

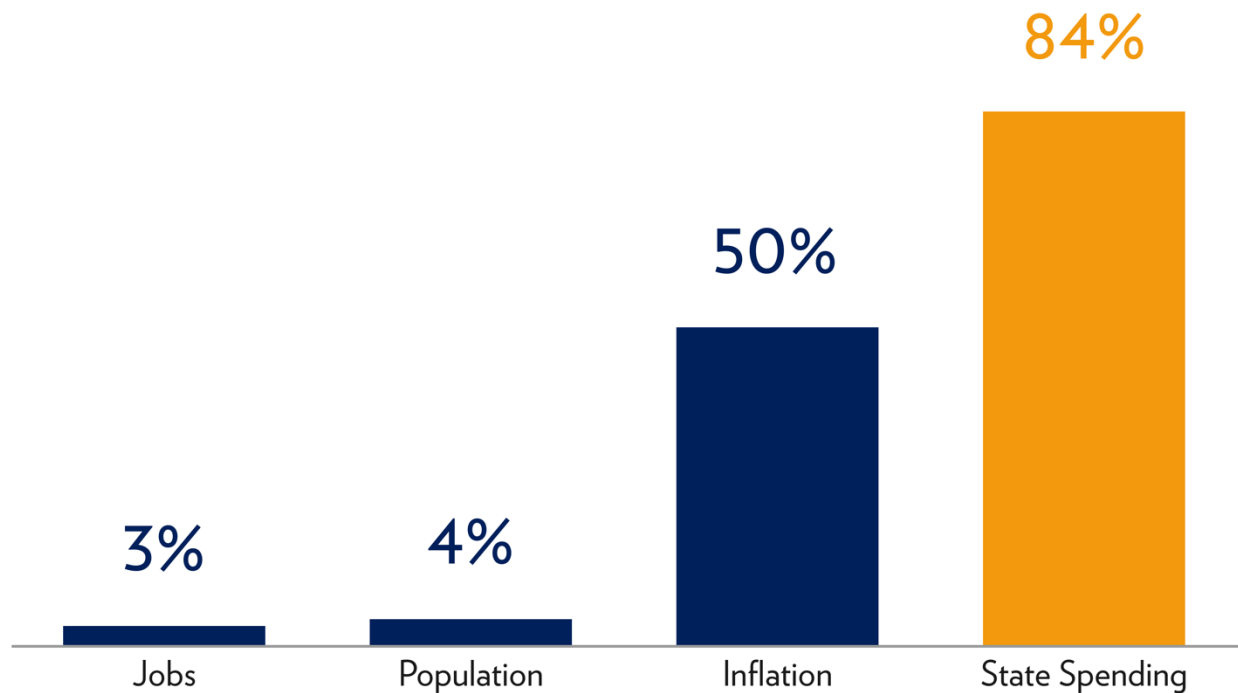
The Taxpayer Protection Act

KEY POINTS

- Pennsylvania's frequent budget deficits are the consequence of chronic overspending.
- 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

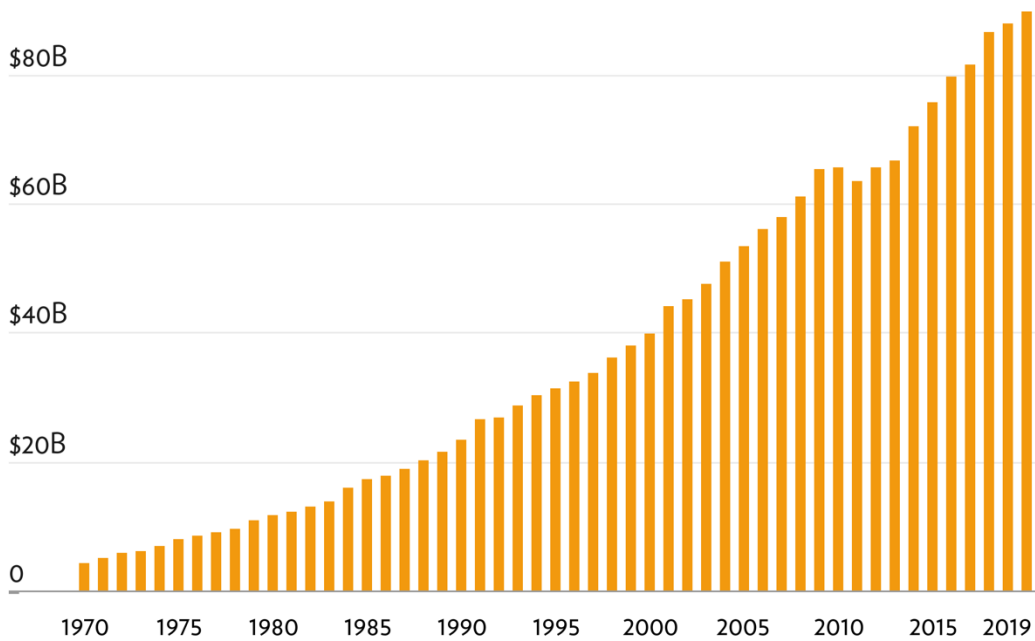
Over the last two decades, total state spending growth has outpaced the economy.¹



The commonwealth's total operating budget, which includes the General Fund and Shadow Budget, has more than tripled since 1970 (adjusted for inflation).²

Pennsylvania's Total Operating Budget

State spending has consistently grown the past 5 decades.



\$89 Billion

This year, Pennsylvania's total operating budget exceeded \$89 billion.



3X

State government has more than tripled over the last 50 years (adjusted for inflation).



+\$18,201 per family

Since 1970, the growth in the total operating budget amounts to \$18,201 per family of four or \$4,550 more per resident, adjusting for inflation.

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.
- Legislation to implement the TPA has advanced in the House ([HB 71](#)) and [will be introduced](#) in the Senate. Both bills are constitutional amendments that must pass in two consecutive sessions and do not require Gov. Wolf's signature.

THE IMPACT OF THE TPA

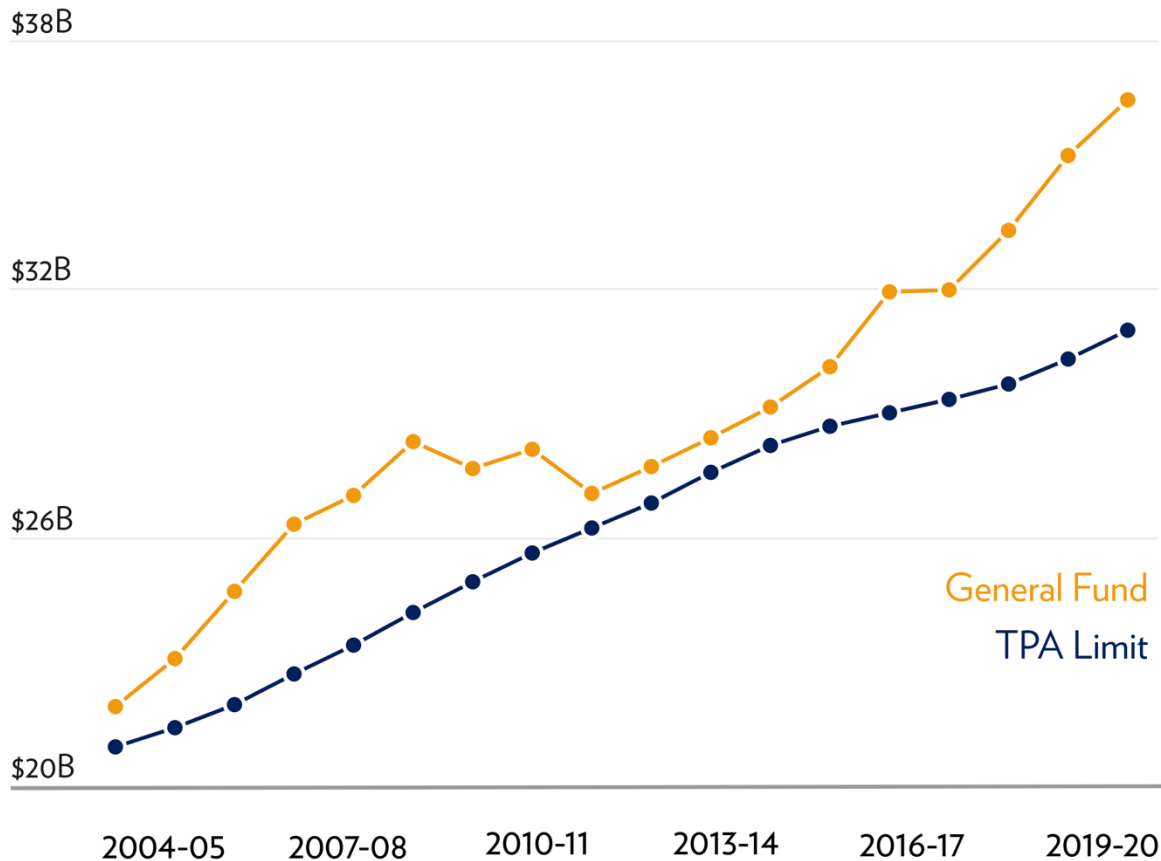
States that control spending growth are able to maintain a relatively low tax burden, which is critical to economic growth.

- Under the TPA formula, Gov. Wolf and lawmakers could have increased General Fund spending in the 2020-21 budget by \$716 million. Instead, they *increased it by more than \$1.3 billion*.
- If the TPA had been applied to the General Fund from FY 2003-04 through FY 2020-21, a cumulative \$46 billion—*\$14,574 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 \$10 billion through FY 2020-21*. Instead, it climbed by almost \$15 billion over the same period.

The following chart 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.³

State Spending Vs. Taxpayer Protection Act

Savings if the TPA had been enacted in 2003.



PENNSYLVANIANS SUPPORT SPENDING LIMITS

A 2019 poll⁴ found nearly two-thirds of voters (68 percent) favor limiting the growth of state government. When similar questions about state spending limits were asked on six previous occasions (2005, 2008, 2010, 2012, 2014, 2015), support ranged from 59 percent to 70 percent.

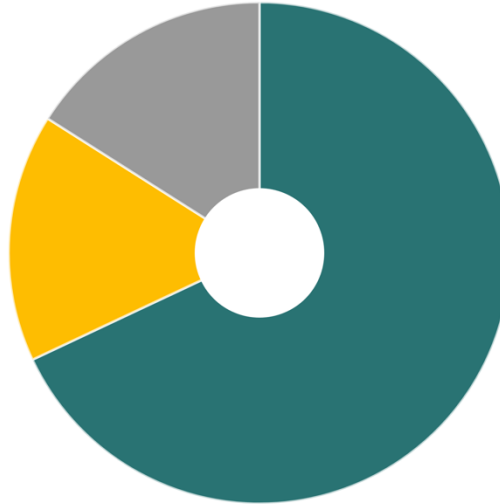
POLL: Pa. Voters Support the Taxpayer Protection Act

Over **2/3** of Pennsylvania voters support the TPA

68% Support

16% Oppose

16% Unsure



Universal Support for TPA



Republican **68%**

Democrat **67%**

Independent **67%**

QUESTION: Pennsylvania lawmakers are considering a law that would limit increases in government spending to the rate of inflation plus the rate of population growth. The limit could only be exceeded by a two-thirds votes of both houses of the General Assembly or by a declared emergency. Generally speaking, would you support or oppose this legislation?

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.

¹ Figure 1:

General Fund 2010–2018: Governor's Executive Budget, Financial Statement of the General Fund, Actual Appropriations.
General Fund 2019–2020: PA House GOP, 2020-21 Budget State General Fund Appropriations.

Population 2000-2010: U.S. Census Bureau, Population Division, Table 1. Intercensal Estimates of the Resident Population for the United States, Regions, States, and Puerto Rico: April 1, 2000 to July 1, 2010 (ST-EST00INT-01)

Population 2010-2019: U.S. Census Bureau, Population Division, Table 1. Annual Estimates of the Resident Population for the United States, Regions, States, and Puerto Rico: April 1, 2010 to July 1, 2019 (NST-EST2019-01)

Inflation: U.S. Bureau of Labor Statistics, All items in U.S. city average, all urban consumers, seasonally adjusted. January, 2000 to November, 2020. <https://beta.bls.gov/dataViewer/view;jsessionid=EFB743D7D0E5DDA17DD4F5C129F66819>.

Jobs: Bureau of Labor Statistics, State and Area Employment, Hours, and Earnings, Not Seasonally Adjusted, Pennsylvania, Statewide, Total Nonfarm, All Employees In Thousands.

² Figure 2:

Governor's Executive Budget

Methods: Spending isn't finalized until the 2 years following the budget year, therefore the numbers for these years are taken from the second budget following the year (these funds are labeled as actual "appropriations") except for the 2 most recent years. Total Expenditures are calculated by adding the State General Fund, State Special Funds, Federal Funds, and State Other Funds.

. *General Fund 2019–2020: PA House GOP, 2020-21 Budget State General Fund Appropriations.

³ Figure 3:

General Fund 2010–2018: Governor's Executive Budget, Financial Statement of the General Fund, Actual Appropriations.
General Fund 2019–2020: PA House GOP, [2020-21 Budget State General Fund Appropriations](#).

Methods: spending isn't finalized until the two years following the budget year, therefore the numbers for these years are taken from the second budget following the year.

⁴ Figure 4:

Susquehanna Polling and Research; Poll of 700 registered voters; Interviews Conducted September 30 – October 7, 2019.