



Ballot Measures in the Upcoming General Election: Significant Changes to Taxes Could Result

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Overview: 160 Measures on the Ballot

Voters in 37 states will consider 160 ballot measures in the 2010 general election. Some of the most significant measures would change state taxes from imposing a new income tax on upper income taxpayers in Washington to significantly decreasing existing tax rates in Colorado and Massachusetts.

Colorado's ballot measures, for example, would reduce an array of taxes including property taxes and income taxes. In the case of property taxes, all revenue lost would be required to be replaced with state general fund dollars. Massachusetts' measure would reduce its state income tax from its current rate of 6.25 percent to 3 percent.

While most proposals seek to reduce taxes, in Washington a ballot measure would apply a new income tax to income above \$200,000 for individuals and \$400,000 for joint filers, while reducing state property levies as well as certain business and occupation taxes. The increase in revenues would be used for education and health programs. Other tax measures involve limits on property taxes such as in Indiana or increases to businesses taxes by repealing recent legislation such as in California.

Most measures involving state borrowing would authorize bonds for projects such as schools, transportation projects, libraries, land preservation, and housing. In Colorado, a measure on the ballot would eliminate the authority for all state borrowing and require voter approval for any local borrowing.

Arizona has two measures that would direct previously earmarked funds back into the general fund while other states such as California, Georgia, and Iowa would impose a new or increased tax or fee and earmark proceeds for specific expenditures. In the case of California, an additional vehicle charge would be directed for use in parks and Iowa would increase the sales tax directing the proceeds to conservation programs.

Measures affecting education costs for elementary and secondary education include Oklahoma's measure that would increase school spending to meet spending levels in neighboring states. In Florida, voters will consider a measure that would increase class size limits that had been established in a previous ballot measure. Gambling is on ballots in two states—Maine and Oregon. In both states, voters are asked to authorize a single site for a casino.

In reaction to the economy, several states, including Oklahoma, South Carolina, and Virginia have measures that would increase the size of rainy day funds. In Louisiana, a measure would

require a two-thirds legislative approval for any increased benefit to states pensions. Washington's measure would reinstate a requirement that requires two-thirds of the legislative majority or voter approval for tax increases. California's measures would change their legislative vote requirement to pass the state budget from the current two-thirds to a simple majority.

In all, twenty-seven states have some provision for initiatives and popular referendum. Since the passage of Proposition 13 in California in 1978, ballot measures have had a significant impact on finances in some states and localities. Provisions to limit class size, earmark revenues, compensate landowners, and allocate set portions of the budget are all products of ballot measures throughout the years. In addition to the twenty-seven states with popular initiative and referenda, most states have provisions for popular votes on a variety of constitutional provisions and other measures.

The following are some notable ballot measures in the upcoming 2010 general election that could affect state finances. When available, the fiscal impact is included in the description.

Taxes

California Proposition 21

This measure would establish an \$18 annual state vehicle license surcharge and would provide free admission to all state parks to surcharged vehicles. The surcharge revenues would be deposited in a new trust fund. This would result in potential state savings of up to approximately \$200 million annually to the extent that the revenues were used to reduce support from the general fund and other special funds for parks and wildlife conservation programs.

California Proposition 24

This would repeal recent legislation that would allow businesses to shift operating losses to prior tax years, would extend the period permitted to shift operating losses to future tax years, would repeal recent legislation that would allow corporations to share tax credits with affiliated corporations, and would repeal recent legislation that would allow multistate businesses to use a sales-based income calculation, rather than a combination property-payroll-and sales-based income calculation. The annual state revenue increase from these business taxes is estimated to be about \$1.7 billion when fully phased in, beginning in 2011-12, according to estimates by a Legislative Analyst and the Director of Finance.

Colorado Amendment 60

The measure phases in a reduction in school district property taxes over ten years and requires that the reduced property taxes be replaced with state funding. By reducing the amount of local property taxes collected for school districts, statewide expenditures for public schools will increase by an estimated \$337 million in the first year of the amendment's implementation. Once the amendment is fully implemented, the state's share of public school funding would increase by \$1.5 billion annually. This amendment would reduce the property taxes paid by individuals and businesses to school districts, counties, special districts, cities, and towns.

Colorado Proposition 101

Proposition 101 would reduce the state income tax rate from 4.63 percent to 4.5 percent in 2011, and to 3.5 percent gradually over time. It would also reduce or eliminate taxes and fees on vehicle purchases, registrations, leases, and rentals over the next four years; eliminate all state

and local taxes and fees on telecommunication services, except 911 fees; and require voter approval to create or increase fees on vehicles and telecommunication services.

Georgia Amendment 2

This proposal provides for a \$10 trauma care charge to be imposed annually on motor vehicles. The trauma care charge, collected together with license tag and registration fees, would be placed into a trust fund and used exclusively for updating Georgia's network of trauma centers.

Iowa Measure One

This measure would impose a 3/8 percent sales tax increase with the proceeds dedicated for conservation programs.

Indiana Public Question 1

This constitutional amendment would limit property taxes for all classes of property by limiting a taxpayer's annual property tax bill to percentages of gross assessed value of 1 percent for an owner-occupied primary residence, 2 percent for residential property that is not an owner-occupied primary residence, 2 percent for agricultural land, and 3 percent for other real property and personal property.

Massachusetts Question 3

This proposed law would reduce the state sales and use tax rates (which were 6.25 percent as of September 2009) to 3 percent as of January 1, 2011.

Washington Initiative 1098

This initiative would establish a state income tax that would apply a tax to adjusted gross income above \$200,000 for individuals and \$400,000 for joint filers, reduce state property levies, reduce certain business and occupation taxes, and direct any increased revenues to education and health.

Education

Florida Proposition 8

This amendment would increase the current limits on the maximum number of students assigned to each teacher in an individual classroom as follows: for prekindergarten through grade 3, 21 students from the current limit of 18; for grades 4 through 8, 27 students from the current limit of 22; and for grades 9 through 12, 30 students up from the current limit of 25. This amendment specifies that class size limits do not apply to virtual classes, requires the Legislature to provide sufficient funds to maintain the average number of students required by this amendment, and schedules these revisions to take effect upon approval by the electors of the state and to operate retroactively to the beginning of the 2010-2011 school year.

Oklahoma State Question 744

This measure adds a new article to the constitution that would set a minimum average amount the state must annually spend on common schools. It requires the state to spend annually, no less than the average amount spent on each student by the surrounding states. Those surrounding states are Missouri, Texas, Kansas, Arkansas, Colorado and New Mexico. When the average amount spent by surrounding states declines, Oklahoma must spend the amount it spent the year before. The measure requires that increased spending begin in the first fiscal year after its

passage. It requires that the surrounding state average be met in the third fiscal year after passage. There is no new funding provided for this requirement to increase spending.

Earmarked Funds

Arizona Proposition 301

This measure would transfer the remaining balance in the Land Conservation Fund to the state general fund. The Land Conservation Fund consists of general fund appropriations and funds received as donations. Twenty million dollars were appropriated annually for 11 years from the state general fund to the Land Conservation Fund and the final appropriation is scheduled in fiscal 2011.

Arizona Proposition 302

This measure would redirect 80 cents of the current tobacco taxes that are earmarked for the Early Childhood Development and Health fund to the state general fund to be appropriated for health and human services for children. It would allow the program's fund balance of over \$300 million to move into the state general fund for use as lawmakers deem appropriate.

Gambling

Maine Question 1

This measure would authorize a casino at a single site for the operation of table games and slot machines.

Oregon Measure 75

This measure authorizes a major destination resort casino to be built on the site of the former greyhound racetrack and allows for the former Multnomah Kennel Club, or the person authorized by that owner as a gaming operator, to construct and operate one multi-million dollar casino resort on this site.

Budget Process

California Proposition 25

This proposition would change the legislative vote requirement necessary to pass the state budget from two-thirds to a simple majority. If the Legislature fails to pass a budget bill by June 15, all members of the Legislature will permanently forfeit any reimbursement for salary and expenses for every day until the day the Legislature passes a budget bill.

California Proposition 26

This would increase the legislative vote requirement to two-thirds for state levies and charges, with limited exceptions, and for certain taxes currently subject to majority vote and change the constitution to require voters approve, either by two-thirds or majority, local levies and charges with limited exceptions.

California Proposition 22

This proposition would prohibit the state from shifting, taking, borrowing, or restricting the use of tax revenues dedicated by law to fund local government services, community redevelopment projects, or transportation projects and services. It also prohibits the state from delaying the

distribution of tax revenues for these purposes even when the Governor deems it necessary due to a severe state fiscal hardship.

Hawaii SB 2807

This measure would amend the constitution to authorize the Legislature to determine whether excess funds should be used as tax refunds or tax credits to taxpayers of the state or diverted to one or more funds to serve as temporary supplemental sources of funding for the state in times of an emergency, economic downturn, or unforeseen reduction in revenue.

Louisiana Amendment 6

This amendment would require a two-thirds vote of the elected members of each house of the legislature to enact any benefit provision for members of a Louisiana public retirement system if the provision has an actuarial cost.

North Dakota Constitutional Measure One

This measure would add a new section to the constitution that would direct 30 percent of total revenue derived from taxes on oil and gas production or extraction be transferred to create the legacy fund. The legislative assembly may transfer funds from any source into the legacy fund and these transfers would become part of the principal of the legacy fund. The principal and earnings of the legacy fund may not be expended until after June 30, 2017, and an expenditure of principal after that date requires a vote of at least two-thirds of the members elected to each house of the legislative assembly. Not more than fifteen percent of the principal of the legacy fund may be expended during a biennium.

Oklahoma Question 757

This constitutional amendment would increase the maximum amount which may be deposited into Constitutional Reserve Fund.

South Carolina Amendment 3

This would amend the constitution to increase from three to five percent in increments of one-half of one percent over four fiscal years, the amount of state general fund revenue in the latest completed fiscal year required to be held in the General Reserve Fund.

Virginia Ballot Question 3

This would amend the constitution to increase the permissible size of the Revenue Stabilization Fund (rainy day fund) from 10 percent to 15 percent of the Commonwealth's average annual tax revenues derived from income and retail sales taxes for the preceding three fiscal years.

Washington Initiative 1053

This would reinstate a requirement that legislative actions which raise taxes must be approved by two-thirds of the legislative majorities or receive voter approval.

State Borrowing/Infrastructure Spending

Alabama Amendment 3

This would amend the constitution to provide for the appropriation of funds in the Alabama Trust Fund to be distributed for state and local transportation purposes and to provide funds to the County and Municipal Government Capital Improvement Fund.

Alaska Bonding Proposition A

This would authorize revenue bonds of the Alaska Housing Finance Corporation issued in the principal amount of not more than \$600 million for the purpose of purchasing mortgages for residences qualifying as veterans.

Alaska Bonding Proposition B

This would authorize general obligation bonds in the principal amount of not more than \$397 million for the purpose of design and construction of library, education and educational research facilities.

Colorado Amendment 61

This would amend the Constitution to prohibit all new state government borrowing after 2010; prohibit new local government borrowing after 2010, unless approved by voters; limit the amount and length of time of local government borrowing; and require that tax rates be reduced after borrowing is fully repaid.

Idaho HJR 4

This proposed amendment will allow public hospitals to acquire facilities, equipment, technology and real property through a variety of means that aid the public hospital operations, as long as the acquisitions are paid for solely from charges, rents or payments derived from the existing or financed facilities and are not funded by property taxes.

Idaho HJR 5

This proposed amendment will allow local governmental entities that operate airports and regional airport authorities to issue revenue and special facility bonds to acquire, construct, install and equip land, facilities, buildings, projects or other property. Voter approval will not be required to incur such indebtedness, as long as the bonds are paid for by fees, charges, rents, payments, grants or other revenues derived from the airport or its facilities.

Idaho HJR 7

This would authorize a city to issue revenue bonds for electric systems with the agreement of a majority of the qualified voters, provided that these bonds are paid for by the electrical system rates and charges, or revenues derived from the municipal electric system, and not with tax dollars. This proposed amendment will allow any city owning a municipal electric system to enter into agreements to purchase, share, and exchange or transmit wholesale electricity to customers within its service area, without voter approval.

Maine Question 2

This measure would authorize \$5 million in bonds to raise funds to be used for a community-based teaching dental clinic and to create or upgrade community-based health and dental clinics.

Maine Question 3

This would authorize \$9.8 million in bonds for acquisition of land and interest in land for conservation, water access, outdoor recreation, wildlife and fish habitat, farmland preservation and working waterfront preservation.

New Mexico Bond Questions A, B, C, and D

These bond measures would authorize \$7.8 million for senior citizen facilities, \$7.1 million for libraries, \$5.1 million for public schools, and \$155.5 million for higher education and special schools.

Rhode Island Questions 2, 3, and 4

These bond measures would authorize \$78 million for higher education facilities, \$84.7 million for transportation projects, and \$14.7 million for open space and recreation.

NASBO will provide an update on the status of these measures following the election as well as keep you informed of other measures that may qualify in upcoming elections. If you would like additional information, please contact Stacey Mazer (smazer@nasbo.org or 202-624-8431) or Scott Pattison (spattison@nasbo.org or 202-624-8804) in NASBO's Washington D.C. office.