



90th Assembly District  
**REP. KARL VAN ROY**

**Legislative Update**

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**Special Edition: TPA—The First Step**

Last week, the Assembly passed the most significant piece of tax policy reform in Wisconsin history. The Taxpayer Protection Amendment, or TPA, amends the state constitution by placing limits on state spending. Its passage signals that Wisconsin is ready for real fiscal reform in government.

Some people have asked, why do we need TPA? To many people, it seems clear. Government is growing faster than people can afford. In the 2004-2005 and 2005-2006 budget years, state spending increased by 5.4 and 7.3 percent respectively. In comparison, average personal income grew by 3 and 3.7 percent in those years. Even with increasing gas and home heating costs as well as, of course, a higher tax burden, you managed to keep your budget under control.

Why shouldn't government have to do the same thing?

Instead of exercising economic common sense like ordinary folks must, when government is confronted with a tighter budget it just writes itself a blank check from your account. But you know what? That can't go on forever, and it shouldn't go on any longer. Last week, we had the chance to take a stand against unbridled government spending, and we did. TPA will provide a constitutional cap on state government spending, a cap that means government will have to live on budget just like you do.

Some people have asked, shouldn't legislators be the ones making the spending decisions, not a constitutional formula? Well, we agree—after all, we don't want to legislate ourselves out of a job! That's why it's important to note that TPA simply caps spending. The people you elect will still decide how to prioritize and best use your taxpayer dollars; TPA just makes sure that you have some personal dollars left after you pay your taxes! Constitutions should protect citizens against government actions that abuse people's freedom, including their financial freedom. That is what TPA does.

Some people have asked, won't TPA endanger state programs and services? The answer is no. TPA controls the *growth* of government. The amendment does *not* mean cutting government services. It simply means that existing government programs cannot grow faster than your pocketbooks do.

While some people remain skeptical about TPA, most people are also curious about it. I understand why. I looked long and hard at what it meant to implement constitutional spending limits before I made up my mind on the issue. Unfortunately, there has been more discussion of the politics surrounding TPA than the amendment itself. So, how exactly does TPA work? Here is an overview:

**Limits State Government Growth:** TPA controls the growth of state government by linking government spending limits to personal income growth. The state would determine the average personal income growth for the past three years and then cap government growth at 90% of that amount. For example, since Wisconsin's personal income growth was 3.7% this year, under TPA, the state budget could grow next year by 3.3% which is a \$660 million increase in spending. This is clearly not a "the sky is falling" scenario.

**Allows Greater Spending through Referendum:** If there is an issue that requires government to spend above the limit, TPA allows the legislature to go to the people through referendum and make a case that they need more money. You, the voters, would then decide if the purpose is worth the expense.

**Creates a "Rainy Day" Fund:** If excess tax revenues are collected beyond the spending limits, the money will be deposited in an emergency reserve fund. The fund can never exceed 6 percent of the state's general fund. If the fund exceeds that amount, the state *must* return the money to taxpayers as tax relief. If the fund exceeds 2 percent of the state general fund revenue

money to taxpayers as tax relief. If the fund exceeds 2 percent of the state general fund revenue, the state *may* return money to the taxpayers. Money in the fund can be used at any time to pay for expenses due to a natural disaster or attack or to shore up state revenues if they fall short in times of economic downturn.

**Protects Segregated Fee Funds:** One of TPA's best features is that it creates a firewall around segregated funds. When you buy hunting and fishing licenses, those fees are supposed to go to specific conservation programs. When you pay for your license plate, that fee is supposed to go to fund transportation programs. In recent years, money from these and other trust funds have been stolen by the Governor for unrelated spending leaving those programs under-funded. Under TPA, these funds will be protected from raids.

**Requires Responsible Borrowing:** Bonding is supposed to be used for acquiring or building tangible capital assets like roads, bridges, waterways, and buildings. However, in recent times, the state has been doing long-term bonding or restructuring debt at great expense to get fast money to pay for day-to-day cash flow problems. TPA prohibits the state from borrowing money for cash flow purposes unless the debt is fully repaid in the same fiscal year.

**Provides Mandate Relief to Local Government:** TPA prohibits the state from passing any law or authorizing an administrative rule that puts a mandate on local governments that would increase local costs, unless the state pays the local government the reasonable costs for them to comply with that rule or law.

The constitution should not remain silent on fiscal freedom when people are crying out under the fiscal burdens placed on them by government. TPA is still a long way from becoming the law of the land. In order to become a part of the constitution, the amendment must pass both chambers, in identical form, in two consecutive legislative sessions, and then be approved by the voters in a statewide referendum. Until then, we must continue to push for real fiscal reform in our government's spending. Because last week was only the first step.

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