THE NEED FOR A SPENDING CAP IN NEW YORK STATE

TABLE OF CONTENTS

SUMMARY OF FINDINGS

1. Approximately 30 states in the union have some form of spending or tax cap In place.

2. High spending states underperform low spending states in key growth and productivity metrics.

3. Lower taxes lead to greater economic growth, which relieves pressure to raise taxes.

4. Spending and tax caps work because they force elected officials to prioritize.

5. The local property tax cap enacted in New York State in 2011 saved New York State taxpayers $25 billion since its inception.

6. On Long Island, annual school tax increases were 6% prior to the cap, but dropped to about 2% after the cap was implemented in 2012. This amounted to an average savings of over $7,600 for each Nassau County property tax owner.

7. The wording of the cap matters. Too many escape hatches and exemptions can dilute the impact of the cap.

8. The best caps are those that are tied to the rate of inflation, with few loopholes.

9. Caps that are incorporated into a state constitution are more durable than those simply passed through legislation, since the latter can be changed in any subsequent administration.

10. The New York State Legislature passed a bill that capped local property taxes, but exempted itself from any spending or tax caps.

11. While inflation increased by only 5.4% from 2014-18, state spending increased by 19% percent.

12. Had a cap been in place, spending in New York would have been $20 billion less than what was eventually passed.

13. Since 2018, the NYS budget increased another $50 billion, from $163 billion to $213 billion.

14. New York's budget is twice the size of the budget in Florida, even though Florida has 4 million more residents.

15. As of 2018, New York was spending more on Medicaid than Florida and Texas combined.
https://www.medicaid.gov/state-overviews/scorecard/annual-medicaid-chip-expenditures/index.html

16. New York spends twice the national average per pupil on education, yet its student performance ranks in the bottom half of the 50 states.
https://nypost.com/2020/02/01/ny-and-ca-spend-billions-more-in-taxes-than-tx-and-fl-and-get-worse-results/

17. Immense infusion of additional state education aid over the last decade has done little to nothing to improve scores.

18. Meanwhile, charter schools, which spend half of what the public schools spend per-pupil, outperform the public schools on a consistent basis.

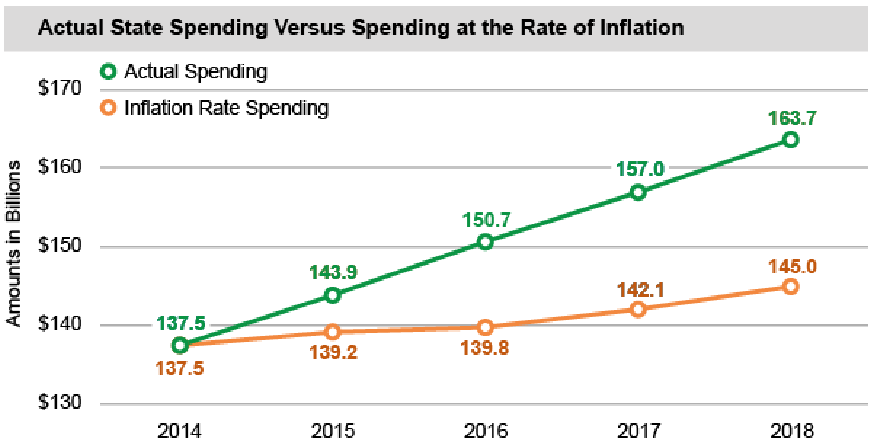
19. The cap saves enormous sums for taxpayers without sacrificing educational quality.

20. The state legislature must pass legislation establishing a spending cap indexed to inflation, followed by a constitutional amendment to permanently codify the cap.

21. Congress must pass a Constitutional Amendment mandating a balanced budget.

SPENDING IN NEW YORK

A report from the New York State Comptroller notes that the spending in the New York State budget has increased far more rapidly than the rate of inflation from 2014 to 2018. The state budget increased by 19.1% despite inflation rising a mere 5.4%.
https://www.osc.state.ny.us/reports/finance/2018-fcr/total-spending



Had the budget merely stayed in sync with the inflation rate, taxpayers would have saved almost $22 billion over just those four years. But since then, the budget astoundingly increased yet another forty plus billion.

The state budget was $164 billion in 2018, but skyrocketed to approximately $212 billion by 2021. While the pandemic could explain much of the increase in 2021, there was no such emergency in prior years to justify this spending explosion.

Spending in New York is so out of line with the rest of the nation that the state of Florida - which has four million more people and no income tax - has a budget that is half the size of New York's. ($101.5 billion).
https://www.flgov.com/wp-content/uploads/2021/06/FY-21-22-Budget-Highlights-6.2.21-FINAL.pdf

In this past budget cycle, the New York State legislature increased taxes on high income earners, making New York the highest taxed state in the union when combining state and local income taxes. This is despite the fact that the state received tens of billions of dollars from the federal Covid bailout bill.https://www.cityandstateny.com/policy/2021/02/how-much-new-york-is-getting-in-the-covid-19-relief-bill/175193/

California still maintains the highest tax on the state level - 12.3%.
https://www.nerdwallet.com/article/taxes/california-state-tax

However, New York leaped to a range of 10.3% to 10.9% for its highest earners, while those same earners living in New York City are required to pay an additional 3.876% for city income tax.https://taxnews.ey.com/news/2021-1354-new-york-income-tax-withholding-changes-apply-to-wages-paid-on-and-after-july-1-2021 The combined rate of nearly15% in state and local income tax is the highest in the nation.

When that figure is totaled up with the proposed increase in the upper income tax bracket to 39.5%, and the 3.8% surcharge on higher earners to pay for the Affordable Care Act, a successful business person in New York City will pay a total income tax of almost 60% https://www.nerdwallet.com/article/taxes/new-york-state-tax

This could account for why there has been a major exodus of New Yorkers seeking lower taxes elsewhere. Over the last 10 years, more people (1:4 million), fled New York state than any other state in the union.
https://www.empirecenter.org/publications/new-york-had-largest-population-decline/
Over 125,000 moved out of New York for more affordable areas from 2019-2020 alone.

There is a way to reverse this exodus; it is to control spending. But it appears that will only be effectuated if New York follows the lead of about 30 other states in enacting a cap on its expenditures.

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SPENDING CAPS WORK. THEY FORCE PRIORITIZATION

Spending caps work. That is the conclusion that must be drawn where effective spending and/or tax caps have been implemented in various states and municipalities.

Of course, it all depends on the wording of these measures.

The greatest value of a cap is that it forces elected officials to prioritize their spending wishes. Legislators on every level of government, from the school board to Congress, are lobbied incessantly by various interest groups. Most of these groups are asking our leaders to spend more money, usually on their causes. There is a tendency for officials to want to ingratiate themselves with these groups that can supply votes, campaign workers and donations - as well as goodwill amongst their followers.

The problem is that most of these entities, and their proposals, are worthy. Standing alone there would be little reason not to vote yes on their proposal for more spending. But when looked at collectively, these spending increases can get out of hand.

Officials are placed in precarious situations having to say “yes” to some and “no” to others. A cap gives legislators needed cover to explain why a particular proposal did not make the cut in this particular year.

He or she might say: “Our decision to decline to fund your group was not based on your unworthiness, but rather that we don’t have the funds available due to the cap. While we couldn’t squeeze you in this year, perhaps next year there will be an opportunity to do so.” At the very least these officials can blame the cap rather than earning the wrath of the special interest group for failing to appreciate the value of their particular program.

NEW YORK'S LOCAL PROPERTY TAX CAP

The 2% property tax cap implemented in New York State is a good example of how a cap can work effectively.

From 1982 to 2011, school taxes in New York increased at a rate of 6 percent a year, growing from $3.5 billion to $19.7 billion, or more than three times faster than inflation. It was in an environment of out-of-control hikes. It is why property taxes on Long Island are quadruple the national average, while house values are only double the national average. https://www.newsday.com/opinion/editorial/don-t-fiddle-with-new-york-s-property-tax-cap-1.12328605.

But, once the cap took effect in 2012, the average annual increase dropped to approximately 2%.

https://www.newsday.com/opinion/commentary/tax-cap-salt-andrew-cuomo-donald-trump-1.27929742
As noted by Newsday, the 2 percent property tax cap changed long-term trends, and saved New Yorkers nearly $25 billion. On Long Island, it has saved taxpayers $8.7 billion, with the typical Nassau taxpayer saving $7,611 and the typical Suffolk taxpayer saving $6,284.

But the irony is that while the state legislature mandated that the cap be adhered to by schools, counties and local governments, they exempted themselves from any spending restraints. Legislators got great press for helping to curb taxes (only on jurisdictions they don't control) while still giving themselves the out to spend and tax at will.

Were New York to finally adopt a spending cap, it would not be setting a trend; rather, it would be following the lead of 30 other states that have had restraints in place for decades.

HOW A SPENDING CAP COULD HELP CONTROL THE GROWTH IN MEDICAID

California and Texas, have almost three times New York's population—but combined, they spend only a bit more than New York on Medicaid.http://www.ppinys.org/reports/medicd99.htm

https://www.medicaid.gov/state-overviews/scorecard/annual-medicaid-chip-expenditures/index.html

According to Newsday, as 2020 was approaching:

> **New York is projected to spend $75 billion next year on Medicaid, a staggering amount that includes state, federal and local funding. That's twice as much as Texas, with 50 percent more residents than New York's 19 million, will spend on the program. And it's three times what Florida, with a population just a bit larger than New York's, has budgeted.**
>
> **New York's Medicaid spending rate per enrollee, projected to exceed $12,000 in 2020, will be 30 percent above the national average, and the program's range of benefits is the most generous in the nation. But its oversight and financial controls, experts say, are among the worst.https://www.newsday.com/opinion/editorial/medicaid-benefits-health-care-1.39286008**
> **https://www.empirecenter.org/publications/new-york-medicaid-spending-is-projected-to-jump/**

While Medicaid is a federal program, the extent of its benefits can be stretched at the state level. Many free spending states such as New York have taken the liberty of dramatically expanding eligibility for Medicaid. Yet, numerous nonessential services provided could be weeded out were a cap in place. It has been estimated that New York's budget would be $1 billion less if lawmakers provided Medicaid benefits to the level promulgated by the federal government, without going over and above that threshold.

New York also recently enacted a so-called "free college tuition" program for students and households under $110,000 if they choose to go to local community or state colleges.https://www.cuny.edu/financial-aid/scholarships/excelsior-scholarship-faqs/#1494000263856-37fb5044-16e. Likewise, billions of dollars were set aside to provide benefits to illegal aliens residing in the state during the pandemic. It is highly questionable as to whether these programs, especially the latter, would have passed were there a cap in place.

CAPS IN OTHER STATES

In promoting a cap for the state of Alaska, The Alaska Policy Forum published an in-depth study on spending and tax caps in various states throughout the union. Many of their findings were quite noteworthy.
https://alaskapolicyforum.org/2020/02/tel-50-state-comparison/

> Americans in search of better opportunities often turn to states that are economically attractive. This is a boon for states whose fiscal house is in order and outlook is bright, but a substantial growth deterrent for states whose outlook is already dire. According to the IRS, this annual shift in domestic population represented $3 trillion in adjusted gross income (AGI) in aggregate from 1997 through 2016.
>
> Taxpayers moved away from states with high personal and corporate income taxes to states with lower or—as is more often the case— no income taxes. Net domestic migration differs from simple population growth, as it filters out death rates, birth rates, and international migration.
>
> It isn't the result of happenstance but rather a relatively reliable measure of the decisions Americans make when they move from one state to another.

The report notes that the majority of states (30 as of 2013) have some form of a revenue or spending limit.

They caution however, that, "While these 30 states currently have tax or expenditure limits in statute or in their constitutions, many of them are not effective because of drafting issues."

One of the better ones was passed in Colorado. The Colorado Taxpayer Bill of Rights (TABOR) was adopted by voters in 1992.

> The Alaska study stated, TABOR is a constitutional provision that both constrains spending growth to the rate of inflation plus estimated population growth (or estimated revenues if less), and requires voter approval for tax increases, and has worked beautifully. Colorado's economy continues to outperform other states. Colorado's economic performance was ranked 4th best over the past decade among states in the 2019 annual American Legislative Exchange Council (ALEC) and Art Laffer publication Rich States, Poor States.
>
> Successful TELs, from the standpoint of achieving the objective of limiting government growth (and, given substantial evidence, thereby promoting economic growth), have several characteristics. First, they must be constitutional, not statutory, in nature. Limits enacted in statute tend to be transitory and are typically amended or repealed within a few years.

COMPARING HIGH TAX STATES TO LOW TAX STATES

The Alaska study also stated that:

- ***Seventeen states require voter approval or a supermajority legislative vote to approve tax increases.**
- ***No income tax states saw an 11.2% growth in population as compared with a mere 6.1% growth in those with an income tax.**
- *The tax burden per capita for states without an income tax is $5,006 whereby that burden is a much larger $6,856 in states with an income tax.
- *States without an income tax saw a 45.1% growth and personal income, while such growth was only 39.5% in states with an income tax.
- “Over the period from 2008–2018 (the last period for which we have complete data), high spending states underperformed low spending states in key growth and productivity metrics.”

In **a study for the American Legislative Exchange Council.** economists Stephen Moore and Art Laufer produced an analysis of the taxation and affordable conditions for each of the fifty states as of 2019.
https://www.richstatespoorstates.org/app/uploads/2019/04/2019-RSPS-State-Pages_FINAL_WEB_R1.pdf

Here is sampling of what they concluded:

> Generally speaking, states that spend less—especially on income transfer programs—and states that tax less—particularly on productive activities such as working or investing—experience higher growth rates than states that tax and spend more.

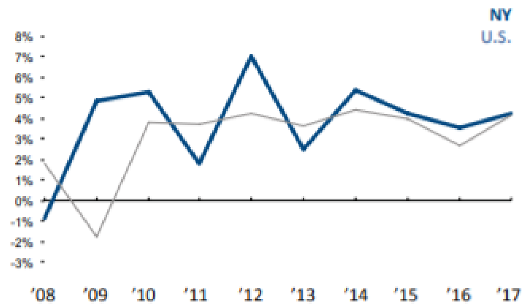
The Economic Performance Ranking is a measure based on a state’s performance **on** several factors.

*Highest marginal personal income tax rate.
*Highest marginal corporate income tax rate. Personal income tax progressivity. *Property tax burden.
*Sales tax burden.
*Remaining tax burden.
*Estate or inheritance tax.
*Recently Legislative tax changes.
*Debt services share of tax revenue.
*Public employees per 100,000 residents.
*Quality of state legal system.
*State minimum wage.
*Worker’s Compensation costs.

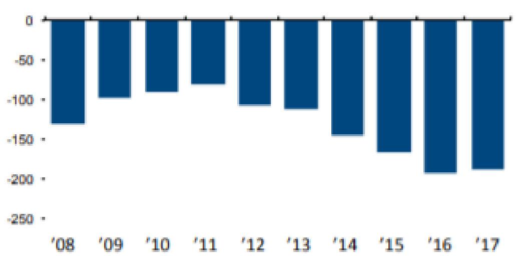
WHERE NEW YORK STANDS

In almost every category, New York state was near or at the bottom of the list compared to the other 49 states. It ranked dead last in several of the criteria measuring the affordability of a state.

State Gross Domestic Product
Cumulative Growth 2007-2017 44.9% Rank: 3



Absolute Domestic Migration
Cumulative 2008-2017 -1,316,263 Rank: 50
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 9.2% RANK: 9

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	50	49	50	50	50	50	50

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	12.70%	49
Top Marginal Corporate Income Tax Rate	17.23%	50
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$17.30	41
Property Tax Burden (per $1,000 of personal income)	$46.26	45
Sales Tax Burden (per $1,000 of personal income)	$24.95	33
Remaining Tax Burden (per $1,000 of personal income)	$20.14	35
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$1.79	37
Debt Service as a Share of Tax Revenue	8.3%	40
Public Employees Per 10,000 of Population (full-time equivalent)	604.6	43
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	68.4	29
State Minimum Wage (federal floor is $7.25)	$11.10	46
Average Workers' Compensation Costs (per $100 of payroll)	$3.08	50
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

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Tax Foundation's State Business Tax Climate Index
https://taxfoundation.org/2021-state-business-tax-climate-index/

This nonprofit examined the taxation and business conditions in each of the fifty states. It noted:

> This index enables business leaders, government policymakers, and taxpayers to gauge how their states' tax systems compare. While there are many ways to show how much is collected in taxes by state governments, the Index is designed to show how well states structure their tax systems and provides a road map for improvement.

THE TEN BEST STATES in this year's Index are:

Wyoming
South Dakota
Alaska
Florida
Montana
New Hampshire
Nevada
Utah
Indiana
North Carolina

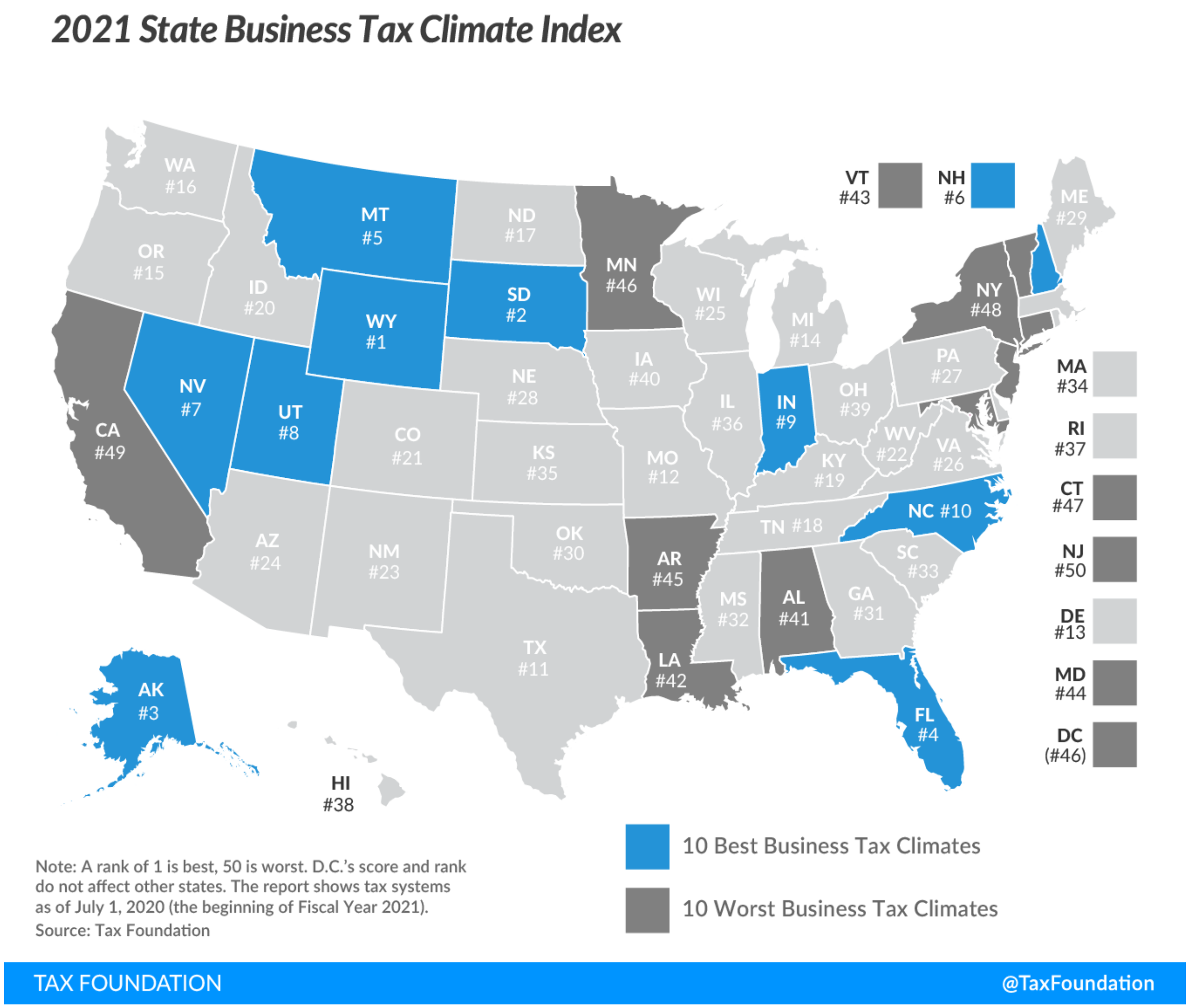
The Foundation noted:

> The absence of a major tax is a common factor among many of the top 10 states. Property taxes and unemployment insurance taxes are levied in every state, but there are several states that do without one or more of the major taxes: the corporate income tax, the individual income tax, or the sales tax. Nevada, South Dakota, and Wyoming have no corporate or individual income tax (though Nevada imposes gross receipts taxes); Alaska has no individual income or state-level sales tax; Florida has no individual income tax; and New Hampshire and Montana have no sales tax.
>
> This does not mean, however, that a state cannot rank in the top 10 while still levying all the major taxes. Indiana, North Carolina, and Utah, for example, levy all of the major tax types, but do so with low rates on broad bases.

The TEN WORST STATES in this year's Index are:

Alabama	Minnesota
Louisiana	Connecticut
Vermont	New York

Maryland	California
Arkansas	New Jersey



2021 *State Business Tax Climate Index* Ranks and Component Tax Ranks

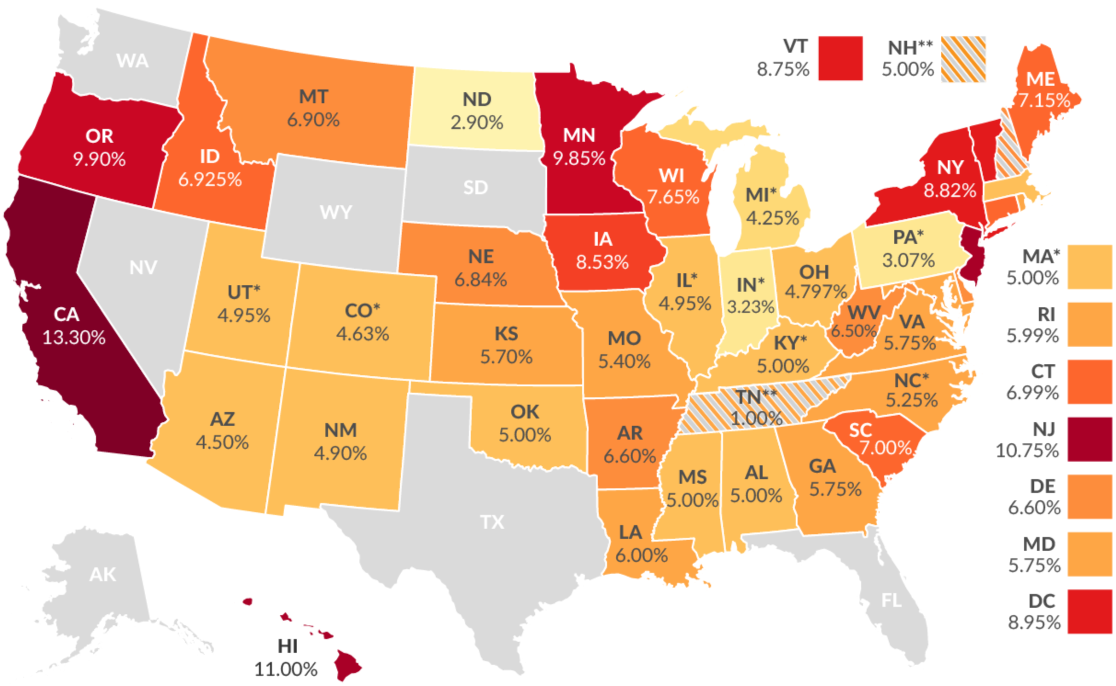
State	Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank
Alabama	41	23	30	50	19
Alaska	3	26	1	5	22
Arizona	24	22	17	40	11
Arkansas	45	34	41	46	25
California	49	28	49	45	14
Colorado	21	10	14	36	32
Connecticut	47	27	44	26	50
Delaware	13	50	42	2	4
Florida	4	6	1	21	13
Georgia	31	7	36	27	24
Hawaii	38	18	47	30	9
Idaho	20	29	26	9	3
Illinois	36	36	13	38	48
Indiana	9	12	15	20	2
Iowa	40	46	40	14	38
Kansas	35	31	24	37	30
Kentucky	19	19	18	13	21
Louisiana	42	35	32	49	23
Maine	29	37	22	8	40
Maryland	44	33	45	18	43
Massachusetts	34	38	11	12	44
Michigan	14	20	12	10	35
Minnesota	46	45	46	28	31
Mississippi	32	13	27	32	37
Missouri	12	3	23	24	8
Montana	5	21	25	3	28
Nebraska	28	32	21	15	41
Nevada	7	25	5	44	5
New Hampshire	6	41	9	1	47
New Jersey	50	48	50	42	46
New Mexico	23	9	31	41	1
New York	48	15	48	43	45
North Carolina	10	4	16	22	26
North Dakota	17	8	20	29	12
Ohio	39	42	43	34	6
Oklahoma	30	11	33	39	29
Oregon	15	49	38	4	16
Pennsylvania	27	43	19	17	15
Rhode Island	37	39	29	25	42
South Carolina	33	5	34	31	34
South Dakota	2	1	1	33	20
Tennessee	18	24	8	47	33
Texas	11	47	6	35	36
Utah	8	14	10	23	7
Vermont	43	44	39	16	49
Virginia	26	16	35	11	27
Washington	16	40	6	48	18
West Virginia	22	17	28	19	10
Wisconsin	25	30	37	7	17
Wyoming	1	1	1	6	39
District of Columbia	46	17	45	34	49

Note: A rank of 1 is best, 50 is worst. Rankings do not average to the total. States without a tax rank equally as 1. DC's score and rank do not affect other states. The report shows tax systems as of July 1, 2020 (the beginning of Fiscal Year 2021).

The report found that as of 2021, seven states—Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming—levy no state income tax.1 Two others, New Hampshire and Tennessee, don't tax earned wages.
https://www.investopedia.com/financial-edge/0210/7-states-with-no-income-tax.aspx

How High are Individual Income Tax Rates in Your State?

Top State Marginal Individual Income Tax Rates, 2020



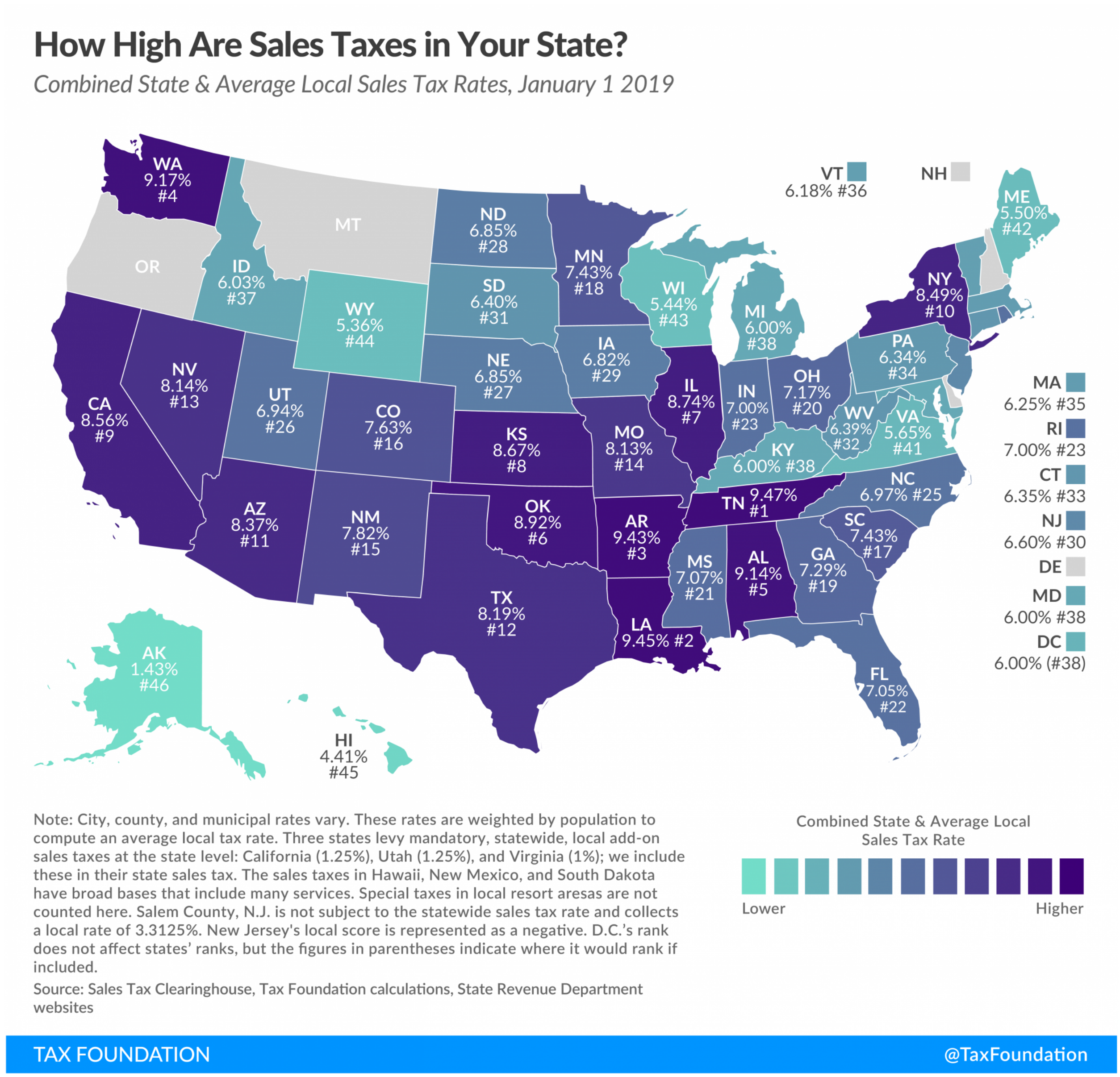
Top State Marginal Individual Income Tax Rates

Lower — Higher

Note: Map shows top marginal rates: the maximum statutory rate in each state. This map does not show effective marginal tax rates, which would include the effects of phase-outs of various tax preferences. Local income taxes are not included.
(*) State has a flat income tax.
(**) State only taxes interest and dividends income.

Sources: Tax Foundation; state tax statutes, forms, and instructions; Bloomberg BNA.

TAX FOUNDATION @TaxFoundation



Importantly, the report stressed:

> Research indicates that consumers can and do leave high-tax areas to make major purchases in low-tax areas, such as from cities to suburbs.[10] For example, evidence suggests that Chicago-area consumers make major purchases in surrounding suburbs or online to avoid Chicago's 10.25 percent sales tax rate.[11]

STATES ACCUMULATING MORE AND MORE DEBT

U.S. States With the Most Debt in 2020.

According to *Forbes Magazine,* 13 U.S. states have an overall negative position on their balance sheet
https://www.forbes.com/sites/andrewdepietro/2020/11/23/states-with-the-most-and-least-debt-in-2020/?sh=66a1af6b78a

Rank	State	Total Assets	Total Liabilities	Total Assets + Deferred Outflows of Resources	Total Liabilities + Deferred Inflows of Resources	Net Position	Debt Ratio: Total Debts/Total Assets
1	Illinois	$53,052,938,000	$248,672,866,000	$72,073,406,000	$259,765,206,000	-$187,691,800,000	468.7%
2	New Jersey	$50,320,930,715	$222,270,326,641	$73,783,404,467	$272,455,473,822	-$198,672,069,355	441.7%
3	Connecticut	$25,535,755,000	$85,531,822,000	$34,042,754,000	$87,514,389,000	-$53,471,635,000	334.9%
4	Massachusetts	$34,214,302,000	$104,534,280,000	$42,891,236,000	$111,322,110,000	-$68,430,874,000	305.5%
5	New York	$106,607,805,000	$291,896,298,000	$121,354,682,000	$325,127,834,000	-$203,773,152,000	273.8%
6	Delaware	$7,418,960,000	$12,921,284,000	$8,149,354,000	$14,062,079,000	-$5,912,725,000	174.2%
7	Maryland	$48,413,470,000	$59,977,544,000	$52,495,913,000	$62,740,135,000	-$10,244,222,000	123.9%
8	Kentucky	$33,036,740,000	$40,107,220,000	$39,416,204,000	$53,638,539,000	-$14,222,335,000	121.4%
9	California	$301,100,203,000	$362,873,113,000	$328,965,794,000	$384,928,647,000	-$55,962,853,000	120.5%
10	Hawaii	$22,734,769,000	$26,918,251,000	$24,949,166,000	$27,173,262,000	-$2,224,096,000	118.4%
11	Rhode Island	$7,664,251,000	$8,589,858,000	$8,488,617,000	$8,754,072,000	-$265,455,000	112.1%
12	Vermont	$5,438,291,083	$5,734,095,422	$6,168,697,709	$6,229,386,422	-$60,688,713	105.4%
13	Pennsylvania	$73,842,068,000	$76,238,040,000	$78,821,327,000	$84,508,415,000	-$5,687,088,000	103.2%

THE WORDING OF THE CAP MATTERS

As noted in the study from the Alaska Policy Forum, it is preferable to enact a cap via a constitutional amendment, as opposed to a statute. Mere legislation can be watered down, or eliminated, in subsequent administrations.

In New York, a constitutional amendment would require passage by two consecutive legislative terms, followed by a majority vote by the public via referendum.

The legislature should enact a spending cap by law in one year, and simultaneously seek to incorporate it into the constitution through the amendment process.

The cap should be based on the previous year's spending and the rate of inflation rather than on economic growth.

A property tax cap in Suffolk County - enacted after the Proposition 13 taxpayer revolt in California in the late 1970s - was a precursor to the state cap enacted in 2011. The county limited tax increases to 4% or the rate of inflation, whichever was greater.

The local tax cap enacted by the state is superior in that the growth is limited to 2% or inflation, whichever is *less*.

Of course, there needs to be an escape hatch for various exigent circumstances**,** but such contingencies must remain limited to extreme events such as wars, natural disasters, or losses of revenue above certain amounts, perhaps 10%.

The particulars of the New York property tax cap **were** spelled out in an article from the Empire Center on **P**ublic **P**olicy:
https://www.empirecenter.org/publications/new-york-states-property-tax-cap/

> Annual growth in property tax levies will be capped at 2 percent or inflation, whichever is less. Inflation is defined as the average monthly Consumer Price Index for all urban consumers (CPI-U) for the 12-month period ending six months prior to the start of the next fiscal year, minus the average for the same period preceding the current fiscal year.
>
> Exemption: A growth factor reflecting the "quantity change" in taxable property values in the base year. This factor is based on actual physical changes to taxable property—such as new construction of homes, stores and offices—and not mere changes in the assessed value of existing, unchanged taxable properties. These taxes can be added to the allowable (capped) levy in the first year after the value of the change is reflected on the local tax roll

DIFFERENT CAPS FOR DIFFERENT STATES

The Tax Policy Center analyzed the various caps in place around the nation.
Among its findings, was the following:

> States can limit their own revenues, appropriations, or both. Some states also limit the growth of local revenues, for example, restricting the growth of local property taxes. Appropriations and spending limits are more common than revenue limits. In 2020, 25 states imposed limits on their own government spending (figure 1). By contrast, 21 limited state revenue; 13 of these states capped both. Among states with revenue limits, 19 required a legislative supermajority (usually three-fifths or two-thirds of the legislature) to raise taxes or revenue, six limited revenue via other mechanisms, and four did both.
> https://www.taxpolicycenter.org/briefing-book/what-are-tax-and-expenditure-limits
>
> The most common formula restricts expenditure growth to the pace of personal income, but some states include population and inflation growth in the formula. Other states restrict expenditures to a specific level, also often determined by a formula, such as a set percentage of personal income.
>
> **Idaho**, for example, limits expenditures to 5.33 percent of state personal income, thereby allowing expenditures to grow at the same rate as the economy.
>
> Another method is to restrict expenditures to a percentage of projected revenue, maintaining a cushion in case revenues fall short of projections.

The **Tax** Center also examined the level of the caps' stringency.

> In general, constitutional provisions are more difficult to change or override than statutory TELs. By the same token, TELs imposed directly by voters rather than by legislators are more restrictive (New 2010).
>
> The most stringent revenue limits require that surplus revenue go back to taxpayers as rebates or be sequestered in rainy day funds. **Oregon's** "Kicker" rebate and **Colorado's** Taxpayer Bill of Rights are examples.
>
> Fifteen states require either a legislative supermajority or a popular vote to override their spending limits, and five impose this requirement on their revenue limits.
>
> Additionally, as mentioned, 19 states stringently bind revenues by requiring a legislative supermajority to raise new taxes or revenues.
>
> New (2010) found that TELs adopted through citizen referendum were more effective than those adopted by legislatures.

For example, **Arizona** limits residential property assessment to 10 percent of a home's value growth in its property tax base to 5 percent annually, combined state and local tax rates for owner-occupied residences to a maximum of 1 percent of the state's limited property value, and growth in local property tax levies to 2 percent annually plus new construction. The state also caps expenditures for most local governments.

Spending Cap in the **Texas** state constitution:

Sec. 22. RESTRICTION ON RATE OF GROWTH OF APPROPRIATIONS. (a) In no biennium shall the rate of growth of appropriations from state tax revenues not dedicated by this constitution exceed the estimated rate of growth of the state's economy. The legislature shall provide by general law procedures to implement this subsection.
(b) If the legislature by adoption of a resolution approved by a record vote of a majority of the members of each house finds that an emergency exists and identifies the nature of the emergency, the legislature may provide for appropriations in excess of the amount authorized by Subsection (a) of this section. The excess authorized under this subsection may not exceed the amount specified in the resolution.
(c) In no case shall appropriations exceed revenues as provided in Article III, Section 49a, of this constitution. Nothing in this section shall be construed to alter, amend, or repeal Article III, Section 49a, of this constitution.

(Added Nov. 7, 1978.)

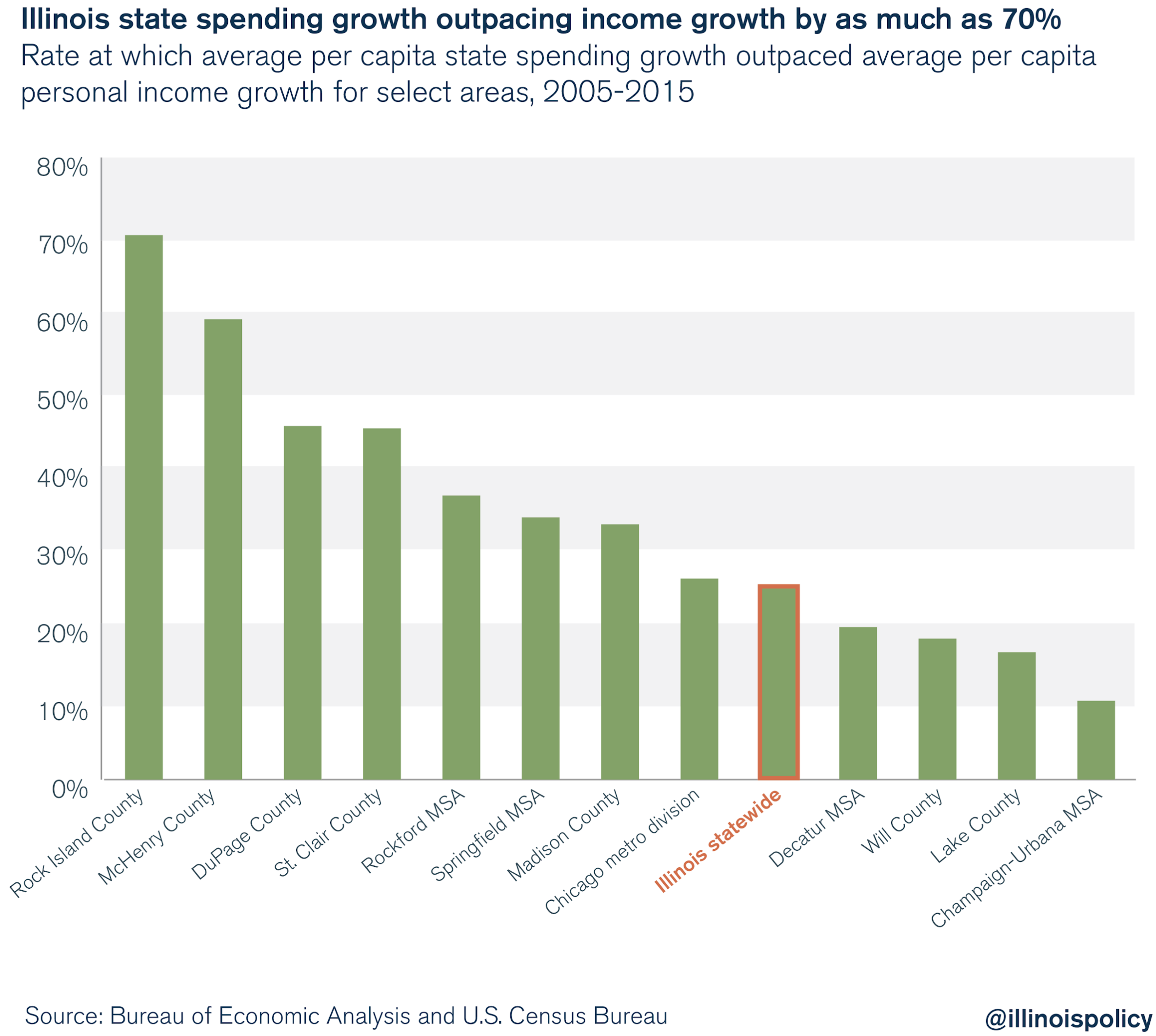
The case for caps in Illinois

Here is the recommendation of Illinois Policy Institute to curb its ever expanding debt:

If the **Illinois** General Assembly would simply restrict the growth of state spending to 2.89 percent (the average annual growth in Illinois' gross domestic product per capita since 2000), Illinois would be on its way to paying off its backlog of bills and eventually repealing the income tax hike."

According to the U.S. Census Bureau, Illinois' outstanding state debt grew to $64 billion in 2015 from $51 billion in 2005 – an increase of $13 billion. This includes all debt obligations remaining unpaid as of 2015. And that $64 billion in outstanding debt does not include the $250 billion in accrued liabilities the state has promised to public pensioners, according to Moody's Investors Service.

> Total state expenditures grew even faster. Between 2005 and 2015, total state expenditures grew to $82 billion from $55 billion, an additional $27 billion in spending.



The Illinois Policy Institute cited an independent study, which emphasized how high taxes can be a drag on a state's economy:

From: *Why 2017 tax hikes will harm Illinois economy*
by Orphe Divounguy, Bryce Hill, Joe Tabor

> Romer and Romer (2010) find that exogenous tax increases have a negative impact on real gross domestic product. The maximum effect of a tax increase equivalent to 1 percent of GDP is a fall in output by almost 3 percent after 10 quarters. Tax increases have a very large and sustained, negative impact on output. Romer and Romer's research also points out that tax increases motivated by inherited deficits are less costly

than other tax increases if these tax increases are accompanied by spending cuts. This is due to the impact on expectations and on long-term interest rates. https://www.illinoispolicy.org/reports/why-the-2017-tax-hikes-will-harm-illinois-economy/

North Carolina

Joseph Coletti of the John Locke Foundation pondered the tedious wording involved with many spending caps and concluded:

“I don’t know if it would be clearer to say, ‘State spending per person, adjusted for inflation, shall not increase from one year to the next.’ At least it would get rid of the complicated language about the sum of the percentages.”https://www.johnlocke.org/update/putting-a-limit-on-government-spending/

THE BEST TYPE OF CAP

As noted in the analysis for a spending cap in Alaska, the best caps are those that are coupled with a requirement for a supermajority vote to pierce the cap or to impose a tax increase. New York's local property tax requires a supermajority 60% vote of the public in school budget elections, or by a legislature on the town or county levels. This places enormous pressure on the parties to compromise.

Some caps get convoluted with their many escape hatches that are included therein. Exemptions might be included for pension growth in a local property tax cap or for various mandates, such as Social Security and Medicare, as noted in the sequestra legislation on the federal level.

Some caps allow for the limits to only be kicked in once economic growth within their particular jurisdiction has been incorporated into the formula.
It is our conclusion that the best tax cap is one that:

A) Is passed through a constitutional amendment thereby minimizing the potential for dilution of the cap by future legislative sessions.
B) Relates to total spending, not just a discretionary part of the budget.
C) Is tied to the rate of inflation.
D) Requires a supermajority to pierce the cap.

Inflation is the truest measure of what a government should need to continue its operations, especially on a tax. While more spending might be needed as a community grows (the need for more roads, prisons, schools and other infrastructure), the revenue for these projects can and will be provided by the enhanced economic activity that comes with the growth.

A cap that is tied to economic expansion has greater validity when dealing with spending. However, a cap dealing with taxes should be tied only to inflation. Inflation is the cost needed by the government to continue its operations. There should be no reason for a government to seek a 10% tax hike in a 2% inflation environment when inflation should cause government expenses such as materials and salaries to increase by a commensurate amount. Any spending beyond inflation (other than in exigent circumstances such as wars or natural disasters) is the **doing** of the legislature. That is why they must be restrained via a cap tied solely to inflation and no other factors.

COMPARE SPENDING INCREASES OVER LAST FIVE YEARS IN TEN STATES WITH CAP AND TEN WITHOUT

THE NEED FOR CAPS ON THE FEDERAL LEVEL

Congress has created the illusion that there is a meaningful spending cap in place on the federal level. The reality, however, is that the cap Implemented a decade ago applies only to discretionary spending - a small segment of the overall federal budget - and, in any event, has been pierced on numerous occasions to allow for still further large outlays of spending.

The House Committee on Budget describes it this way:

> **What are the discretionary caps?**
> Among other things, the Budget Control Act of 2011 (BCA) set annual caps on defense and non-defense discretionary funding through 2021. Congress has since adjusted these limits several times: in 2013, 2015, 2018, and most recently in 2019, to avoid severely underfunding discretionary programs. If these caps are exceeded, an automatic process known as “sequester” would reduce funding to the required level.

The science-based organization, AAAS, commented as follows:

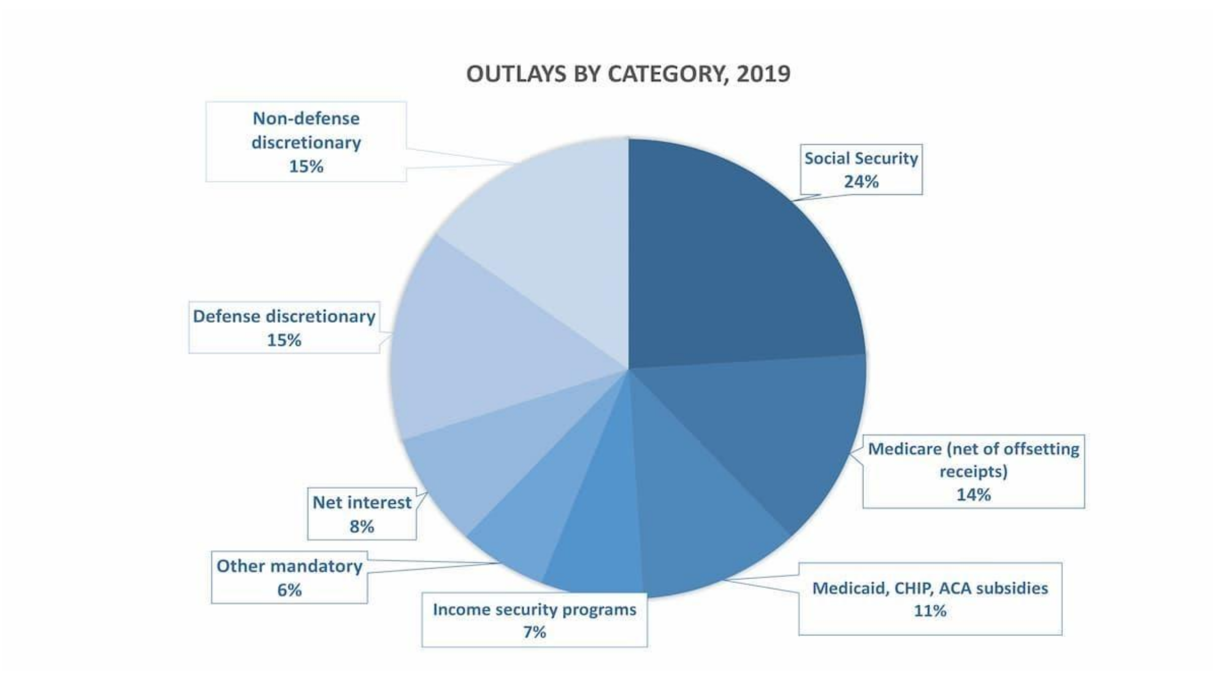
> The Budget Control Act. Adopted in 2011, the Budget Control Act (BCA) established a decade-long set of discretionary spending caps. These caps expire at the end of the current fiscal year, and the recent omnibus package is thus the final set of annual appropriations that will be adopted under the caps….
> The original Budget Control Act did a few things. First, it established an initial set of caps beginning in FY 2012 to reduce spending by $840 billion below CBO's March 2011 adjusted baseline. Second, it established a joint Congressional “supercommittee” to reach a grand bargain to further reduce the deficit. Third, it put in place the threat of another $1 trillion or so in additional discretionary funding cuts should that deficit committee fail, through an across-the-board cut known as "sequestration" in FY 2013 and even lower caps in the following years through FY 2021.
>
> When the “supercommittee” failed to reach a deal, the additional spending reductions took effect. However, it didn’t take long for Congress to begin searching for ways around these cuts. Legislators adopted a series of deals in 2012, 2013, 2015, 2018, and 2019 to raise the caps a couple years at a time. In the end, while spending did drop substantially, it did not drop by quite as much as the original BCA text set out.
> https://www.aaas.org/news/budget-control-act-may-have-cost-over-200-billion-federal-rd

The Budget Committee added:

> Congress controls discretionary spending through the annual appropriations process. This category of spending includes most defense programs, as well as important non-defense investments such as support for elementary and secondary education, veterans’ health care, homeland security, workforce training, infrastructure, scientific research, public health, clean energy, advanced manufacturing, public safety, and other programs. In contrast, Congress controls mandatory programs by establishing program rules in permanent law. Rules include such things as who is eligible for benefits, how the

benefits should be calculated, and when benefits should be paid. Two of the largest mandatory programs are Social Security and Medicare, which provide retirement security for millions of Americans. Other mandatory programs include Medicaid and the Children's Health Insurance Program (CHIP), subsidies for health insurance purchased through the marketplaces, unemployment compensation, income and nutrition assistance for children and families facing poverty, civilian and military retirement, certain farm programs, and veterans' pensions and education benefits.

As can be seen from the chart below, the vast majority of spending in the federal government is now mandated. These obligatory spending items include Medicare, Social Security, Medicaid and interest on the debt.



https://budget.house.gov/publications/fact-sheet/frequently-asked-questions-about-federal-budget

Fiddling with discretionary spending makes for a nice sound bite for the average taxpayer, but unless Congress is willing to tackle the tough issues of interest on our debt and entitlements, flirting with small discretionary outlays will have minimal impact.

A balanced budget amendment, on the other hand, would require Congress to get serious about the interest and entitlements that are taking over the budget and placing the American economy in peril.

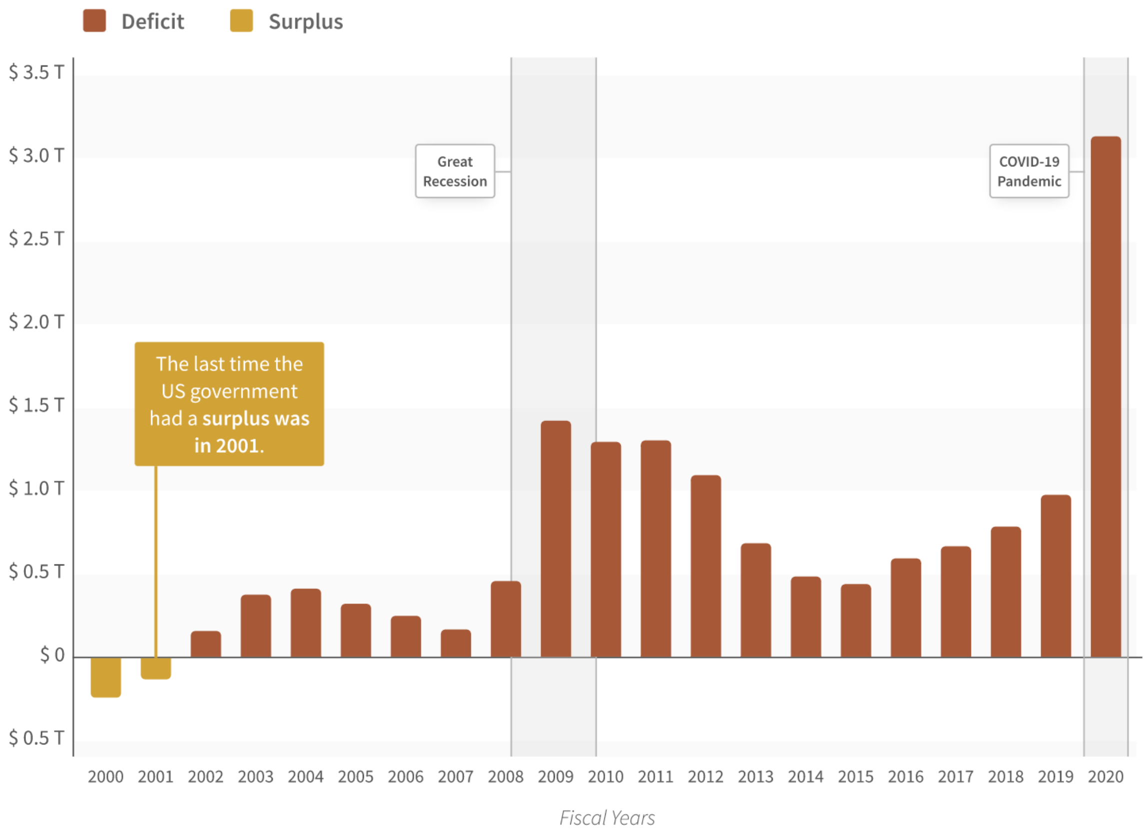
The push for caps could and should be extended to the federal government. Our national government is the only governing entity in our nation that does not require a balanced budget. Congress is authorized to issue unlimited debt (providing the debt ceiling is extended) that can fuel deficits.

In the past, deficits were rare - usually accompanied by extraordinary circumstances such as the need to fund a war- however, since starting in the 1970s, deficits became common. They ballooned in the 1980s due to huge increases in defense appropriations. The economic boom of the late 90s allowed the federal government to balance its budget for the first time in decades. It was thought that that would become the new normal. But then, the dot com bust in the market and September 11th came along, and with it, wars in Afghanistan and Iraq, ballooning the deficit to previously unseen levels.

A deficit of a few hundred **billion** dollars was considered outlandish as recently as 2007. But thereafter, the real estate and stock market crashes that followed the collapse of **Lehman** Brothers late that year, and the coronavirus pandemic begot deficits that climbed to unfathomable heights. https://datalab.usaspending.gov/americas-finance-guide/deficit/trends/

In the last year before the pandemic, 2019, the federal deficit was still a colossal $984 billion. https://www.cbo.gov/publication/56324
Astoundingly, the deficit in 2021 is estimated to exceed $3 trillion. That was the size of the entire federal budget in 2008.https://www.presidency.ucsb.edu/statistics/data/federal-budget-receipts-and-outlays

Federal Deficit Trends Over Time



https://datalab.usaspending.gov/americas-finance-guide/deficit/trends/

Meanwhile, debt exploded. While the deficit is the amount by which expenditures exceed revenues in any one year, the national debt is the money borrowed by the feds that must be paid back over the decades to come. This debt - which was $5 trillion when President George W. Bush took office - doubled in his two term tenure. The $10 trillion figure that Barack Obama inherited then doubled again, to almost 20 trillion by the time he left office in early 2017. In the five years since, the debt has climbed another $10 trillion.

The Present Day

HISTORICAL DEBT OUTSTANDING: ANNUAL 2000-2018

The bolded figures illustrate the growth of public debt from the War on Terror, the Great Recession and the Trump tax cuts.

DATE	DOLLAR AMOUNT
2000	5,674,178,209,886.86
2001	**5,807,463,412,200.06**
2002	**6,228,235,965,597.16**
2003	**6,783,231,062,743.62**
2004	**7,379,052,696,330.32**
2005	7,932,709,661,723.50
2006	8,506,973,899,215.23
2007	9,007,653,372,262.48
2008	**10,024,724,896,912.40**
2009	**11,909,829,003,511.70**
2010	**13,561,623,030,891.70**
2011	14,790,340,328,557.10
2012	16,066,241,407,385.80
2013	16,738,183,526,697.30
2014	17,824,071,380,733.80
2015	18,150,617,666,484.30
2016	**19,573,444,713,936.70**
2017	**20,244,900,016,053.50**
2018	**21,516,058,183,180.20**

Source: Treasury Direct

TheStreet

https://www.thestreet.com/politics/national-debt-year-by-year-14876008

Lawmakers have been nonchalant about escalating debt because interest rates had, and continue to be, at historically low levels due to the fed's quantitative easing policies designed to keep the economy from slowing in economic downturns. At some point, however, when interest rates rise, the impact will be dramatic.

It is in the nation's best interest to have controls on overspending.

A Balanced Budget Amendment would provide the fiscal discipline needed within a very free spending Congress.

TAX CUTS CAN GROW THE ECONOMY

Where tax cuts are implemented to spur the economy, safeguards can be put in place to ensure the deficit would not grow.

Tax cut proponents should be pointing to the enormously successful tax cuts that were implemented by Democrat John Kennedy in the 1960s and then by Republican Ronald Reagan in the 1980s. Both plans cut taxes across all income levels and wound up providing 4-5% growth per year.

As importantly, the booming economies brought in more, not less, revenue into the Treasury. According to the Heritage Foundation, revenues increased from $94 billion in 1961 to $153 billion by 1968 - a 62% increase (32% adjusted for inflation).
https://www.heritage.org/taxes/commentary/what-jfk-could-teach-modern-democrats-about-taxing-the-rich

Some point to the tax cuts of the eighties as having resulted in a huge deficit that hurt the nation. While it is true that the deficit grew, it was not because of lagging revenues, which actually grew by 54% from 1983 to 1989 (28% after inflation), but rather because Washington chose to dramatically increase spending during that same period (primarily in the area of defense).

A tax cut coupled with spending restraint can certainly reduce the deficit, while at the same time reinvigorating our economy so that the stagnant one or two percent growth over the eight years preceding the 2017 tax cuts is no longer considered the “new normal.”

Yet, if after reading this, pro-growth leaders are still squirmish, here's what they can do to call the bluff of the big spenders:

Prepare a tax cut plan that puts the across-the-board cuts into effect and gives the economy a certain period in which to realize a minimum level of revenue. History shows they should feel very confident that the revenues will materialize. But just in case they don't, the deficit hawks can incorporate a provision that would automatically reduce spending after that date certain. The cuts can be implemented through an across-the-board percentage reduction throughout every department.

It's a win-win. If we get the revenue growth expected, spending cuts will not have to be implemented. On the other hand, if the growth lags, we will at least have a provision in place that will force across-the-board cuts that Congress would not otherwise have the will to implement.

CAPS NEEDED MOST IN STATES WITH POWERFUL MUNICIPAL UNIONS

New York is especially in need of a cap because it is home to some of the most powerful municipal unions in the nation. Studies show that there is a direct correlation between the strength of these public sector unions in a particular state and the tax rate within that jurisdiction.

The unions can be extraordinarily influential. It's not only the endorsements and financial assistance that can be given to a campaign; it’s the money and resources that could go to one’s opponent.

This became evident in the state of Wisconsin when fiscal reform oriented Governor Scott Walker sought to clamp down on the state's municipal union power and make the state more competitive. Unions thereafter infused millions of dollars into initiating a recall vote to prematurely end Walker’s tenure. While Walker barely survived that recall, he was eventually defeated in a subsequent election.

In the New York suburb, Suffolk County, a fiscally conscious state assemblyman, Michael Fitzpatrick, incurred the wrath of municipal unions by calling for a defined contribution type pension system as a substitute for the very expensive defined benefit system. He also sought to end mandatory arbitration, which has led to law-enforcement salaries on Long Island exceeding $200,000 annually. Additionally, he sponsored legislation to end the Triborough Amendment, which provides automatic step salary increases to union employees, even after the contract had expired.

To teach Fitzpatrick a lesson, various unions expended **hundreds** of thousands of dollars in an effort to defeat him. Fitzpatrick won the election, but the message was sent to all other officials that if they dared to get out of line and to seek taxpayer friendly legislation, they would reap the consequences.

The facts bear out that the stronger the municipal union, the higher the personnel costs within that particular state, and the higher is the overall spending. This is why most of the highest taxed states are those with powerful municipal unions.

The states of New York, California, New Jersey, Connecticut, Oregon and Hawaii are listed by either MarketWatch or TurboTax as having among the top ten highest taxes in the nation. Meanwhile, MarketWatch listed each of these states as being on the list of the top ten strongest union states in the nation.

Since these unions possess the power to make or break officials, union leadership has learned how to maximize their influence by marching these candidates into their boardrooms a short time before election day. They lay out on the table a paper with a number of boxes to check. This is the litmus test to determine whether the candidate will get the endorsement. It may be ten pieces of legislation that the union cares about. The candidate better check all ten or he might be kissing that endorsement goodbye. Make no mistake, these endorsements can be lucrative. In the Suffolk County executive race in 2019, the winning candidate, received over $700,000 in support for the county's Police Benevolent Association.

The awesome power of public unions was exemplified in the aftermath of the tragic killing of George Floyd by an abusive Minneapolis police officer. The *Wall Street Journal* editorialized on the extraordinary and over-the-top power of various municipal unions, including police and teacher collective bargaining units. They noted how difficult it has become for governments to fire incompetent or errant teachers or police officers, despite mounting evidence that they deserve to be terminated.

They cited the fact that the Minneapolis police officer charged with Mr. Floyd's murder had multiple previous complaints logged against him, yet he was still on the force. The *Journal* cited the most famous private labor leader of all time who said it all. Here's what the *Journal* said:

- This lack of accountability is endemic to government collective-bargaining. The AFL-CIO's legendary chief George Meany once said "it is impossible to bargain collectively with government." Collective bargaining in business is adversarial. The public unions sit on both sides of the bargaining table since they help elect politicians with whom they negotiate.

- …lawmakers in particular depend on public unions for political support, and disciplinary protections are easy to give away in contract talks.

- If (lawmakers) really want to change police incentives rather than merely pass reform gestures, they'll have to address collective-bargaining. Let's see if their social justice convictions overcome their desire for political backing from public unions.

The caps are especially advantageous when it comes to negotiating with public unions. The New York local property tax cap has given school boards leverage in negotiating salaries and benefits with their union personnel. As the old saying goes: "You can't fit 10 pounds of sausage into a 5 pound bag." The higher the percentage salary increase provided to the employees, the less money available for scholastic related equipment, facilities and services on behalf of the children.

A recent Newsday analysis of school district salaries on Long Island provides a clear link between these lofty salaries and the high tax rate here in Long Island. Since personnel costs account for anywhere between 60 to 70% of a government budget, these types of salaries are a prime reason the tax levels are so high on Long Island. The salary structure is baked into contracts passed years ago that must be honored.

The report shows that the median salary in Long Island districts is above $100,000 with one district having a median salary of over $150,000. This, of course, means that half of the workers within that district are earning above the $150,000 threshold annually.

The property tax cap hasn't been able to void the big salary jumps of those who were previously in the system, but it can and has had an impact on new hires. Long term, that should have a positive effect on Long Island taxpayers.

CAPS CAN INCENTIVIZE REFORM

The cap could provide incentive for policy makers to implement long needed fiscal reforms.

There are approximately 125 separate school districts on Long Island. Efforts to consolidate the schools have been stymied for various reasons. But now that there is a need to find efficiencies to fit under the cap, the possibility of reform is enhanced. We may in the near future see the consolidation of various school functions, for instance,

While districts can remain separate, they can consolidate their purchasing. We have long recommended that each town do the purchasing for all of the districts within its parameters. Items such as school transportation, buildings and ground, cafeteria service, and maintenance can be centralized for an economy of scale.

Secondly, the state can modify the Triborough amendment. This is a provision dating back to the Taylor Law in the 1960s and 70s, which allows for public employees to continue to receive step salary increases even after a contract has expired.

A step is an additional salary above the negotiated 3 or 4% in the contract. Of course, once the contract expires, negotiations continue and workers will be paid retroactively when it's finally settled. They continue to get their previous salary during the negotiations, but Triborough allows them to also get the step salary increases during this period. This removes incentive for the union to negotiate any give backs. They are getting raises anyway, so why capitulate? They can wait it out and usually win.

These changes would free up money for services directed specifically at the student, thereby enhancing student performance while making school budgets more efficient and assisting in efforts to fit within the cap.

CAN THE NEED TO PRIORITIZE UNDER THE CAP FINALLY END TAXPAYER FINANCED UNION LEAVE?

The caps may also eventually lead to separating municipal union matters from the budget process, and eliminating the wasteful - and possibly unconstitutional - practice of providing taxpayer dollars for administrative union leave.

The question should be raised as to whether or not a union negotiating with the school board - which represents taxpayers - should be able to endorse candidates for the board. Or whether unions on the town, county and state levels should be able to endorse officials who will negotiate their salaries. In the private sector, this conflict of interest would never be allowed, yet it is in the public sector. Perhaps it's time to reconsider this, especially as the cap laws require prioritization.

It shouldn't be forgotten that President Franklin Roosevelt, one of the most friendly labor presidents, did not support unionizing government workers. Nor, as noted in the Wall Street Journal above, did George Meany, the champion of the AFLI-CIO.

We as a nation are in so many ways better off for having unions to advocate on behalf of workers' rights. But do taxpayers have an obligation to pay union leaders so they can be freed up from their regular jobs in order to lobby on behalf of the union?. In fact, it can be argued that such taxpayer subsidies are unconstitutional, or at least, may violate state statutes against gifts with no public purpose.

In Suffolk County in 2017, the proposed budget called for cuts to numerous bus routes serving the working class, as well as cuts to a plethora of not-for-profit agencies. Yet, the county was paying, and still does pay, up to $2-3 million annually for the concept of union leave.

It is difficult to justify why our elected representatives are negotiating against a full slate of union leaders who are being paid by taxpayers to lobby against taxpayers' interest.

Wouldn't it make more sense to use money presently slated for union leave for our not-for-profits or bus routes that help the needy?

New York is not alone in having to deal with this burden. In fact, over $122 million a year of taxpayer funds are expanded to provide union leave for federal union leaders, according to the Mackimac Policy Center in Michigan.

Meanwhile, many localities and states have pushed to end this taxpayer expense; through legislation in Michigan and by lawsuits in Idaho in Pennsylvania. In 2014, an Arizona court held the practice as being an unconstitutional gift, only to be overturned in appeal.

Will New York taxpayers finally be spared this burden as well? Our Center’s lawsuit to end these payments was thwarted. But perhaps a state spending cap will draw legislators’ attention to the need to eliminate such an extravagance.

THE IMPACT ON SCHOOLS

Caps are especially important - and productive - on the school level. School expenditures on Long Island account for approximately 2/3 of a homeowner's property tax bill. For decades, ever increasing costs were driven by a now discredited theory that the expenditure of more and more money will lead to higher test scores. This is simply not the case.

While it would be unreasonable to expect a dramatic improvement in test scores, one would think that they would at least be a discernible increase. The fact is, there was none. In spite of this sizable increase in spending on education over the course of a decade, there was no noticeable increase in student performance.

From 2006 to 2015, state aid to education in New York State increased by $6 billion to a total of $23 billion, despite a brutal recession in between. By 2018, aid had risen to almost $27 billion, with lower wealth districts receiving far more dollars per pupil.

The average New York State spending per pupil in 2015 was $21,000, almost double the $11,000 national average. By 2019 those figures were $25,000 and 12,000 respectively
https://www.census.gov/newsroom/press-releases/2021/public-school-spending-per-pupil.html

Wouldn't that mean that New York test scores would be twice as good? Actually, the state's reading test scores for fourth-graders are below national average, according to "The Nation's Report Card", proving that simply pushing more money toward the problem is not the solution.

As stated above, there was a significant curbing of property tax increases on Long Island once the property tax cap took effect in 2012. Given that the annual tax increases shrunk from 6% to 2%, one might think that this would have led to a drop in test scores. Such was not the case. Scores remained steady.
https://www.nationsreportcard.gov/profiles/stateprofile/overview/NY?cti=PgTab_OT&chort=2&sub=MAT&sj=NY&fs=Grade&st=MN&year=2019R3&sg=Gender%3A+Male+vs.+Female&sgv=Difference&ts=Single+Year&tss=-2019R3&sfj=NP

Many opponents of the cap claim that it hurts low income districts. They perpetuate a lie that lower income districts have less money to spend on their students. But these misstatements are based on cherry picked statistics. They stress that lower income leads to a lower property tax base and less revenue available. But they fail to mention how **disproportionate** aid balances out the disparities. For instance, while the wealthy district of Garden City garners $5.7 million in state aid, low income Hempstead receives $119 million. Thus, the $27,000 average spending per-pupil in Hempstead, is actually more than the $25,000 per-pupil spent in Garden City.

This past year on Long Island, only five school districts submitted budgets for a public vote that exceeded the cap.

https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwjkyInJ_dHzAhXuRt8KHRJZAX0QFnoECAoQAQ&url=https%3A%2F%2Fwww.newsday.com%2Flong-island%2Feducation%2Fdistrict-tax-levies-pierce-cap-1.50243607&usg=AOvVaw23NdAyIO-YUthGbr-4y2jw

This proves that the cap has been effective in forcing the majority of the districts to prioritize their spending.

Management is incentivized to come in with a lean**er** budget, not only because of the 60% supermajority requirement, but also because there is a limit of only one revote if the budget goes down on the first attempt. Moreover, a second “no” vote on the budget will result in the budget being settled on a 0% increase from the present year’s.

In prior decades, if the second budget went down, the budget that took effect was the one originally submitted - one that likely had a significant tax increase. To incentivize voters to pass the budget, the old state law punished districts that voted the budget down by eliminating bus transportation and athletic programs. Thus, homeowners were placed in a “damned if you do, damned if you don’t” predicament. You either voted for a huge tax increase or voted against it, leading to a sizable tax hike anyway, along with the elimination of sports and buses. Thankfully the cap helped ameliorate this Catch 22.

EVEN ON THE NATIONAL LEVEL, MORE SPENDING DOES NOT RESULT IN HIGHER TEST SCORES

The theory that spending more money on education necessarily leads to a better educated nation is refuted by the statistics.

Here is a chart of the SAT averages from 1972 to 2020 showing the overall trends in SAT scores throughout the years. All data is taken from the College Board Total Group Profile Reports (from 2016, 2017, 2018, and 2019, and 2020).https://reports.collegeboard.org/pdf/total-group-2016.pdf

Year	Math	Critical Reading	Writing
1972	509	530	—
1973	506	523	—
1974	505	521	—
1975	498	512	—
1976	497	509	—
1977	496	507	—
1978	494	507	—
1979	493	505	—
1980	492	502	—
1981	492	502	—
1982	493	504	—
1983	494	503	—
1984	497	504	—
1985	500	509	—
1986	500	509	—
1987	501	507	—
1988	501	505	—
1989	502	504	—
1990	501	500	—
1991	500	499	—
1992	501	500	—
1993	503	500	—
1994	504	499	—
1995	506	504	—
1996	508	505	—
1997	511	505	—
1998	512	505	—
1999	511	505	—
2000	514	505	—
2001	514	506	—
2002	516	504	—
2003	519	507	—
2004	518	508	—
2005	520	508	—
2006	518	503	497
2007	514	501	493
2008	514	500	493
2009	514	499	492
2010	515	500	491
2011	514	497	489
2012	514	496	488
2013	514	496	488
2014	513	497	487
2015	511	495	484
2016	508	494	482
2017*	527	533	
2018*	531	536	
2019*	528	531	
2020*	523	528	

*The old SAT had three main sections: Math, Critical Reading, and Writing. Since the SAT's massive redesign in spring 2016, there are now two main sections on the test: Math and Evidence-Based Reading and Writing (EBRW), the latter of which is a combination of the

Reading and Writing sections. Scoring was also altered in 2017 whereby guessing incorrectly no longer resulted in a penalty. This at least in part explains the large difference in scores between 2016 and 2017.

Given that 2016 is the apples to apples basis for comparison, one can see that the math score of 508 is about the same as the score of 509 in 1972. Meanwhile, the reading score of 494 is significantly lower than the reading score of 530 in 1972.

The SAT is but one method of evaluating student performance. Another is the intermittent testing that is issued to students in the fourth, eighth and high school grades.

According to the National Center for Educational Statistics, long-term trends in reading and mathematics achievement have not been promising.

Despite massive increases in spending on education nationally over the past five decades, our children graduating high school are not comprehending any degree higher than they were before the spending spree began. While test scores improved in some age brackets, the one that counts is the comprehension levels at the time the students graduate and are readying to go out into the real world.

Here is what the report noted:

Question:
What are the long-term trends in student achievement in reading and mathematics?

Response:
Since the 1970s, the long-term trend National Assessment of Educational Progress (NAEP) has collected periodic information on the reading and mathematics achievement of 9, 13, and 17-year-olds enrolled in public and private schools.

> READING
> The national trend in reading achievement shows improvement at ages 9 and 13, but not at age 17, between the early 1970s and 2012. **The average scores for 9- and 13-year-olds in 2012 were higher than those in 1971 (13 and 8 points higher, respectively), but the average score for 17-year-olds in 2012 (287) was not measurably different from the score in 1971.** For 9-year-olds, the average score did not change measurably between 2012 (221) and 2008, but it was higher in each of these years than in all previous assessment years. Thirteen-year-olds scored higher in 2012 (263) than in all previous assessment years, including 3 points higher than in 2008. The average score for 17-year-olds in 2012 was not measurably different from the score in 2008. https://nces.ed.gov/programs/digest/d18/tables/dt18_221.85.asp
>
> MATH
> https://nces.ed.gov/fastfacts/display.asp?id=38

> **The national trend in mathematics achievement shows improvement at ages 9 and 13, but not at age 17,** between the early 1970s and 2012. The average scores for 9- and 13-year-olds in 2012 were higher than those in 1973 (25 and 19 points higher, respectively), but the average score for 17-year-olds in 2012 (306) was not measurably different from the score in 1973. For 9-year-olds, the average score did not change measurably between 2012 (244) and 2008, but it was higher in each of these two years than in all previous assessment years. Thirteen-year-olds scored higher in 2012 (285) than in all previous assessment years, including 4 points higher than in 2008. The average score for 17-year-olds in 2012 was not measurably different from the score in 2008.

Yet another study concluding that student achievement has not budged much was issued by The Hechinger Report, a national nonprofit newsroom that reports on one topic: education. The report, an analysis of student performance throughout the country, was entitled: *National test scores reveal a decade of educational stagnation.*progress,https://hechingerreport.org/national-test-scores-reveal-a-decade-of-educational-stagnation/
It noted:

> The average performance of the nation's fourth- and eighth-graders mostly held steady in math and reading from 2015 to 2017, now marking a decade of stalled educational progress.

https://www.nationsreportcard.gov/profiles/stateprofile?chort=1&sub=MAT&sj=&sfj=NP&st=MN&year=2019R3
State Performance Compared to the Nation: Data Table
Mathematics, Grade 4
Difference in average scale scores, percentage at or above Basic, percentage at or above Proficient, between all jurisdictions and National public, for All students [TOTAL], 2019
Click on column headers to sort data by scores for a student group or score differences
CHANGE TABLE FORMAT OPTIONS
JURISDICTION
AVERAGE SCORE
(0 - 500)
ACHIEVEMENT LEVEL PERCENTAGES

JURISDICTION	AVERAGE SCORE (0 - 500) Score	Difference from National public (NP)	ACHIEVEMENT LEVEL PERCENTAGES At or above *Basic*	At or above *Proficient*
Alabama	230	-10 ↓	71	28
Alaska	232	-8 ↓	73	33
Arizona	238	-2 ↓	77	37
Arkansas	233	-7 ↓	75	33
California	235	-5 ↓	75	34
Colorado	242	2 ◆	80	44
Connecticut	243	3 ↑	82	45
Delaware	239	-1 ◆	79	39
District of Columbia	235	-5 ↓	73	34
DoDEA	250	10 ↑	92	54
Florida	246	6 ↑	87	48
Georgia	238	-2 ↓	77	36
Hawaii	239	-1 ◆	78	40
Idaho	242	2 ◆	82	43
Illinois	237	-3 ↓	77	38
Indiana	245	5 ↑	84	47
Iowa	241	1 ◆	81	42
Kansas	239	-1 ◆	79	40
Kentucky	239	-1 ◆	81	40
Louisiana	231	-9 ↓	73	29
Maine	241	1 ◆	81	42
Maryland	239	-1 ◆	76	39
Massachusetts	247	7 ↑	85	50
Michigan	236	-4 ↓	76	36
Minnesota	248	8 ↑	85	53
Mississippi	241	1 ◆	84	39
Missouri	238	-2 ◆	80	39
Montana	241	1 ◆	82	43
National public	240	†	80	40
Nebraska	244	4 ↑	84	45
Nevada	236	-4 ↓	77	34
New Hampshire	245	5 ↑	86	46
New Jersey	246	6 ↑	85	48
New Mexico	231	-9 ↓	72	29
New York	237	-3 ↓	76	37
North Carolina	241	1 ◆	82	41
North Dakota	243	3 ↑	84	44
Ohio	241	1 ◆	82	41
Oklahoma	237	-3 ↓	80	35
Oregon	236	-4 ↓	75	37
Pennsylvania	244	4 ↑	81	47
Puerto Rico	185	-55 ↓	15	1
Rhode Island	239	-1 ◆	81	40
South Carolina	237	-3 ↓	77	36
South Dakota	241	1 ◆	83	43
Tennessee	240	# ◆	79	40
Texas	244	4 ↑	84	44
Utah	244	4 ↑	82	46
Vermont	239	-1 ◆	81	39
Virginia	247	7 ↑	87	48
Washington	240	# ◆	79	39
West Virginia	231	-9 ↓	74	30
Wisconsin	242	2 ◆	80	45
Wyoming	246	6 ↑	87	48

▲
Significantly higher than National public
♦
Not significantly different from National public
▼
Significantly lower than National public
Show Notes & Sources

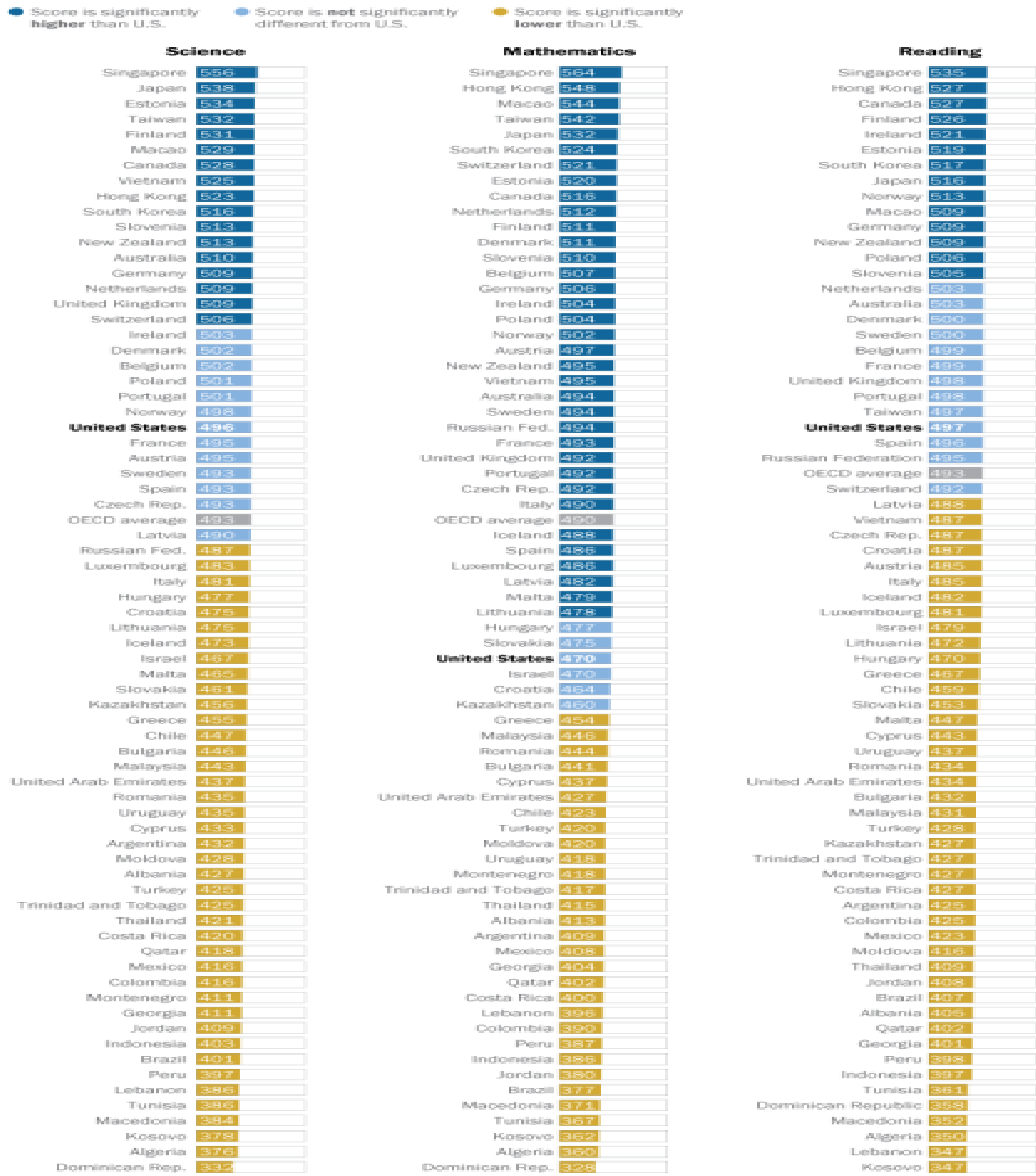
THE US LAGS BEHIND OTHER NATIONS DESPITE HUGE SPENDING

In February , 2017, Pew Research issued a report entitled:
*U.S. students' academic achievement still lags that of their peers in many other countries.*https://www.pewresearch.org/fact-tank/2017/02/15/u-s-students-internationally-math-science/

> How do U.S. students compare with their peers around the world? Recently released data from international math and science assessments indicate that U.S. students continue to rank around the middle of the pack, and behind many other advanced industrial nations.
>
> One of the biggest cross-national tests is the Programme for International Student Assessment (PISA), which every three years measures reading ability, math and science literacy and other key skills among 15-year-olds in dozens of developed and developing countries. The most recent PISA results, from 2015, placed the U.S. an unimpressive 38th out of 71 countries in math and 24th in science. Among the 35 members of the Organization for Economic Cooperation and Development, which sponsors the PISA initiative, the U.S. ranked 30th in math and 19th in science.

How the U.S. compares on science, math and reading scores

Average scores of 15-year-olds taking the 2015 Program for International Student Assessment



Note: Scale ranges from 0-1,000. Results from China not included because only four provinces participated in PISA 2015.
Source: OECD, PISA 2015

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These foreign nations are producing far superior results compared to the U.S. while spending less per pupil. For instance, while the median U.S. cost per pupil is approximately $12,000, high performing nations such as Japan, Finland, and South Korea, are spending $8,301, $10,171, $6,723, respectively.

CHARTER SCHOOLS SHOW THAT STUDENT GAINS ARE POSSIBLE WITHOUT BREAKING THE BANK

A *New York Post* editorial on March 5, 2020 said the following about the most famous of New York's charter schools:

- All 98 seniors at Success Academy's HS of the Liberal Arts are headed to college this fall, including to the University of Chicago, Yale, Cornell, Dartmouth, Tufts, Wharton and Georgetown.

- Other top local charter networks will add hundreds more to that exciting total — a tremendous sign of how these alternative public schools boost opportunity, especially for the lower-income, black and Hispanic students who are so often served badly by the regular system.

- More than 95 percent of the 200-plus graduates a year from KIPP NYC College Prep in The Bronx, for example, also head to college — including Columbia-Barnard, Duke and other top-ranked universities. And the four high-schools in the Brooklyn-centered Uncommon Schools network have similar success."

https://nypost.com/2020/05/03/new-yorks-charter-schools-sending-hundreds-of-kids-to-college/

https://www.forbes.com/sites/emilylanghorne/2018/08/23/five-reasons-why-independent-charters-outperform-in-district-autonomous-schools/#3211a205759d

https://www.theepochtimes.com/charter-schools-outperform-public-schools-report_2880578.html

https://edreform.com/2012/04/florida-charters-outperform-traditional-public-schools/

In a February 19, 2019 article in the *New York Post*, Ray Diminico wrote the following:

- Since 1999, when charter schools were first introduced, the number of students enrolled has skyrocketed to 123,000. Today, there are 48,000 more students enrolled in New York charter schools than there were only five years ago
- Black students in New York City's charter schools outperform black students in the rest of the state by more than 26 percentage points in English. In math, 59 percent of black students in the city's charter schools score at proficient or above, compared to only 25 percent of black students in all other schools in the state.

- Hispanic students in the city's charters show similar advantages, outscoring Hispanics in the rest of the state by more than 20 points in English and 26 points in math.
- Since 2007, charter enrollment in the city has grown by 107,000 students. At the same time, the amount in the Department of Education's budget for operating its own schools (after removing the amount that goes to charters) has grown by $7.5 billion, despite a 13,000 decrease in enrollment.

The cost per child in the city's regular school district is $30,469. Yet charters deliver better performance while expending only $16,343 per child .
https://www.nysenate.gov/sites/default/files/11_nyc_charter_school_center_-_james_mefflman_ceo.pdf
More proof that prioritizing is essential.

Why would the education establishment oppose these successful charters? The answer is simple: power. One of the most powerful - if not the most powerful - special interests within the politics/government hierarchy is the teachers' unions. These unions fear charter schools because these institutions have proven to be more successful than their public counterparts. Administrators run the charter schools, not the unions or unruly students. When the unions can no longer control the workplace, they fight back. But they can't erase the basic fact proven by charters that spending more money is not the answer.