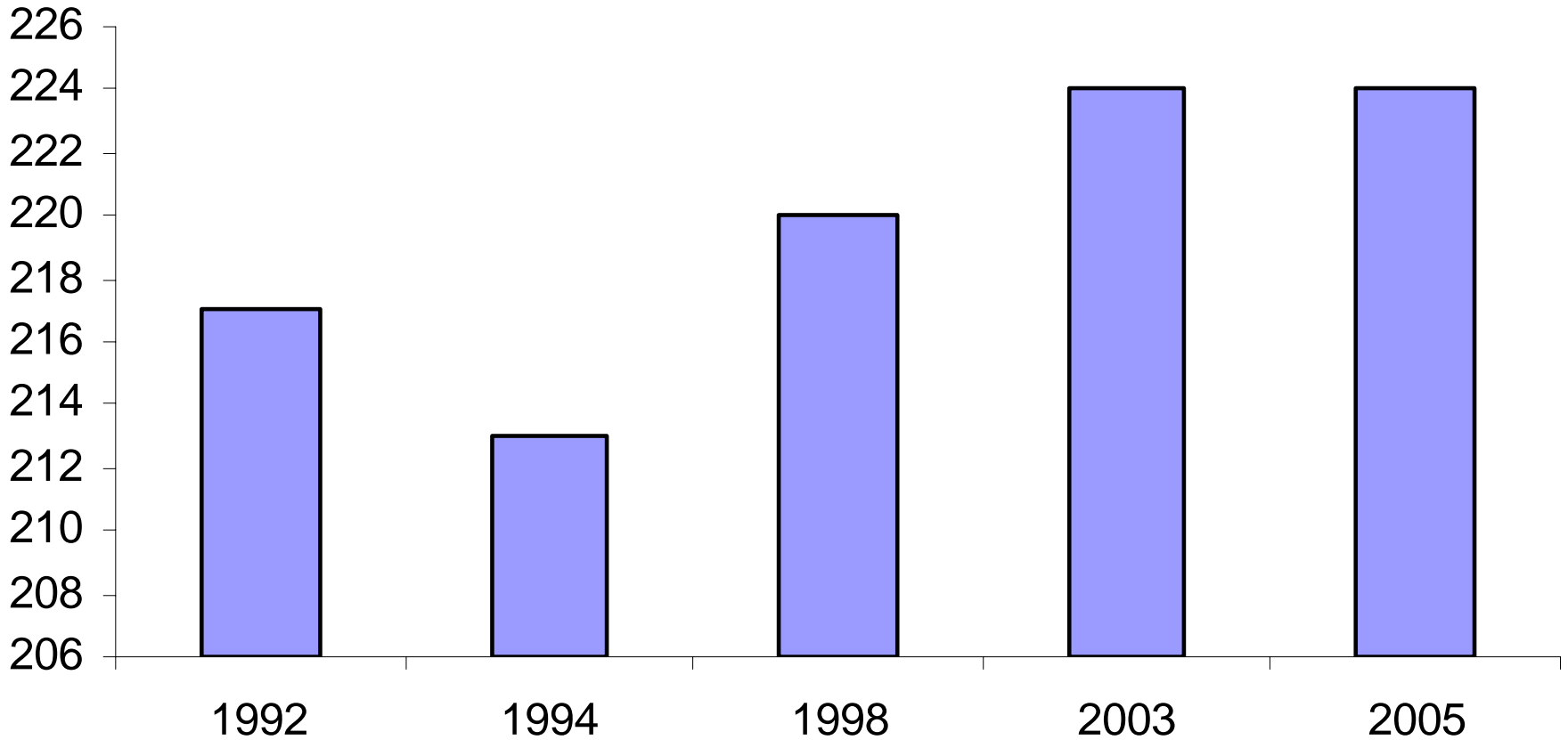




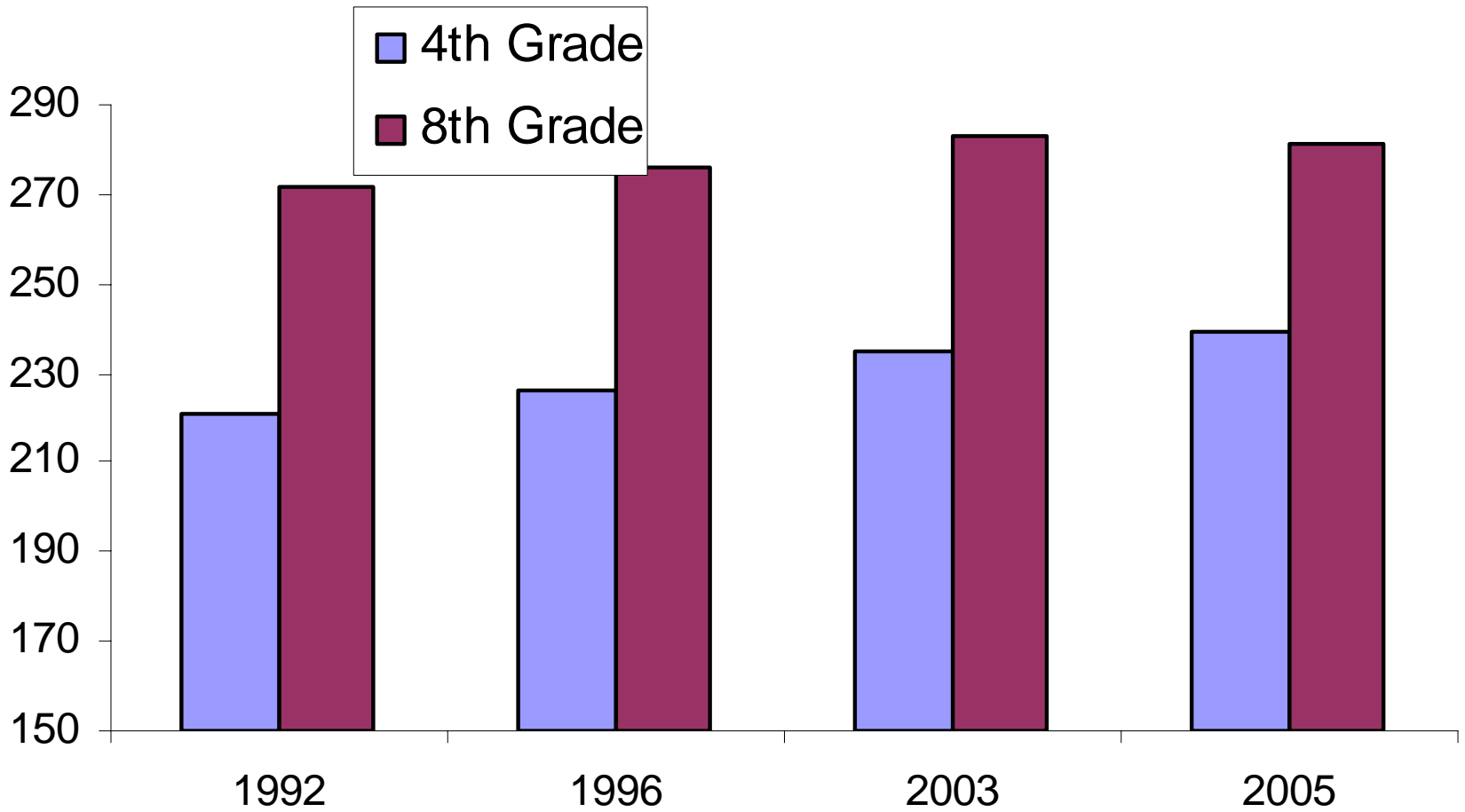
Let's look at some facts. The next slide shows educational achievement in Colorado in recent years. A slight upward trend.

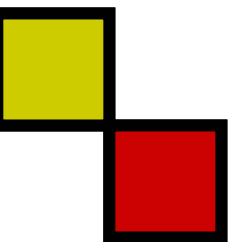
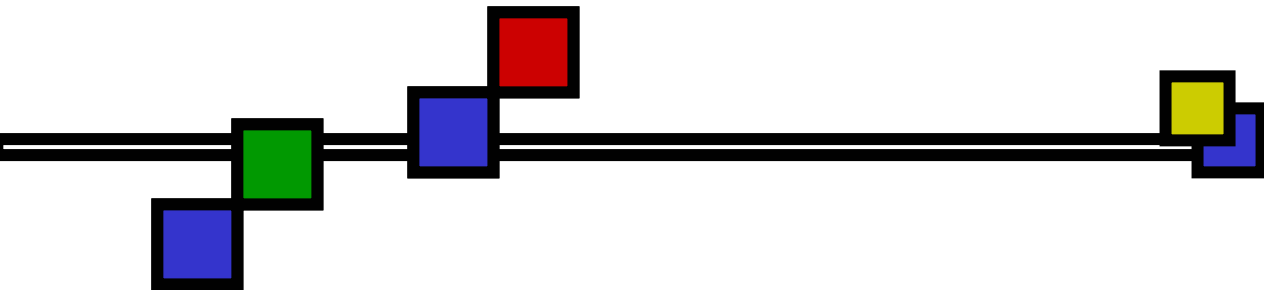


Colorado 4th Grade Reading NAEP Results

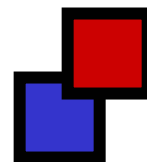


Colorado 4th & 8th Grade Math NAEP Results

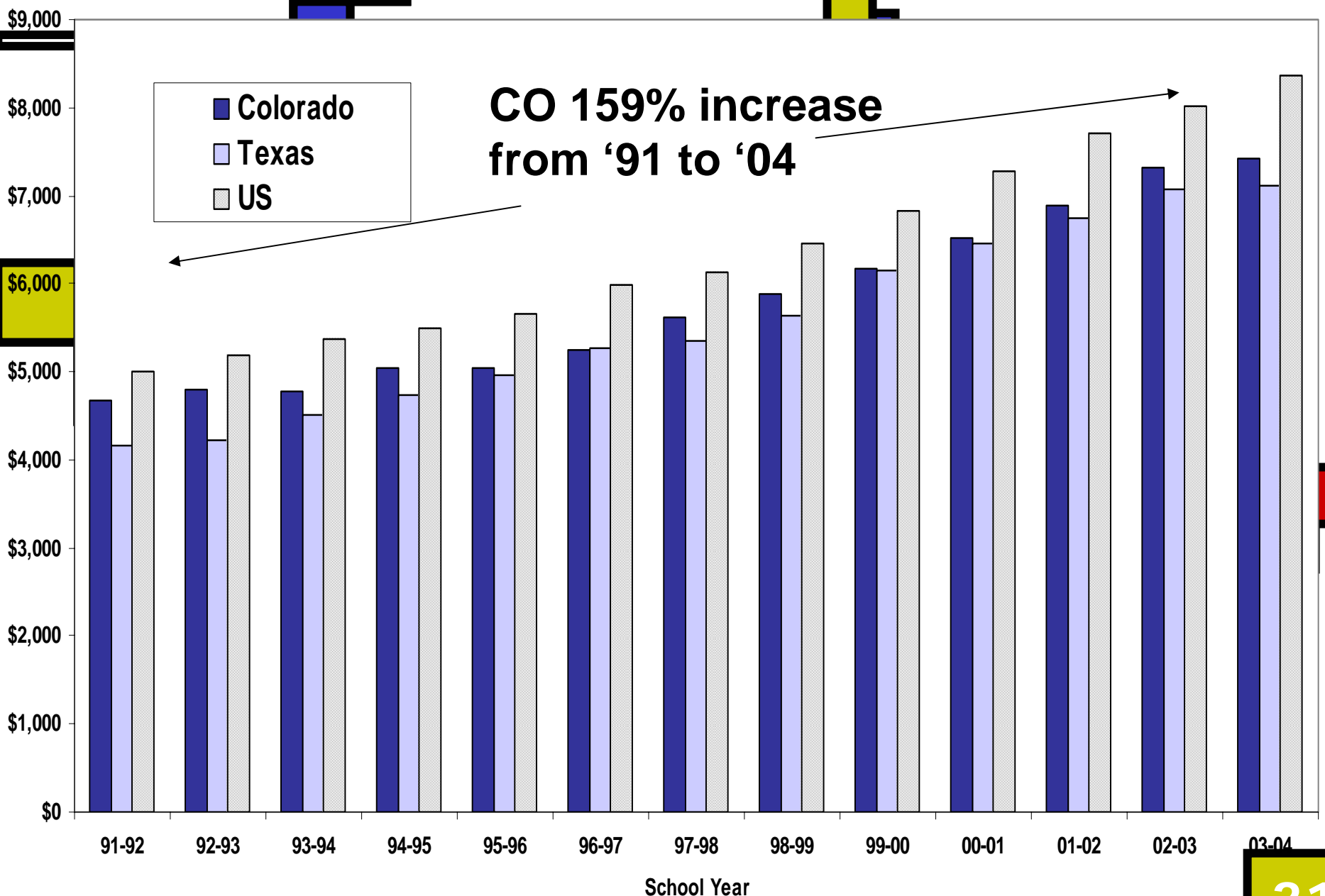




More facts. The next slide shows Colorado's spending trend over the same period.

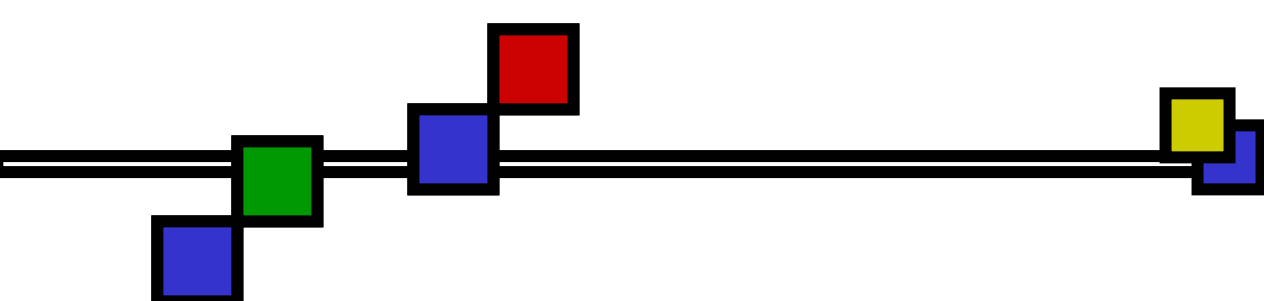


Spending Per Pupil

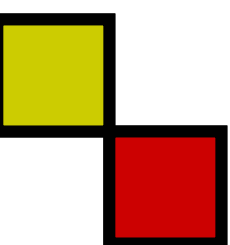


■ Colorado
■ Texas
■ US

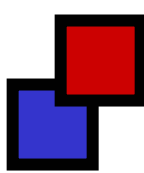
**CO 159% increase
from '91 to '04**



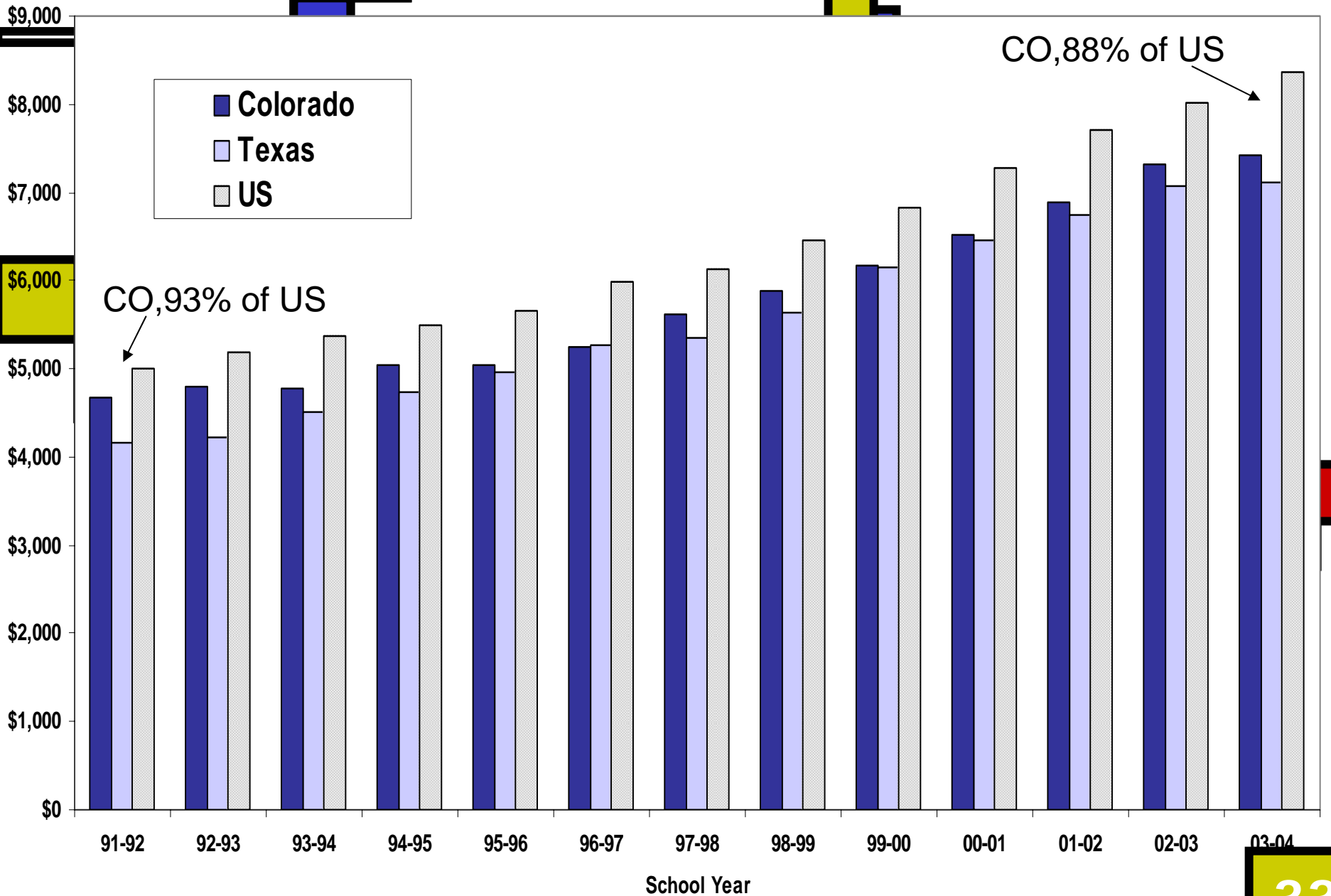
More facts. Even though Colorado's educational achievement increased, and spending increased, spending per pupil increased more slowly than the national average.

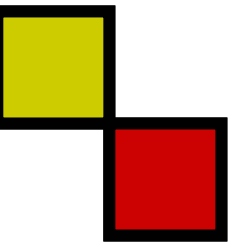
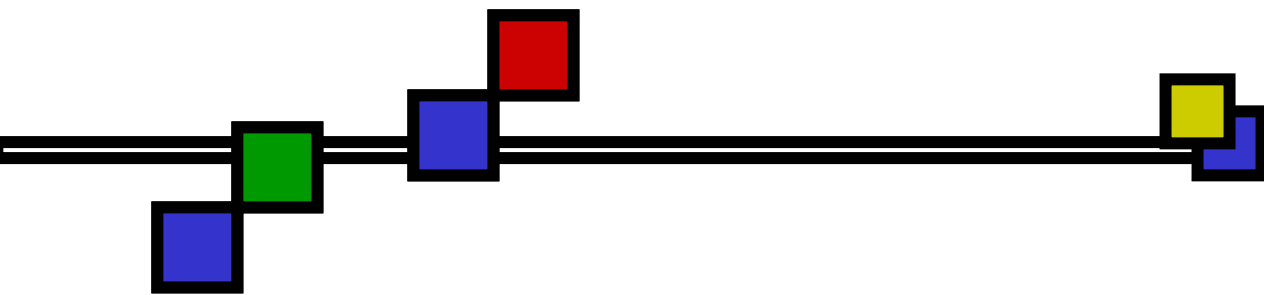


So, is this evidence of increased efficiency verses the US? Opponents say "no". Because of their "whirriled view" reduced spending is prima-facie evidence of deterioration.

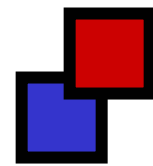


Spending Per Pupil

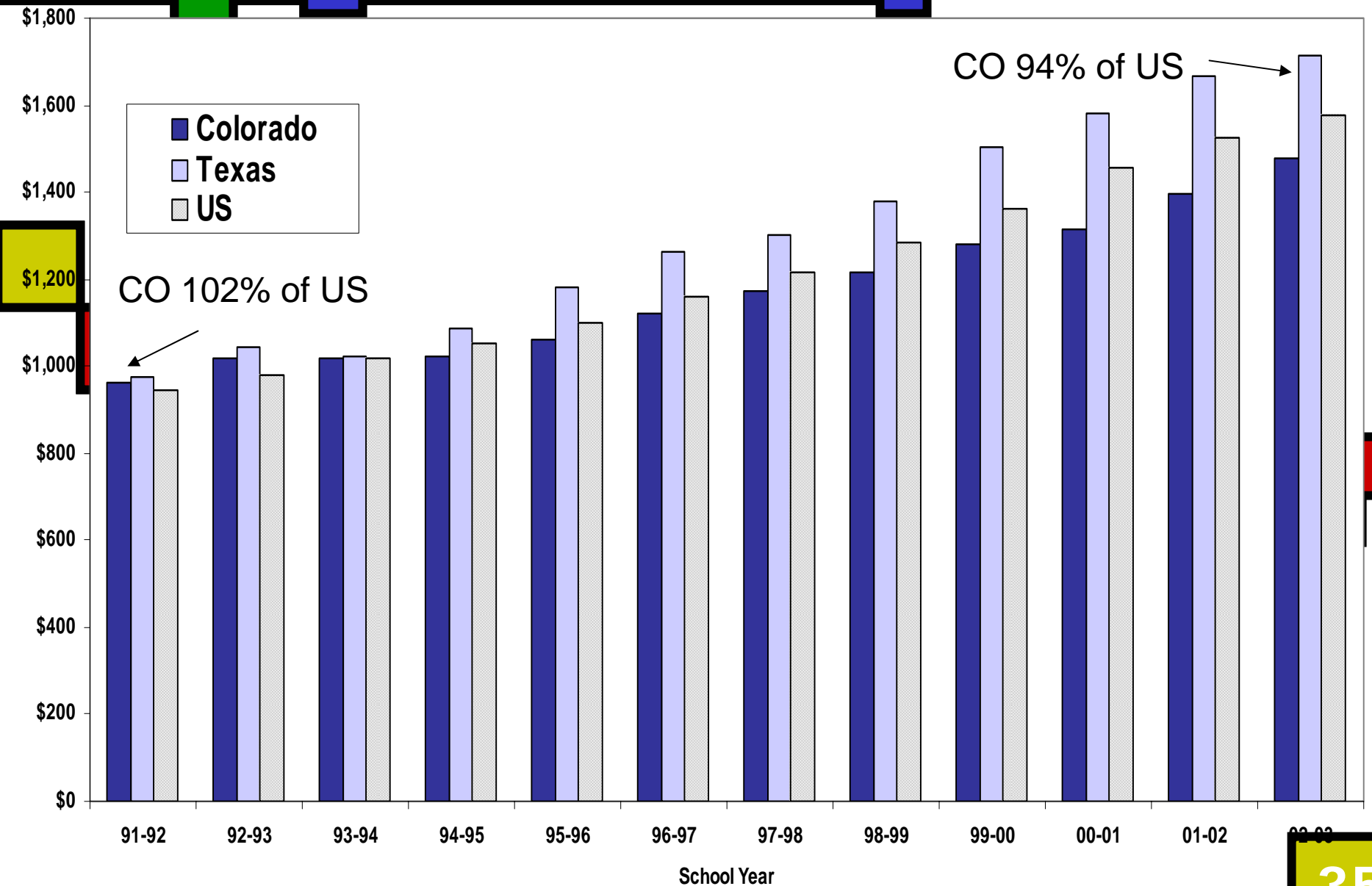


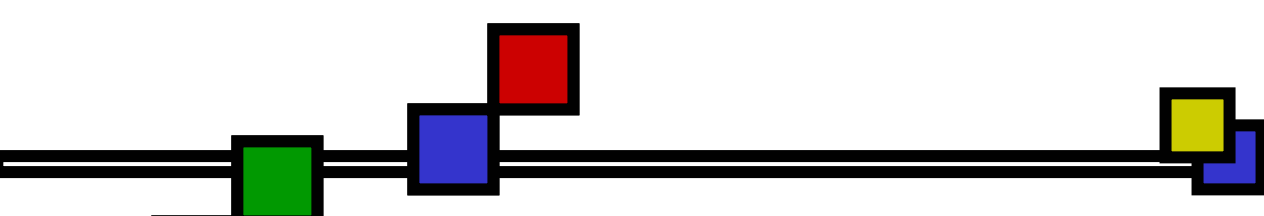


In fact, one of the primary evidences they cite is the decrease in per capita educational spending, or the amount spent on education by the state per Colorado resident.

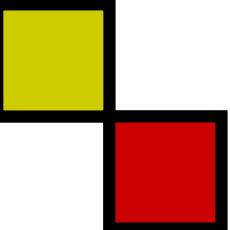


Per Capita Education Spending

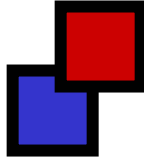




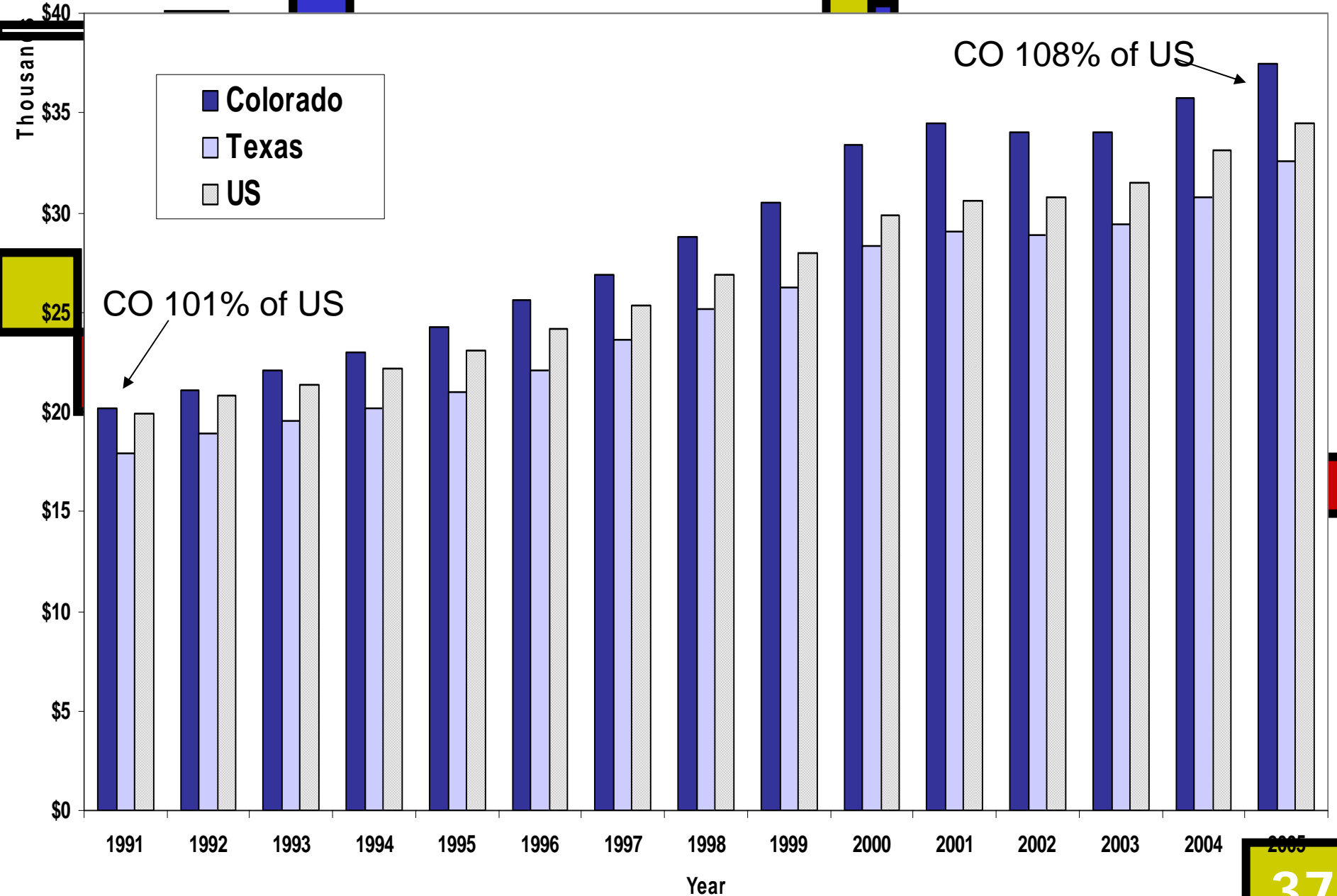
But one of the primary reasons per capita spending decreased is that Colorado's economy boomed, and per capita income soared during this period.



In the "whirried view" this is increased disaster. People have more to spend and they are not benefiting their fellow citizens by proportionally increasing government spending. (Because that is how you help people – government spending)

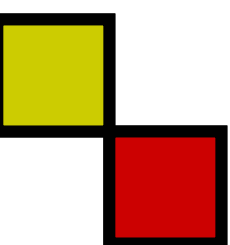
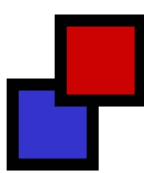


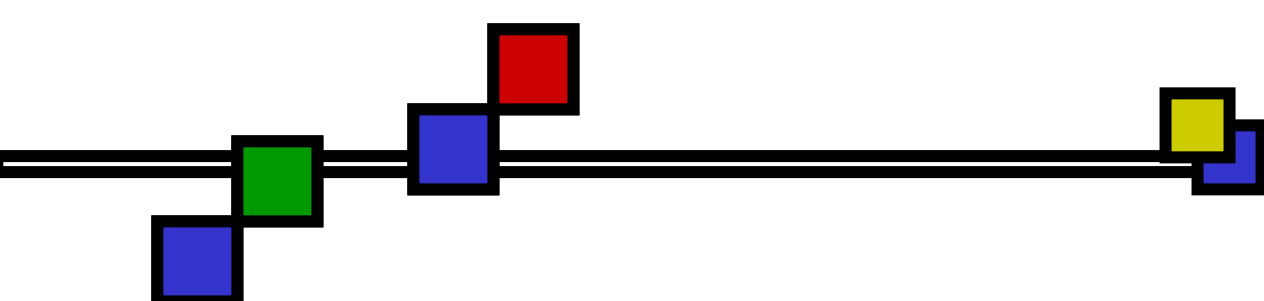
Per Capita Personal Income



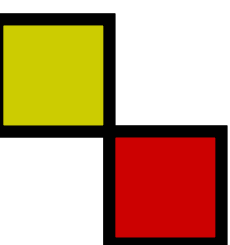
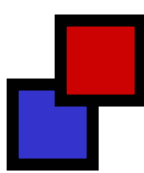


This “whirried view” presumes that spending is beneficial:

- Without regard to actual measured benefits
 - Without regard to how actual persons are impacted
 - It is a matter of faith
- 
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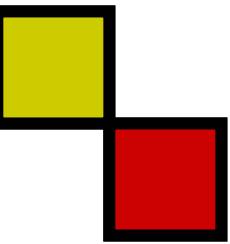
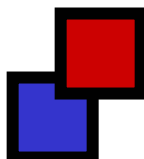


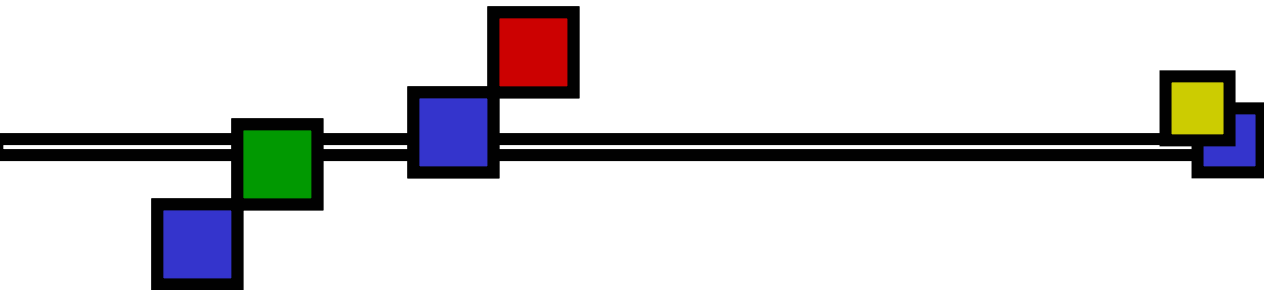
Lets rediscover the central tenets of Texas' founders. Let's focus on:

- 
- Liberty
 - Justice
 - Education (not spending, results)
- 



Liberty – from the Texas Constitution

- 
- “All political power is inherent in the people and all free governments are founded on their authority, and instituted ***for their benefit***. The faith of the people of Texas stands pledged to the preservation of a republican form of government, and, subject to this limitation only, they have at all times ***the inalienable right to alter, reform or abolish their government in such manner as they may think expedient.***”
- 



By enhancing our revenue cap to include more citizen input, we can move government away from insulation and payment of political favors, and toward liberty, justice, and *results* in education.

