

## **THE UNIVERSITY OF MAINE SYSTEM BOARD OF TRUSTEES' POSITION ON TABOR – THE “TAXPAYER BILL OF RIGHTS”**

### **BACKGROUND**

On November 7, 2006, Maine voters will approve or reject the following ballot question:

**“Do you want to limit increases in state and local government spending to the rate of inflation plus population growth and to require voter approval for all tax and fee increases?”**

As written, TABOR restricts what counties, municipalities, school districts, and State government may raise and spend to support public programs and services. TABOR establishes spending restrictions through formulas based on past spending levels, the consumer price index, and annual changes in population. TABOR also places restrictions on the amount of revenues that can be raised for State, county, local, and school related programs and services.

TABOR’s limits can be exceeded only under all three of the following conditions:

- 1) At least two-thirds of the 151-member Maine House of Representatives must grant approval to exceed spending or revenue limits. (For counties, municipalities, or school districts and units, limits can only be exceeded by a two-thirds of the local governing board or two-thirds of the attendees at the annual town meeting.)
- 2) At least two-thirds of the 35-member Maine State Senate must grant approval. (This does not apply to county or municipal governments nor to local school units or districts.)
- 3) A majority of voters in a state-wide referendum must grant approval for State budget items that exceed TABOR’s restrictions. (County-wide referenda would be required for certain county budget items, while local referenda would be required for municipal and school district budget items exceeding TABOR restrictions.)

Though not stated in the November 7 ballot question, TABOR also places restrictions on higher education funding and spending. (See TABOR subsection 1994.1.c.) Along with restricting how much the State may subsidize Maine’s public universities and community colleges from year to year, TABOR establishes a higher education spending formula based on the prior year’s budget, the Consumer Price Index for Urban Households, and the prior year’s change in student enrollment.

*On September 11, 2006, the University of Maine System Board of Trustees passed a resolution expressing its “most serious concern” about TABOR’s negative impact on Maine. The following explains the Board’s primary reasons.*

### **TABOR’s higher education funding formula is seriously flawed.**

TABOR uses the U.S. Bureau of Labor Statistics’ “Consumer Price Index for Urban Households” (CPI-U) to determine the annual cap on spending. The CPI-U does not accurately reflect the unique volume or nature of goods, services, and operations that universities and colleges must pay for. For example:

- Unlike consumers and households, universities and colleges must purchase and maintain expensive scientific equipment for teaching and research purposes.
- They must purchase fuel and electricity in much greater quantities than the average household must. Those items alone increase in cost at a much greater rate than the overall consumer price index.
- The cost of maintaining buildings and grounds is considerably higher, especially given the age of many university and college facilities.
- The CPI-U does not reflect the cost of employee labor, since most households do not hire and maintain staff. Labor expenses account for between 60-70% of a university or college’s spending.

In addition, the TABOR formula is also flawed because of its dependence on annual student population:

- Because it is based on the previous year’s enrollment, the TABOR formula does not allow the State to increase funds in anticipation of projected increases in students. Instead, the formula only adjusts for an increase in students in the budget year *following* the enrollment increase, thus diluting the resources available to educate and serve students when the demand is greater.
- A one-year decline in enrollment – no matter what the reasons – would lower the amount of money the State could approve under the funding formula for the following year, even if enrollment for that year increases dramatically.

### **TABOR will hurt the quality of public higher education.**

Because of TABOR’s funding and spending formulas, Maine’s public universities and community colleges would not be able to financially support current levels of programs and services. To offset inadequate levels of State support, universities and community colleges would: 1) have to cut personnel, programs, and services, which would severely erode the quality of higher education in Maine; and/or 2) significantly raise student tuition and fees.

### **TABOR will make public higher education less affordable.**

TABOR’s funding formula will result in higher tuition rates and fees by dramatically shifting, from the State to students and their families, the historic financial responsibility of operating universities and community colleges. That was the experience in Colorado, the only state to adopt TABOR legislation.

## TABOR dilutes higher education's role in economic development.

Virtually every report on the future of Maine's economy cites the need to expand both the educational-attainment levels and the size of Maine's workforce. Many of those reports also stress the role of Maine's universities and community colleges as partners and resources in workforce development, economic growth initiatives, and quality of life issues.

Should a mill, call center, or other large employer lay off workers, the State's ability to appropriate additional funds to help educate displaced workers would be limited without two-thirds legislative approval, to be followed by a state-wide referendum on the funds.

## TABOR discourages investment in higher education.

Three related aspects of TABOR complicate and discourage efforts to invest in higher education:

- 1) The mandated funding and spending formulas;
- 2) The requirement of a two-thirds vote of the Maine House and the State Senate, which provides automatic veto power to as few as 12 state senators to block an increase above the TABOR funding restrictions; and
- 3) The mandate of a public referendum for any legislative appropriation that exceeds the TABOR cap.

Combined, those aspects of TABOR establish new obstacles to any attempt to invest in higher education as an economic development partner and resource.

## TABOR would stall Maine's success with university-based R&D.

TABOR's funding and spending formulas, its "minority-veto" provision, and mandatory public referenda provisions pose a serious threat to one of the State's most successful economic development initiatives: the State-funded Maine Economic Improvement Fund, or MEIF. MEIF provides seed and matching funds to help Maine's public universities attract federal and private-sector R&D funds. In Fiscal Year 2005 alone, Maine's universities used \$12.7 million in MEIF funds to attract \$41.9 million in outside funding – a 330 percent return on investment in one year! Through MEIF, federal, State, and private sector investment in FY2005 alone created and supported 743 full-time Maine jobs – not to mention the millions of dollars of additional economic impact throughout the state.

Under TABOR, a State increase of as little as \$600,000 for MEIF would require a state-wide referendum. Maine's ability to respond rapidly to an economic opportunity or emergency would be delayed – and possibly lost – because of TABOR's complicated and time-consuming legislative and voter approval processes.

**More information about Maine's TABOR proposal may be found at numerous websites, including the following:**

**"Taxpayer Bill of Rights" (pro-TABOR advocacy group) <http://www.taxpayerbillofrights.com/>**  
**"Citizens United" (anti-TABOR advocacy group) <http://www.notabor.org/schools.asp>**

Prepared by the University of Maine System. For more information, contact the Office of External Affairs at (207) 973-3240 or [moreinfo@maine.edu](mailto:moreinfo@maine.edu).