

# Now's the Time for Florida to Cap Government Spending

*By Randall G. Holcombe*

In 1994 Florida voters approved an amendment to the state constitution capping the growth of state tax revenues. Because of the way that cap was designed, it never was effective. Therefore, Floridians should consider redesigning that cap now, to create an effective limit on state government growth.

One might wonder why a tax or expenditure limit should be considered now, when talk of further tax cuts is in the air and nobody is proposing any serious increases in taxes. It's during good times that expenditures tend to expand too rapidly, and that is when government growth most needs to be checked.

During the 1990s the nation enjoyed substantial economic growth, which brought with it substantial growth in state tax revenues. Many states spent every penny they could get their hands on. When the recession came along at the beginning of this decade, they found themselves with unsustainable expenditure growth and endured painful fiscal crises. States had to raise taxes and slash expenditures to deal with the downturn.

Florida has been more fiscally conservative. A fiscally conservative Legislature in the 1990s kept spending under control, and after Jeb Bush was elected Governor in 1998 the state has seen very modest expenditure growth coupled with tax cuts. Because Florida was more fiscally conservative in the 1990s, this decade's recession hurt Florida much less than it hurt more profligate states.

The lesson here is that it is better to stop fiscal excesses before they occur than to try to deal with the effects afterwards. Consider, for example, the contrasting experiences of Florida and California. Following fiscal excesses in the 1990s, Californians found themselves in a massive and well-publicized fiscal crisis that led to a recall of the Governor. Florida, meanwhile, weathered the recession better than most states because of a more fiscally restrained decade leading up to the recession.

Despite a state government that is fiscally conservative by national standards, there is every indication that if money starts pouring into the state's coffers, some legislators will look for ways to spend it. Last year state appropriations increased by more than 10 percent, and with the recent announcement that this year's revenues are expected to be more than \$3 billion above forecast, you can bet that many in the Legislature are already thinking of ways to spend that money.

The economy is strong now, but we can't count on that kind of revenue growth year after year. If we have unsustainable spending increases during prosperous years, we can count on California-type problems when economic growth inevitably slows. Floridians showed that they wanted to constrain government spending when they voted for a cap in

1994, but that cap has never been effective. Now would be a good time to revisit the will of the voters and institute a meaningful cap on taxes and spending that will really work.

One way to do that would be to look at Colorado's experience for some ideas. In 1992 Colorado voters approved a constitutional tax and expenditure limitation that really worked. It limited state and local expenditure growth to the sum of population growth and inflation, and it required voter approval for any tax increases. As a result of their fiscal conservatism in the 1990s, Colorado was one of the few states, like Florida, that suffered relatively little during the last recession.

In November, Colorado voters weakened their constitutional limit by approving another constitutional amendment. Still, Colorado's 1992 constitutional tax and expenditure limit provides some interesting guidelines for similar policies that could be enacted in Florida. One thing to remember is that Colorado's amendment did keep the state fiscally sound, and it did provide an effective limit on Colorado's government growth. Although voters did vote to weaken Colorado's tax and spending limitation, they did not repeal it.

We can learn from Colorado's experience and design a constitutional limit on state and local spending that provides the benefits of fiscal restraint that Colorado enjoyed while avoiding the issues that resulted in a weakening of Colorado's limit this year. Now is the time to act, when we can give the issue thoughtful consideration, and when we are not pushed by a crisis. By preparing now, when times are good, we will better weather more difficult times in the future, when the next recession inevitably arrives.

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