



February 2019

The Taxpayer Protection Act: A Legislator’s Guide

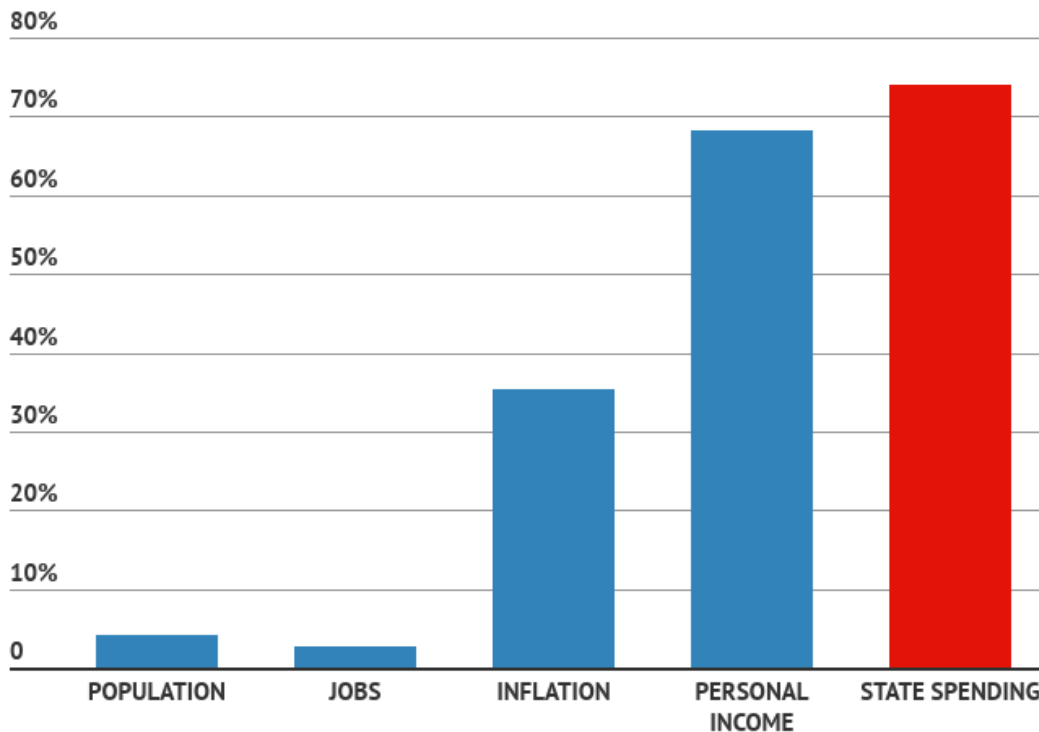
Pennsylvania’s *high state and local tax burden* is the consequence of a decades-long spending binge. Pennsylvanians pay **\$4,589 per person** in state and local taxes, which equals 10.2 percent of residents’ total income. This trend must be reversed by restraining spending growth through long-term reforms like the Taxpayer Protection Act (TPA).

Pennsylvania’s Overspending Problem

- Over the last decade and a half, total **state spending growth has outpaced the economy**.

STATE SPENDING OUTPACES THE ECONOMY

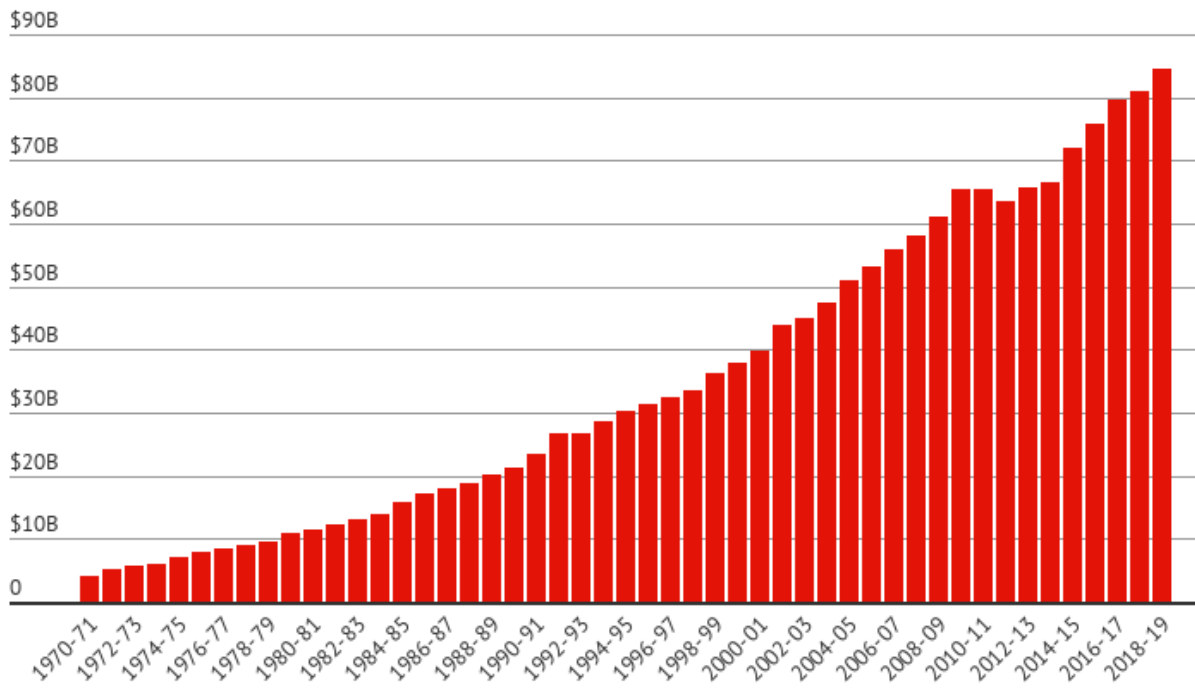
(FY 2000-2001 to FY 2018-19)



Sources: U.S. Census Bureau, Bureau of Labor Statistics, Bureau of Economic Analysis, Governor’s Executive Budget

- The commonwealth's total operating budget, which includes the General Fund and [Shadow Budget](#), has more than tripled since 1970 (adjusted for inflation).

PA.'s TOTAL OPERATING BUDGET (1970-2019)



\$84 Billion

In 2018-19, Pennsylvania's total operating budget exceeded \$84 billion for the first time in the state's history.



3X

State government has more than tripled over the last 49 years (adjusted for inflation).



+\$18,014 per family

The growth in the total operating budget amounts to \$18,014 per family of four or \$4,503 more per resident.

Sources: Governor's Executive Budget and Commonwealth Foundation analysis.

A Responsible Solution to Pennsylvania's Financial Challenges

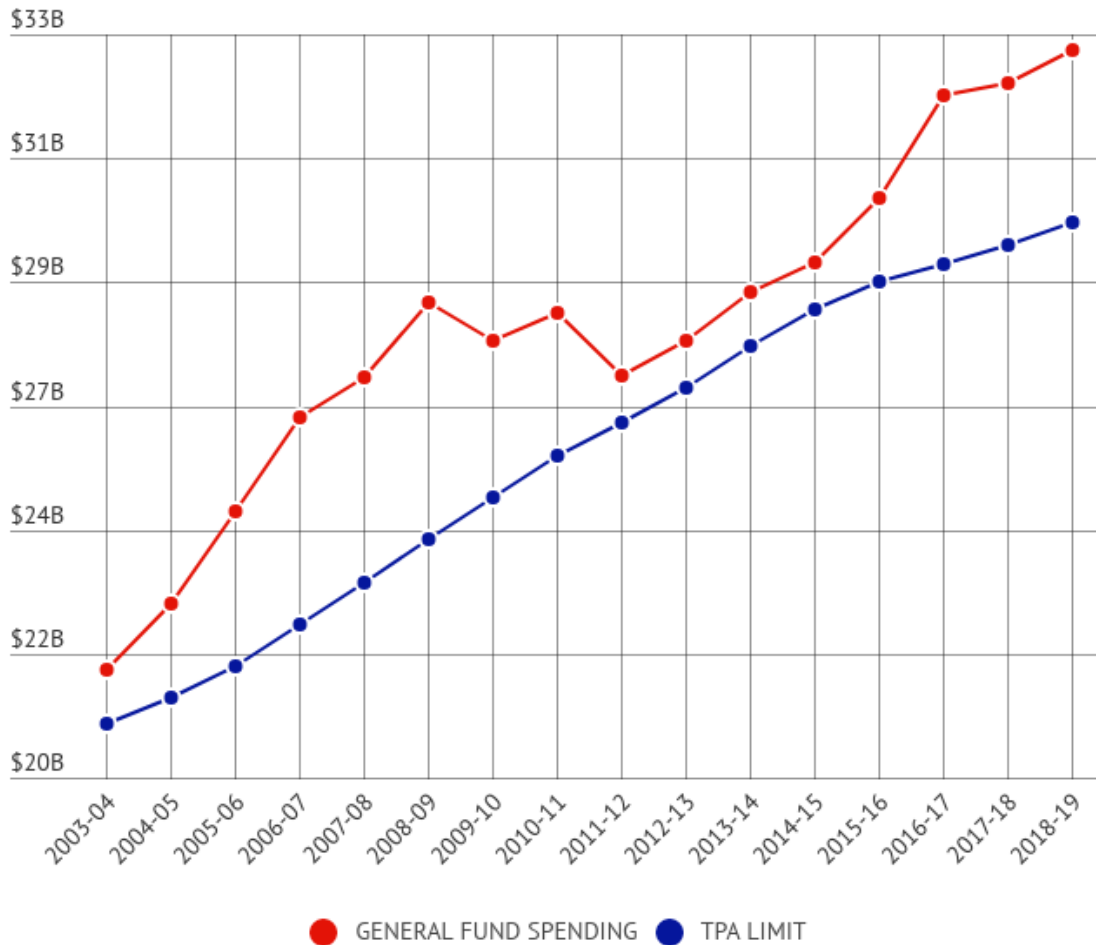
- The Taxpayer Protection Act's spending limits would begin to reverse Pennsylvania's unsustainable spending trend. The TPA does not mandate cuts to government spending. It *slows the growth of spending* by tying increases to the rate of inflation and population growth or personal income growth.
- The TPA-imposed spending limit may be exceeded if approved by a supermajority of the General Assembly
- The TPA requires government to prioritize spending. By enacting fiscal guardrails, the state will need to thoroughly review state programs to ensure spending growth is kept within the TPA index.
- The TPA limits *spending growth* to a formula set by law. Under the TPA, the formula is determined by calculating the average combined rate of inflation and population growth over a three-year period.
- Three pieces of legislation to implement the TPA are under consideration:
 - Rep. Ryan Warner has introduced [House Bill 1316](#) to constitutionally limit General Fund spending growth. This legislation [passed the House in 2017](#).
 - Sen. Camera Bartolotta has introduced [Senate Bill 116](#) to constitutionally limit appropriations by the General Assembly and "executive authorizations," excluding federal funds.
 - Sen. Mike Folmer has introduced [Senate Bill 7](#), which would provide a statutory implementation of the TPA.

The Impact of the TPA

- States that reasonably limit spending growth are able to maintain a relatively low tax burden, which is [critical to economic growth](#).
- Under the TPA formula, lawmakers could increase General Fund spending in the **2019-20 budget by \$694 million**.
- If the TPA had been applied to the General Fund from FY 2003-04 through FY 2018-19, a cumulative \$35 billion—or **more than \$11,000 per family of four**—would have remained in the hands of taxpayers rather than state government.
- If the TPA had been enacted in FY 2003-04, spending could have increased **by \$8.7 billion through FY 2018-19**. Instead, it [climbed by more than \\$10.8 billion](#) over the same period.
 - The chart below traces the disparity between state spending and a TPA budget since 2003. Note spending rose dramatically under Gov. Rendell, creating pressure for spending restraint under Gov. Corbett. Under the current administration, spending is once again tracking far above the TPA index.

STATE SPENDING vs. TAXPAYER PROTECTION ACT

(FY 2003-2004 to FY 2018-19)

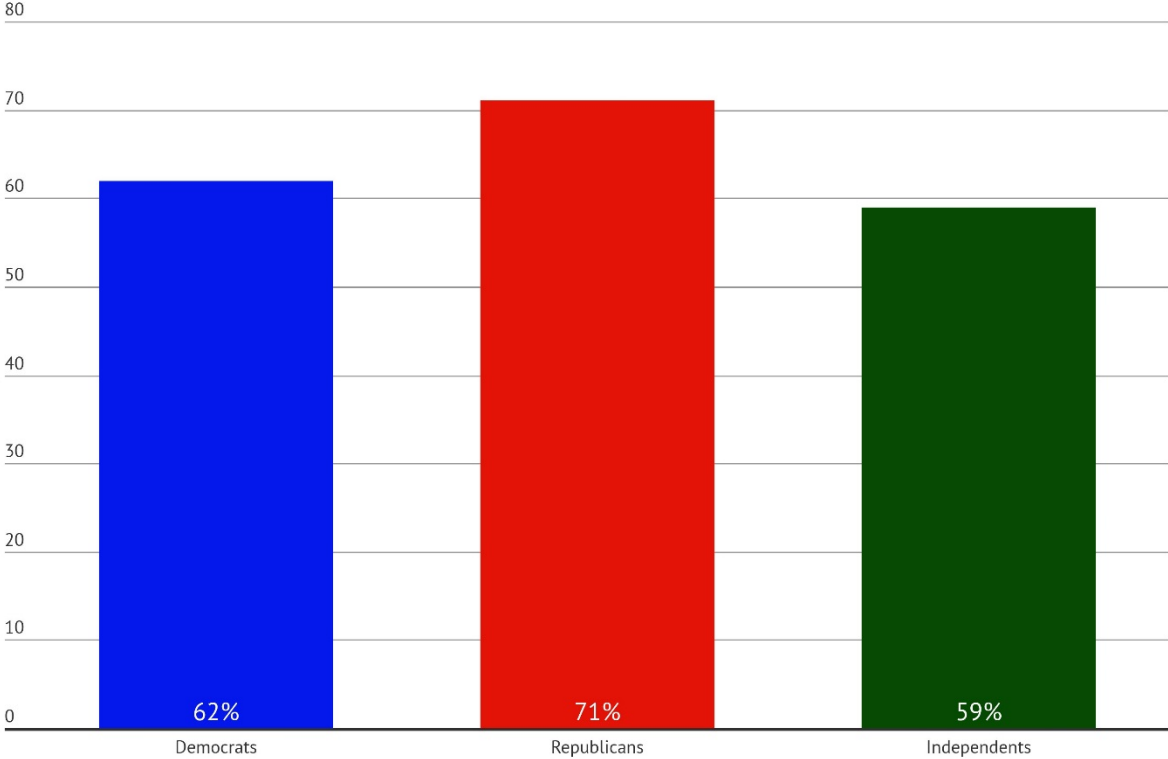


Sources: Governor's Executive Budget and Commonwealth Foundation Analysis.

Pennsylvanians Support Spending Limits

- A [2015 poll](#) found nearly two-thirds of voters (64 percent) favor limiting the growth of state government. Support is bipartisan and consistent.
- 71 percent of Republicans, 62 percent of Democrats, and 59 percent of Independents [support state spending limits](#).
- When similar questions about state spending limits were asked on five separate occasions (2005, 2008, 2010, 2012, 2014), support ranged from 59 percent to 70 percent of all voters.

POLLING SHOWS CROSS-PARTY SUPPORT FOR STATE SPENDING LIMITS



Source: Susquehanna Polling and Research, September 2015.

Conclusion

By controlling government spending, lawmakers can restore Pennsylvania’s fiscal health and pave the way for tax reform that will benefit working Pennsylvanians. Embracing fiscal responsibility and a pro-growth tax code will make the commonwealth a more attractive place to live and work.