



Ballot Measures in the Upcoming 2020 General Election: Potential Impact on State Budgets

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Overview

There are 122 ballot measures in 32 states in the upcoming general election. Since this is a presidential election year, the numbers are significantly higher than the 20 measures from last year.

There are significant **tax and revenue measures** that will be determined by voters in the upcoming election. Voters in Arizona will be deciding on a 3.5 percent surcharge on all incomes above \$250,000 for individuals and \$500,000 for couples with estimated revenues of about \$827 million the first full year directed to public education.

In California, voters will decide on a measure that would increase funding for K-12 public schools, community colleges, and local governments by requiring commercial and industrial real property be taxed based on current market value. This change is estimated to generate revenue of between \$6.5 billion to \$11.5 billion with 40 percent of the estimated revenue for schools and the remainder for local governments.

In Illinois, a constitutional amendment would remove the requirement for a flat income tax, allowing the state to create a graduated-rate structure. A law enacted in June 2019 established new individual and corporate income tax rates that would take effect on January 1, 2021 if the proposed constitutional amendment is approved by voters.

Colorado voters will be deciding on several tax and revenue measures, including a measure that would reduce the income tax rate from 4.63 percent to 4.55 percent and be retroactive to January 1, 2020. The estimated fiscal impact is a reduction in general fund revenue of \$203 million in fiscal 2021 and \$154 million in fiscal 2022.

Another measure in Colorado would increase taxes on cigarettes and other tobacco products with revenues dedicated to education and health programs. This measure is expected to generate about \$176 million in tax revenue in fiscal 2022, the first full year the measure would be in effect. Oregon voters will be deciding on a measure to increase taxes on cigarettes and other tobacco products estimated to yield about \$160 million in additional revenue per year.

Other tax measures include an increase in the oil and gas production tax for certain oil production fields in Alaska, and a continuation of a 0.5 percent sales tax in Arkansas that is set to expire in 2023, which would yield \$205 million a year for state highways and \$44 million each year for cities and counties with revenue dedicated to state and local highways, roads, and bridges.

Marijuana is on the ballot in Arizona, Montana, and New Jersey to legalize for recreational purposes, in Mississippi for medicinal purposes, and in South Dakota for both recreational and medicinal purposes. In most cases the additional revenues from taxing recreational marijuana are earmarked for various purposes including education, health, and public safety and would be allocated to both general funds and special funds.

Arizona voters will decide on a measure to legalize marijuana for recreational purposes and impose a 16.0 percent retail excise tax in addition to the 5.6 percent sales tax. Total state and local tax collections are estimated at \$254 million after the program becomes fully operational in the next several years, with funds supporting community colleges, infrastructure, public safety, and public health programs.

In Montana, a measure would legalize recreational marijuana with funds from taxing the sales allocated to the general fund, and the remainder dedicated to accounts for conservation programs, substance abuse treatment, veterans' services, healthcare costs, and localities where marijuana is sold. The estimated tax revenue is about \$18 million in fiscal 2023.

In South Dakota, a constitutional amendment would legalize the recreational use of marijuana and impose an excise tax of 15 percent of the sales price. The estimated net revenue of \$19.6 million by fiscal 2023 would be distributed equally between public schools and the general fund.

Gaming measures are on the ballots in several states including Maryland, Nebraska, and South Dakota. In Maryland, sports and event wagering would be allowed in certain licensed facilities while Nebraska has several measures on the ballot to authorize, regulate, and tax gambling at licensed racetracks. South Dakota's measure would legalize sports betting within the city limits of Deadwood.

California voters will decide whether to authorize \$5.5 billion of **bonds** for stem cell research and in New Mexico voters will have bond issuances for education, libraries, and senior citizen facilities on the ballot.

Other ballot measures with a fiscal impact include an increase in Florida's **minimum wage** that would reach \$15 per hour by 2026 with cost of living increases beginning in 2027 and a **paid family and medical leave** program in Colorado that would be financed by payroll premiums by both employers and employees.

A number of states also have **budget process** issues on the ballots. In Maryland, voters will decide whether to allow the General Assembly to increase, decrease, or add items to the state budget as long as they do not exceed the total proposed budget submitted by the Governor. In Louisiana, a constitutional amendment would allow for the use of the Budget Stabilization Fund for state costs associated with a federally declared disaster and another would remove the existing expenditure limit formula in the constitution and allow the legislature to enact a state spending limit formula through statute that does not allow more than 5 percent growth per year.

Prior to this year's general election, several states decided on significant measures including in Missouri and Oklahoma where voters approved Medicaid expansion under the *Affordable Care Act*. Expansions in both states are scheduled to begin July 1, 2021.

Ballot measures have made a significant impact on finances in states and localities over the years. Provisions to limit class size, earmark revenues, significantly both increase and decrease state revenues, compensate landowners, authorize gaming, and earmark portions of the budget are all products of ballot measures. The most common measures are those placed on the ballots by state legislatures. Also, in recent years, measures to legalize marijuana, increase the minimum wage, and proposals to expand Medicaid under *the Affordable Care Act* (ACA) have also appeared on numerous state ballots.

The following are some notable ballot measures in the upcoming 2020 election that could affect state finances. When available, the fiscal impact is included in the description.

Taxes

Alaska Ballot Measure One

This measure would increase the oil and gas production tax for certain oil production fields.

Arizona Proposition 208

This measure would add a 3.5 percent surcharge on all incomes above \$250,000 for individuals and \$500,000 for couples to provide additional funds for public education. The income tax surcharge is projected to generate \$827 million in revenue in the first full year of implementation according to analysis by the Arizona Joint Legislative Budget Committee Staff and would be deposited into the Student Support and Safety Fund.

Arkansas Issue 1

This measure would make permanent the temporary 0.5 percent sales tax that is currently set to expire in 2023, with revenue dedicated to state and local highways, roads, and bridges. The revenue impact would be \$205 million a year for state highways and \$44 million each year for cities and counties, according to the Arkansas Department of Finance and Administration.

California Proposition 15

This measure would increase funding for K-12 public schools, community colleges, and local governments by requiring commercial and industrial real property be taxed based on current market value. The estimated fiscal impact on state and local governments would be a net increase in annual property tax revenues of \$7.5 billion to \$12 billion in most years, depending on the strength of real estate markets. After backfilling state income tax losses related to the measure and paying for county administrative costs, the remaining \$6.5 billion to \$11.5 billion would be allocated to schools (40 percent) and other local governments (60 percent), according to estimates by the Legislative Analyst and Director of Finance.

Colorado Proposition 116

This measure would reduce the income tax rate from 4.63 percent to 4.55 percent and be retroactive to January 1, 2020. The estimated fiscal impact is a reduction in general fund revenue by \$203 million in fiscal 2021 and \$154 million in fiscal 2022.

Colorado Proposition EE

This measure would increase the cigarette tax per pack to \$1.94 in 2021, \$2.24 in 2024, and \$2.64 in 2027. Taxes on other tobacco products would increase to 50 percent of wholesale value in 2021, to 56 percent of wholesale value in 2024, and to 62 percent of wholesale value in 2027. It would also create a tax on e-vapor products that is equal to the tobacco tax rate. This measure is expected to

generate up to \$175.6 million in cigarette, tobacco, and nicotine tax revenue in fiscal 2022, the first full year the measure will be in effect, with funds dedicated to education and health programs.

Colorado Proposition 117

This measure would require voter approval of new enterprises that are exempt from the Taxpayer's Bill of Rights (TABOR) if their revenue is greater than \$50 million within its first five years.

Georgia Amendment 1

This measure authorizes dedication of fees and taxes to their intended purposes by general state law.

Georgia Referendum A

This establishes a tax exemption for certain real property owned by charities.

Michigan Proposal One

This constitutional measure would allow money from oil and gas mining on state-owned lands to continue to be collected in state funds for land protection and creation and maintenance of parks, nature areas, and public recreation facilities and would describe how money in those state funds can be spent allowing for greater flexibility.

Illinois Constitutional Amendment 1

This constitutional amendment would remove the requirement for a flat income tax, allowing the state to create a graduated-rate structure. While the constitutional amendment itself does not set new income tax rates, Public Act 101-0008, enacted in June 2019, established new individual and corporate income tax rates that would take effect on January 1, 2021 if the proposed constitutional amendment is approved by voters. If Public Act 101-0008 goes into effect on January 1, 2021, the changes are estimated to generate an additional \$1.435 billion in fiscal 2021 for deposit into the general fund, after set asides for refunds, local governments and a proposed fiscal 2021 additional contribution to the Pension Stabilization Fund for the retirement systems.

Oklahoma 814

This measure would reduce payments made to the Tobacco Settlement Endowment Trust Fund from 75 percent to 25 percent and direct the legislature to appropriate money from the fund to secure federal matching funds for the state's Medicaid program. Voters approved a ballot measure expanding Medicaid under the *Affordable Care Act* in a June 30, 2020 election.

Oregon Measure 108

This measure would create a tax on vapor products and other nicotine products at 65 percent of the wholesale price and raise the cigarette tax from \$1.33 to \$3.33 per 20-pack. The measure would also

increase the cap on taxes on cigars from \$0.50 per cigar to \$1.00 per cigar. The measure is estimated to yield about \$160 million per year according to the Oregon Legislative Revenue Office.

Marijuana

Arizona Proposition 207

This measure would legalize recreational marijuana, enact a tax on marijuana sales, and require the state Department of Health and Human Services to develop rules to regulate marijuana businesses. Sales of recreational marijuana would be subject to a 16 percent retail excise tax in addition to the 5.6 percent sales tax. Based on a projected tax base of \$1 billion, total state and local tax collections would be \$254 million after the program becomes fully operational in the next several years, including \$166 million for the Smart and Safe Arizona Fund, according to the Arizona Joint Legislative Budget Committee. Funds would support community colleges, infrastructure, public safety, and public health programs.

Mississippi Initiative Measure 65

This constitutional amendment would allow qualified patients with debilitating medical conditions to use medical marijuana to be provided only by licensed treatment centers with the state Department of Health regulating and enforcing the provisions of this amendment. The overall cost to Mississippi for the first year is estimated to be \$11.1 million, according to the Mississippi Legislative Budget Office.

Montana I-190

This measure would legalize the sale of recreational marijuana with a 20 percent tax on nonmedical marijuana with 10.5 percent of the tax revenue allocated to the general fund, and the remainder dedicated to accounts for conservation programs, substance abuse treatment, veterans' services, healthcare costs, and localities where marijuana is sold. The estimated tax revenue is about \$18 million in fiscal 2023.

New Jersey Question 1

This constitutional measure would legalize the recreational use of marijuana with the state commission created to oversee the medical marijuana program overseeing the recreational market. Products would be subject to the state sales tax. If authorized by the legislature, a municipality may pass a local ordinance to charge a local tax on marijuana products.

South Dakota Amendment A

This constitutional amendment would legalize the recreational use of marijuana and impose an excise tax of 15 percent of sales price. The estimated net revenues of \$19.6 million by fiscal 2023 would be distributed equally between public schools and the general fund.

South Dakota Initiated Measure 26

This measure establishes a medical marijuana program in the state for individuals who have a debilitating medical condition as certified by a physician.

Minimum Wage

Florida Amendment 2

This measure raises the minimum wage incrementally to \$15 per hour by 2026 with cost of living increases beginning in 2027.

Gaming

Maryland Question 2

This measure authorizes sports and events wagering at certain licensed facilities for the primary purpose of raising revenue for education.

Nebraska Initiative 429

This constitutional amendment would allow laws that authorize, regulate, and tax gambling at licensed racetrack facilities in the state.

Nebraska Initiative 430

This measure would authorize games of chance at licensed racetracks and establish a governing commission.

Nebraska Initiative 431

This measure would impose a 20 percent annual tax on gross gaming revenue from games of chance operated at licensed racetrack locations. Revenue would be distributed to the Compulsive Gamblers Assistance Fund, the general fund, the Property Tax Credit Cash Fund, and the counties where gambling is authorized. Nebraska Initiative 429 amending the constitution and Nebraska Initiative

430 authorizing the games of chance and establishing a governing commission would first have to be approved before this initiative could take effect.

South Dakota Constitutional Amendment B

This measure legalizes sports betting within the city limits of Deadwood and provides that all net municipal proceeds would be dedicated to the historic restoration and preservation of Deadwood.

Paid Medical and Family Leave

Colorado Proposition 118

This measure would create a statewide paid family and medical leave insurance program for workers in Colorado administered by the Colorado Department of Labor and Employment and would require employers and employees, with some exceptions, to pay a payroll premium to finance paid family and medical leave insurance benefits beginning January 1, 2023. Eligible employees would have up to 12 weeks of paid family and medical leave insurance benefits annually beginning January 1, 2024.

Bonds

California Proposition 14

This measure would authorize the sale of \$5.5 billion in bonds to the California Institute of Regenerative Medicine to fund stem cell research. The actual cost of the bonds is \$7.8 billion (\$5.5 billion in principal and \$2.3 billion in interest). If approved, the state will have to make debt payments of at least \$310 million for 25 years.

New Mexico Questions A, B, and C

These bond measures would allow for the issuance of \$156.3 million in bonds for public higher education institutions, special public schools, and tribal schools; \$9.7 million for public libraries; and \$33.3 million for senior citizen facility improvements.

Budget Process

Florida Amendment 4

This measure requires all proposed amendments or revisions to the state constitution to be approved by the voters in two elections, instead of one, in order to take effect.

Louisiana Amendment 3

This constitutional amendment would allow for the use of the Budget Stabilization Fund for state costs associated with a federally declared disaster.

Louisiana Amendment 4

This constitutional amendment would remove the existing expenditure limit formula and allow the legislature to enact a state spending limit formula through statute that does not allow more than 5 percent growth per year.

Maryland Question 1

This measure would authorize the Maryland General Assembly to increase, decrease, or add items to the state budget as long as such measures do not exceed the total proposed budget submitted by the Governor.

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.