



# News Release

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## **Floridians Passed an Amendment to Limit State Government's Growth; New Study Shows Why the Cap Doesn't Work and How It Can Be Fixed**

In 1994, Florida voters approved a constitutional amendment placing a cap on the growth of state revenues -- a cap that was designed to fail. In fact, the cap is so ineffective that nobody in government even bothers to calculate it anymore. That's because the cap's formula ensures that each new fiscal year's limit will exceed the previous year's revenues by a generous amount.

This virtually guarantees that elected officials will always have plenty of the taxpayers' money to distribute, sparing them from having to make politically delicate choices in setting priorities. Indeed, this cleverly crafted amendment ensured that Florida's legislators would never need to worry about the fiscal restraint that the voters thought they had mandated.

This quandary is not unique to Florida. Twenty-eight states have some kind of cap on state revenues or spending. Unfortunately, only a few of the caps have any effect at all. In the years since Florida voters attempted to limit the growth in state government, they've begun to recognize that the cap is totally ineffective. A new study by The James Madison Institute explains how to fix Florida's broken cap.

- The cap should apply to all revenues or all expenditures, rather than a mere subset of total revenues or expenditures. Florida's current cap covers only slightly more than three-quarters of net revenues. Moreover, the portion of total state revenues covered by the cap has been falling over the years.
- The cap for each year should be calculated using the lower of two factors: the previous year's cap or the previous year's actual revenues or expenditures. Florida's current cap uses the previous year's cap, regardless of actual revenues. Therefore, any savings from increased efficiency or fiscal discipline becomes a ticket to spend more the following year.
- The cap should limit revenue or expenditure growth to population growth and inflation, rather than growth in personal income.
- The cap should apply to local government revenues or expenditures as well as state revenues or expenditures. This is necessary to prevent the cap from being evaded by shifting expenditures from the state level to the local level.

The new study, *Empowering Florida's Taxpayers*, was co-authored by national expert Dr. Barry Poulson and Florida State University Economics Professor Dr. Randall Holcombe. It is available online at [www.jamesmadison.org](http://www.jamesmadison.org) or by calling **Matt Warner at (850) 383-4633**.

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