

Truth in Spending Fact Sheet



Q: What does SB 1051 / HB 2099 do?

A: Starting next year, the Truth in Spending reform would require the Legislature to send out a press release if it chooses to increase state spending at a rate that is faster than the rate of growth of state population plus inflation.

For better or worse, Truth in Spending is NOT a spending limit. It will serve like one of those electronic signs by the side of the road that lets you know how fast you're going. We need that as a guideline for future Legislators -- letting them know when spending growth outpaces the

ability of the state economy to pay for that spending. As the attached chart shows, if Arizona had stuck to a spending guideline based on population plus inflation (similar to "TABOR") since 2003, our deficit problems would not have reached the crisis proportions they reached during and after the Great Recession. Truth-in-Spending can help to keep Arizona from getting back on the spending rollercoaster that destroyed state finances during the Napolitano years.

Q: What budget would be subject to the requirements of Truth in Spending?

A: The state's general fund budget.

Q: Why population plus inflation?

A: The population-plus-inflation formula is the only popularly proposed spending guideline that would have prevented the fiscal chaos endured by this state during the boom-and-bust fiscal rollercoaster of FYs 2003-2013. A more stringent version of the population-plus-inflation formula (using a base year) already forms the basis for the state's municipal spending limit. As you can see in the attached chart, a spending guideline based on personal income – while worthwhile -- would not have provided as much budget stability.

Q: Will Truth in Spending subject the state to a "fiscal straightjacket"?

A: No. For better or for worse, the Truth in Spending reform is a transparency measure, not an actual spending limit. The Legislature can enact any budget it chooses, with simple majorities.

Q: If the Legislature can "notwithstanding" the mandate (set it aside by ignoring TIS), what is the point of Truth in Spending?

A: The Truth in Spending reform relies upon transparency, public pressure and moral suasion to restrain the fiscal appetites of state government and the interest groups that it feeds. We would like to institutionalize the use of population-plus-inflation as a prudent guideline for state spending growth.

Q: The student populations and/or prisoner populations and/or populations of welfare recipients and/or Medicaid patients, et al, often go up faster than the rate of growth of the general population. Doesn't population-plus-inflation ignore those needs?

A: First, Truth in Spending is designed to encourage the Legislature to economize when crafting the overall budget. If the Legislature wants to increase spending faster than population-plus-inflation for one program, we would like to encourage the Legislature to grow spending more slowly in another area. Second, this is precisely the debate we want to have, and need to have. If our spending programs are on autopilot, and are constantly pushing to increase spending at rates that are not sustainable, then we need to find ways to provide those services more efficiently. We shouldn't grow government faster than the economy, and we shouldn't let government crowd out the well-being of our families, our children, our retirees, and our businesses.

Q: Instead of focusing on spending, why not look for more revenue?

A: We disagree that the problem with state government is a lack of revenue. If our spending programs are on autopilot, and are constantly pushing to increase spending at rates that are not sustainable, then we need to find ways to provide those services more efficiently. But in any case, that is precisely the debate we want to have, and need to have.

Q: What about transportation infrastructure and universities?

A: Most transportation is not included in the general fund appropriation, and universities receive only a tiny fraction of their income from the general fund.

Q: What about emergencies?

A: Of course, this is not a spending limit, it's a just a speed bump. Nothing about this bill says the Legislature can't spend the money. Under the TABOR bill in Colorado, it suspends the spending limit if there is a declared state emergency. We are open to making a similar provision, if the sponsor thinks that's a good idea.

Q: Would this operate like the city and county spending limit baseline in the Arizona Constitution?

A: Under the local government spending limit in the Arizona Constitution, current spending tends to get farther and farther away from the population-plus-inflation limit attached to the base year. For better or worse, the Truth in Spending guideline would reset each year. So, if the Legislature chooses to increase general fund spending by 10 percent in a single year, it would have to send out the TIS notification that year; but the following year, the Legislature would start from that new, higher level of spending and could avoid TIS notification by increasing spending more slowly than population-plus-inflation.

Q: Who determines the amount for population-plus-inflation?

A: The Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting. If they cannot agree before February 15, then the Truth in Spending notification — if the Legislature needs to send one out -- would use the lower of the two.

CHANGES TO THIS REFORM IN 2017-18

Q: What's different about this year's bill from the 2016 version?

A: After the Governor vetoed the bill in 2016, we worked very closely with Lorenzo Romero and his team at the Governor's budget office to revise the bill. The main change is to allow for the elimination of debt, including the repayment of rollover debt, to NOT count against the Legislature in determining whether the Legislature has exceeded the Truth in Spending level of spending. (Debt is exempted in the definition of "general fund appropriations" in the last paragraph.) This bill also exempts deposits into the "rainy day" fund / budget stabilization fund.

Q: Why did Governor Ducey veto the bill in 2016?

A: In his veto letter, the governor wrote, "I strongly support the underlying policy of truth in spending. Unfortunately, the language in the bill is unclear and vague, and doesn't take into account fiscally conservative actions such as eliminating debt."

<http://www.azleg.gov/govletr/52leg/2r/HB2484.PDF>

Q: Would last year's budget have avoided the TIS notification?

A: Yes.

Q: Would the Governor's executive budget this year pass Truth in Spending?

A: It looks like it probably would. The executive budget is just over three percent. We don't have any official population plus inflation estimates right now, but they're probably higher than three percent.

Q: Wouldn't this reform ratchet the spending guideline downward during recessions, like TABOR did in Colorado?

A: No. In the present version, if the Legislature cuts the budget going from Year 1 to Year 2, then in Year 3, the Legislature could increase spending by up to six percent without triggering the Truth in Spending notification — as a way of gaining back some of the lost spending capacity.

Q: What is the new provision related to vetoes by the Governor?

A: If the Governor vetoes the budget, or uses line-item vetoes to reduce spending under the Truth in Spending level, then the Legislature would not have to send out the news release. Thus, the Governor could save the Legislature from having to send out the notice.

Q: Is there anything else new, compared to the 2016 version?

A: The budget bill itself will include the TIS estimate. This is a great change introduced by the Governor's budget staff. By putting the population-plus-inflation estimate in the budget, it will serve as a great reminder to future Legislatures to be fiscally prudent.

Q: Doesn't this reform "tie the hands" of the Legislature, or gum up the Appropriations process?

A: No. First, Truth in Spending is not a spending limit -- it's a guideline. Second, unlike previous versions of the reform, the present version does not include a waiting period or a special public hearing. Third, the Legislature can always notwithstanding Truth in Spending (though we would recommend that it not do so!). Fourth, our constitutional republic is very much based on checks and balances that attempt to limit government, and this reform is very much in that spirit.