

BALLOT MEASURES IN UPCOMING AND RECENT ELECTIONS: POTENTIAL IMPACT ON STATE BUDGETS

October 31, 2012

Overview: 174 Measures on November Ballot

Voters in 38 states will consider 174 ballot measures in the upcoming general election, reflecting the typical amount of ballot measures in even-year elections. In contrast, there were 34 ballot measures in the previous year.

Tax Related Issues on a Number of Ballots

Significant measures include temporary increases in the personal income tax for higher income individuals and in the sales tax in California to generate additional revenues for education. If approved, additional state tax revenues are estimated at about \$6 billion annually from fiscal 2013 through fiscal 2017. A competing measure that would increase personal income taxes for twelve years on a sliding scale basis to raise taxes for education is also on the California ballot.

In Arizona, voters will decide about extending the one cent sales tax to fund education and in South Dakota, voters will decide about imposing an additional one cent sales tax for education and for Medicaid providers. Oregon voters will decide whether to eliminate the mechanism that returns corporate taxes that exceed an estimate, known as the “trigger”, and use any additional revenues for education rather than refunding corporations.

Washington and Michigan both have measures on the ballot that would require two-third majorities in the legislature or voter approval for any new or expanded taxes. In Florida, a proposed constitutional amendment would replace the existing state revenue limitation based on personal income growth with a new state revenue limitation based on inflation and population changes.

Other Measures Affect State Employees, Local Governments, Education, and Capital Spending

In the area of state employees, Michigan voters will decide on whether to add collective bargaining as a right in the constitution. In Illinois, voters will decide whether any vote to increase pension benefits in the state or localities must be approved by three-fifths of the legislature.

Oversight for distressed local governments will be addressed in Michigan when voters decide to uphold or reject recent legislation that would authorize the Governor, upon identifying a financial emergency, to appoint an emergency manager to act in place of local government officials.

In addition to measures that would generate additional revenue for education, some states also have other measures on the ballot affecting education, specifically for teachers. Idaho and South Dakota have measures on the ballot that would affect teachers’ tenure and evaluations. Voters in Maryland, Oregon, and Rhode Island will decide on expansions in gaming. In Maryland the measure would allow expansions of slot machines and a new casino facility in the state to raise revenue for education.

Measures involving state borrowing would authorize bonds for projects such as highways, higher educational facilities, and water projects.

Some Measures Voted On Earlier this Year

Earlier this year, voters in several states decided on measures affecting taxes and fund transfers to the general fund. Alabama’s voters approved a measure that would transfer funds from the Alabama Trust Fund to the state’s general fund to provide services such as Med-

icaid and corrections. Measures affecting taxes in California, Georgia, and North Dakota were rejected by voters.

In California, voters did not approve a measure that would have imposed an additional tax of one dollar per pack of cigarettes and an equivalent tax increase on other tobacco products to fund cancer research and other specified purposes. In North Dakota, voters did not approve a constitutional amendment that would have eliminated property taxes and poll taxes. In Georgia, a measure that would have increased a regional transportation sales tax for a period of up to ten years if approved by voters in 12 regional commission areas of the state was defeated.

In all, 27 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 27 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 upcoming and recent 2012 elections that could affect state finances. When available, the fiscal impact is included in the description.

Summary of November 2012 Measures

Taxes

Arizona Proposition 204

This initiated measure would extend a one cent sales-tax increase originally enacted in 2010 but set to expire in 2013. If voters approve it, the ballot initiative will provide approximately an additional \$625 million to K-12 education in the first year it takes effect.

Arkansas Issue 1

This proposed constitutional amendment would levy a temporary sales and use tax of 0.5 percent for transportation projects with the state's portion used to secure bonds

of \$1.3 billion for constructing and improving four-lane highways.

California Proposition 30

This measure would increase the personal income tax on annual earnings over \$250,000 for seven years and increase sales and use tax by one-quarter cent for four years. The temporary tax revenues would be allocated with 89 percent to K-12 schools and 11 percent to community colleges. Additional state tax revenues are estimated at about \$6 billion annually from fiscal 2013 through fiscal 2017 with smaller amounts of additional revenue available in fiscal 2012, fiscal 2018, and fiscal 2019.

California Proposition 38

This would increase personal income tax rates for annual earnings over \$7,316 using a sliding scale from 0.4 percent for the lowest individual earners to 2.2 percent for individuals earning over \$2.5 million, ending after 12 years. During the first four years, 60 percent of revenues would go to K-12 schools, 30 percent to repaying state debt, and 10 percent to early childhood programs. Thereafter, this measure would allocate 85 percent of revenues to K-12 schools and 15 percent to early childhood programs.

California Proposition 39

This measure would require multistate corporations to apportion their income to California based solely on their sales. Under current law, businesses can choose to apportion their income based solely on sales or based on a formula including sales, property and payroll. This measure is estimated to increase state revenues by about \$1 billion each year. Of the revenue raised by this measure over the next five years, about half would be dedicated to energy efficiency and alternative energy projects. Of the remaining revenues, a significant portion most likely would be spent on public schools and community colleges.

Missouri Proposition B

This measure would increase the cigarette tax by \$0.0365 per cigarette and increase other tobacco products to create a Health and Education Trust Fund. The estimated additional revenue to state government is estimated at \$283 million to \$423 million annually.

Oregon Measure 84

This measure would phase out existing estate taxes, which would reduce state revenue by approximately \$17 million in fiscal 2014, approximately \$43 million in fiscal 2015, and approximately \$72 million in fiscal 2016 as Oregon's existing estate tax is phased out. In future years, the measure would reduce state revenue by approximately \$120 million per year, depending upon growth in estate values.

Oregon Measure 85

The Oregon Constitution currently requires that receipts from the corporation income and excise taxes that exceed the close-of-session forecast by two percent or more be returned to corporate income and excise taxpayers. The Constitution allows the legislature, with a two-thirds majority vote, to suspend the kicker and allow the unexpected additional revenue to be used for discretionary purposes, rather than being returned to corporate taxpayers. This measure would redirect any future corporate kicker refunds for education. If this measure had been in place for the past ten budget periods, the increases would have ranged from \$101 million to \$203 million in each of three of those periods.

South Dakota Measure 15

The initiated measure would increase the state general sales and use tax rate from four percent to five percent. The additional tax revenue would be split evenly between K-12 public education and Medicaid. The education funds would be provided to school districts based on enrollment, to be spent on improving education as school boards determine. The Medicaid funds would be spent only on payments to Medicaid providers and related state expenses. The additional funding would not be able to replace or reduce state funding levels set for fiscal 2012 relating to existing Medicaid and K-12 public education programs, including state aid to education.

Budget Process*California Proposition 31*

This would establish a two-year state budget cycle and prohibit the legislature from creating expenditures of more than \$25 million unless offsetting revenues or spending

cuts are identified. This would permit the Governor to cut the budget unilaterally during declared fiscal emergencies if the legislature fails to act. Also, this measure would require performance reviews of all state programs and performance goals in state and local budgets and require publication of all bills at least three days prior to legislative vote. This would give counties the power to alter state statutes or regulations related to spending unless the legislature or state agency vetoes changes within 60 days.

Illinois HJRCA 49

This proposes to amend the constitution to provide that a bill that would increase benefits for any pension or retirement system of the state, local government, or school district requires the approval of three-fifths of the members elected to each house of the General Assembly.

South Dakota Constitutional Amendment P

This proposed constitutional amendment would require the Governor to propose a balanced budget and would prohibit legislative appropriations from exceeding anticipated revenues and existing available funds.

Washington SJR 8221

This measure would reduce the constitutional debt limit from nine percent to eight percent by July 1, 2034. The percentage debt limit is applied to the average of general state revenues for the previous six fiscal years instead of the current three-year average. The definition of general state revenues includes property taxes deposited in the general fund.

Tax and Revenue Limitations*Florida Amendment 3*

This proposed constitutional amendment would replace the existing state revenue limitation based on Florida personal income growth with a new state revenue limitation based on inflation and population changes.

Michigan Proposal 5

This proposal would prohibit state government from imposing new taxes, expanding the base of taxation, or in-

creasing the rate of taxation, unless there is either a vote of two-thirds of the members of each house of the legislature or a statewide vote of Michigan electors.

Washington Initiative 1185

This measure would restate existing statutory requirements that legislative actions raising taxes must be approved by two-thirds legislative majorities or receive voter approval, and that new or increased fees require majority legislative approval. This would require either two-thirds legislative approval or a vote by the people in order to raise taxes. This initiative extends the supermajority requirement for two more years.

Education

Arizona Proposition 118

This would increase the amount of money derived from state trust lands available to K-12 public education. If enacted, it would provide \$62 million to schools, \$10 million more than they would receive under the current formula used for deriving money from those lands.

Idaho Proposition 1

This proposed measure would restrict the scope of teachers' ability to bargain collectively to just salaries and benefits, and also limit the duration of negotiated contracts between teachers and local school boards to one year.

Idaho Proposition 2

This measure would uphold "pay for performance" for teachers based in part on student test scores.

Idaho Proposition 3

This measure would uphold increasing the use of technology in classrooms, such as mandating that each high school student have access to a laptop computer.

South Dakota Referred Law 16

This measure would establish a teacher scholarship program, create a program for math and science teacher bonuses, create a program for teacher merit bonuses, mandate a uniform teacher and principal evaluation system,

and eliminate state requirements for teacher tenure.

Gaming

Maryland Question 7

This measure would expand commercial gaming for the primary purpose of raising revenue for education. It would increase from five to six the maximum number of video lottery operation licenses that may be awarded in the state and allow a video lottery facility to operate in Prince George's County.

Rhode Island Question 1

This measure would authorize the facility known as "Twin River" in the town of Lincoln that would add state-operated casino gaming, such as table games, to the types of gambling it offers.

Rhode Island Question 2

This would authorize the facility known as "Newport Grand" in the city of Newport to add state-operated casino gaming, such as table games, to the types of gambling it offers.

Oregon Measures 82 and 83

These measures would authorize a casino in Multnomah County.

Oversight of Local Government

Michigan Proposal 1

This measure would ask voters to approve or reject legislation that establishes criteria to assess the financial condition of local government units, including school districts. This would authorize the Governor to appoint an emergency manager (EM) upon state finding of a financial emergency, and allow the EM to act in place of local government officials. If approved, this measure would require the EM to develop financial and operating plans, which may include modification or termination of contracts, reorganization of government, and determination of expenditures, services, and use of assets until the emergency is resolved.

Collective Bargaining/Personnel

Michigan Proposal 2

This proposal would amend the constitution regarding collective bargaining and would invalidate existing or future state or local laws that limit the ability to join unions and bargain collectively, and to negotiate and enforce collective bargaining agreements, including employees' financial support of their labor unions. Laws may be enacted to prohibit public employees from striking. If approved, this measure would override state laws that regulate hours and conditions of employment to the extent that those laws conflict with collective bargaining agreements.

Eminent Domain

Virginia Question 2

This would limit instances when private property could be taken for public use.

Corrections

California Proposition 36

This measure would revise the three strikes law to impose life sentence only when new felony conviction is serious or violent. Estimated state savings related to prison and parole operations are \$70 million annually with savings up to \$90 million annually over the next couple of decades.

Bond Measures

Alabama Amendment 2

This would allow issuance of general obligation bonds of no more than \$750 million.

Alaska Bonding Proposition A

This measure would authorize general obligation bonds of not more than \$453 million for state transportation projects.

Maine Questions 2-5

These measures would provide authority to issue bonds of \$11.3 million for universities and community colleges, \$5 million for land and conservation easements statewide, \$51.5 million for improvements to highways and bridges and other transportation projects, and \$7.9 million for revolving loan funds for drinking water systems and for wastewater treatment facilities.

New Jersey Question 2

This would authorize bonds in the total principal amount of \$750 million for higher education buildings.

New Mexico Bond Issues A, B, and C

This would authorize general obligation bonds in an amount not to exceed \$10.3 million for certain senior citizen projects, \$9.8 million for public library resource acquisitions, and \$120 million for certain higher education improvements.

Rhode Island Questions 3, 4, 5, 6, and 7

These would authorize bonds for higher education facilities up to \$50 million, veteran homes bonds of \$94 million, clear water agency bonds of \$12 million, environmental management bonds of \$20 million, and affordable housing bonds of \$25 million.

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.