



# NEWS

## AMERICANS FOR TAX REFORM

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## Spending Limit is Too Important to Rush, and Too Important to Weaken

*Schwarzenegger right to make amendment centerpiece of reform, but proper vehicle is initiative for the fall.*

WASHINGTON – When Gov. Arnold Schwarzenegger (R) inherited a state in fiscal disaster last month, he proposed a three important and immediate measures to restore – and maintain – fiscal sanity in Sacramento. His plan called for immediate belt-tightening by cutting over a billion dollars in current spending; a \$15 billion bond to close this year’s budget gap; and a constitutional limit on spending growth to avoid fiscal problems in future years.

According to Schwarzenegger, the bond issue and the spending limit are necessarily linked – the spending limit is the only way to assure California businesses and taxpayers, and Wall Street creditors, that the state is serious about paying back its obligations. But in the rush to put the spending limit on the ballot by *legislative* action, the governor may get an amendment too weak to do the intended job.

**“Schwarzenegger is a hero for his visionary insistence on a spending limit to bring prosperity back to California,”** says Grover Norquist, president of Americans for Tax Reform. **“Reckless spending got the state into its mess, and limiting spending is the only way to get out. But for a spending limit to work, it has to have teeth. A poorly designed limit would be worse than useless – it would give a false sense of security, and could encourage a new binge in spending.”**

California already has a spending limit of sorts on the books. Called the “Gann” limit, it is a once-effective measure that was watered-down to the point of impotence. Successful spending limits, however, solve fiscal problems and lead to prosperous states. Colorado’s Taxpayer Bill of Rights (TABOR), for example, is considered the best in the nation. Since it was passed in 1992, TABOR has resulted in repeated tax cuts and \$3.2 billion in rebates to taxpayers from excess revenue. Colorado faced no budget crisis in 2002 and 2003, and has enjoyed the #1 growth rate in Gross State Product and the #2 growth rate in personal income from 1995-2000.

**“The spending limit must be done right,”** Norquist continued. **“It cannot be watered down as the necessary compromise to get it through the legislature. The best method to implement the spending limit is to put it on the November ballot through the initiative process.”**

*Americans for Tax Reform is a non-partisan coalition of taxpayers and taxpayer groups who oppose all tax increases. For more information or to arrange an interview please contact Jonathan Collegio at (202) 785-0266 or by email at [jcollegio@atr.org](mailto:jcollegio@atr.org).*