



Michigan League FOR Human Services

**TALKING POINTS**

**Proposed Constitutional Spending Limit Poses  
Grave Threat to Michigan's Fiscal Health**

The Stop OverSpending (SOS) ballot proposal would require a constitutional amendment to limit state spending to a population-plus-inflation formula. Any revenues above the limit would be divided between the rainy day fund and the taxpayers. Voter approval would be required to override the limit.

The only state with similar provisions is Colorado, where adoption of a “Taxpayer Bill of Rights” (TABOR) in 1992 resulted in a significant decline in public services. Last November Colorado voters suspended and fundamentally changed TABOR.

The population-plus-inflation formula is flawed. The cost of services purchased by government compared to those that drive the Consumer Price Index is vastly different. For example, government buys health care, education and prisons, which grow at a rate greater than inflation. Further, the segments of the population that states serve grow more rapidly than the overall population used in the formula (e.g. senior citizens and their related health care costs).

SOS does not fix Colorado's most talked about problem—the “ratchet.” Under SOS the state's expenditure level would be frozen during a recession and as a result expenditures would stagnate; as revenue growth fully recovered, however, the prior expenditure level could not be restored.

The SOS provision to dedicate revenues above the spending limit to the rainy day fund, thereby mitigating some of the negative impact of TABOR would not help Michigan. The Senate Fiscal Agency has indicated that no deposits would have been made to the now depleted rainy day fund over the last four years under the provisions of SOS.

SOS is more restrictive than Colorado's spending limits. SOS would effectively prohibit Michigan's state and local governments from increasing or adjusting fees in a way that would increase real net revenues. Further, in Colorado the spending limit could be repealed by a simple majority vote of the people; SOS would require a “super-majority” vote of two-thirds of each chamber of the legislature to refer the change to the voters.

SOS would prevent Michigan's revenues from growing with the economy. It would prevent new or expanded services that may be necessary and would also prevent the reversal of tax policies that have contributed significantly to Michigan's current fiscal crisis, and dig the fiscal hole even deeper, necessitating dramatic and permanent cuts in critical public services that are already weakened as a result of six years of deficits and resulting program reductions.

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