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Journal
Groesbeck, TX
Circ. 3682
From Page:
12B
9/2/2004
90524



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Do Taxpayers Need Protecting?

Austin - An average family of four in the Lone Star State could have had an extra \$1,600 in their pocket last year if the state's budget growth during the 1990's had been restricted to population growth and inflation, according to a study released by the Texas Public Policy Foundation.

The full study, "Tax And Expenditure Limitation Reform: Is It Needed In Texas?" by economist Byron Schlomach, PhD, is available online at www.TexasPolicy.com. Schlomach is the Foundation's chief economist.

In recent years, tax and expenditure limits, or TELs, have received increasing attention at the state level as a result of the success of Colorado's Taxpayers' Bill of Rights, or TABOR. That measure has resulted in \$3.25 billion in tax rebates to Colorado citizens from 1997 to 2001.

Had Texas instituted a similar measure in 1990, Texas taxpayers could have saved \$8.7 billion in state taxes in 2003. By including local governments and school districts in the limit, Texas taxpayers could have saved over \$8 billion more.

As Schlomach writes, many in Texas might be surprised to learn Texas has had its own tax and spending limits in place since 1978.

"Not all tax and expenditure limitation measures are created equally," notes Schlomach. "Some are more effective than others, and Texas has one of the least effective of all."

The economist says Texas' TEL is ineffective because it does

not specifically define the factors limiting spending and tax growth.

"The legislature, unwilling to control its spending power, needs a constitutional provision to protect busy taxpayers who cannot continuously monitor everything their elected representatives are doing," he said.

The strongest TELs are those that limit government spending by a function of inflation and population growth, according to Schlomach's research. Nationally, researchers have identified ten characteristics that define a well-designed TEL. Texas lacks all but one of them.

Schlomach notes Colorado's TABOR is not perfect. A conflicting measure was passed mandating increases in public school spending.

"Despite the problem," concludes Schlomach, "the people of Colorado have tangibly benefited from Colorado's spending limit."