

OUTCOME OF BALLOT MEASURES IN 2012 ELECTIONS: POTENTIAL IMPACT ON STATE BUDGETS

November 7, 2012

Overview: 174 Measures on November Ballot

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

Outcome of Tax Related Issues on Ballots

In California, voters approved temporary increases in the personal income tax for higher income individuals and in the sales tax that will generate about \$6 billion annually in revenues from fiscal 2013 through fiscal 2017. A competing measure that would have increased personal income taxes for twelve years on a sliding scale basis to raise taxes for education was defeated.

In Arizona, voters declined to extend the one cent sales tax to fund education and in South Dakota, voters opposed an additional one cent sales tax that would have generated revenue for education and for Medicaid providers. Oregon voters decided to eliminate the mechanism that returns corporate taxes that exceeds an estimate, known as the “trigger”, and will use any additional revenues for education rather than refunding corporations.

Michigan voters opposed a measure that would have required two-third majorities in the legislature or voter approval for any new or expanded taxes. In Washington, voters approved requiring two-third majorities in the legislature or voter approval for any new or expanded taxes. Florida voters opposed a proposed constitutional amendment that would have replaced the existing state revenue limitation based on personal income growth with a new state revenue limitation based on inflation and population changes.

Other Measures Impact State Employees, Local Governments, Education, and Capital

In the area of state employees, Michigan voters decided not to add collective bargaining as a right in the constitution. In Illinois, voters did not approve a measure that would have required any vote to increase pension benefits in the state or localities be approved by three-fifths of the legislature.

Oversight for distressed local governments was addressed in Michigan when voters decided to not approve recent legislation that would have authorized the Governor, upon identifying a financial emergency, to appoint an emergency manager to act in place of local government officials.

In addition to measures affecting additional revenue for education, some states also had other measures on the ballot affecting education, specifically for teachers. Idaho and South Dakota did not approve measures affecting teachers’ tenure and evaluations.

Voters mostly approved measures involving state borrowing that will 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 Medicaid 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 the outcome of some notable ballot measures in the recent 2012 general election affecting state finances. When available, the fiscal impact is included in the description.

Summary of November 2012 Measures

Taxes

Arizona Proposition 204 - Did Not Pass

This initiated measure would have extended a one cent sales-tax increase originally enacted in 2010 but set to expire in 2013 and would have provided approximately an additional \$625 million to K-12 education in the first year it took effect.

Arkansas Issue 1 - Passed

This constitutional amendment will 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 - Passed

This measure will 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 will 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 - Did Not Pass

This would have increased 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 have gone to K-12 schools, 30 percent to repaying state debt, and 10 percent to early childhood programs. Thereafter, this measure would have allocated 85 percent of revenues to K-12 schools and 15 percent to early childhood programs.

California Proposition 39 - Passed

This measure will require multistate corporations to apportion their income to California based solely on their sales. 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 will be dedicated to energy efficiency and alternative energy projects. Of the remaining revenues, a significant portion most likely will be spent on public schools and community colleges.

Missouri Proposition B - Did Not Pass

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

Oregon Measure 84 - Did Not Pass

This measure would have phased out existing estate taxes, which would have reduced 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 was phased out. In future years, the measure would have reduced state revenue by approximately \$120 million per year, depending upon the growth in estate values.

Oregon Measure 85 - Passed

The Oregon Constitution required 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. This measure will 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 - Did Not Pass

The initiated measure would have increased the state general sales and use tax rate from four percent to five percent. The additional tax revenue would have been split evenly between K-12 public education and Medicaid. The education funds would have been provided to school districts based on enrollment, to be spent on improving education as school boards determine. The Medicaid funds would have been spent only on payments to Medicaid providers and related state expenses. The additional funding would not have been 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 - Did Not Pass*

This would have established a two-year state budget cycle and prohibited the legislature from creating expenditures of more than \$25 million unless offsetting revenues or spending cuts are identified. This would have permitted the Governor to cut the budget unilaterally during declared fiscal emergencies if the legislature failed to act.

Also, this measure would have required performance reviews of all state programs and performance goals in state and local budgets and would have required publication of all bills at least three days prior to legislative vote. This would have given 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 - Did Not Pass

This would have amended the constitution to provide that a bill that increases benefits for any pension or retirement system of the state, local government, or school district have the approval of three-fifths of the members elected to each house of the General Assembly. The measure needed a 60 percent approval to pass.

South Dakota Constitutional Amendment P - Passed

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

Washington SJR 8221 - Passed

This measure will 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 - Did Not Pass*

This proposed constitutional amendment would have replaced 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 - Did Not Pass

This proposal would have prohibited state government from imposing new taxes, expanding the base of taxation, or increasing the rate of taxation, unless there is either a vote of two-thirds of the members of each house of the leg-

islature or a statewide vote of Michigan electors.

*Washington Initiative 1185 - **Passed***

This measure restates existing statutory requirements that legislative actions to raise taxes must be approved by two-thirds legislative majorities or receive voter approval, and that new or increased fees require majority legislative approval. This initiative extends the supermajority requirement for two more years.

Education

*Arizona Proposition 118 - **Did Not Pass***

This would have increased the amount of money derived from state trust lands available to K-12 public education and would have provided \$62 million to schools, \$10 million more than they would have received under the current formula used for deriving money from those lands.

*Idaho Proposition 1 - **Did Not Pass***

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

*Idaho Proposition 2 - **Did Not Pass***

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

*Idaho Proposition 3 - **Did Not Pass***

This measure would have upheld 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 - **Did Not Pass***

This measure would have established a teacher scholarship program, created a program for math and science teacher bonuses, created a program for teacher merit bonuses, mandated a uniform teacher and principal evaluation system, and eliminated state requirements for teacher tenure.

Gaming

*Maryland Question 7 - **Passed***

This measure will expand commercial gaming for the primary purpose of raising revenue for education. It will 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 - **Passed***

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

*Rhode Island Question 2 - **Passed Statewide but not Locally***

This would have authorized 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. Although voters statewide approved the change, Newport voters appeared to not approve the measure.

*Oregon Measures 82 and 83 - **Did Not Pass***

These measures would have authorized a casino in Multnomah County.

Oversight of Local Government

*Michigan Proposal 1 - **Did Not Pass***

This measure opposed legislation that would have established criteria to assess the financial condition of local government units, including school districts. This would have approved legislation that would have authorized the Governor to appoint an emergency manager (EM) upon state finding of a financial emergency, and would have allowed the EM to act in place of local government officials. This measure would have required the EM to develop financial and operating plans, which may have included 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 - Did Not Pass

This would have amended the constitution regarding collective bargaining and would have invalidated existing or future state or local laws that limited the ability to join unions and bargain collectively and to negotiate and enforce collective bargaining agreements, including employees' financial support of their labor unions. This measure would have overridden 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 - Passed

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

Corrections

California Proposition 36 - Passed

This measure will 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 - Passed

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

Alaska Bonding Proposition A - Passed

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

Maine Questions 2-5 - Questions 3-5 Passed, Question 2 Undecided

These measures will provide authority to issue bonds of \$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 - Passed

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

New Mexico Bond Issues A, B, and C - Passed

This will 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 - Passed

These will 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.

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