



OUTCOME OF BALLOT MEASURES IN THE 2016 GENERAL ELECTION: IMPACT ON STATE BUDGETS

November 10, 2016

Overview

There were 154 ballot measures in 34 states this year. Since this is a presidential election year, there were far more ballot initiatives than in the previous year when voters in nine states considered 28 ballot measures.

Voters in California approved extending personal income tax increases on upper income taxpayers for 12 years. In Oregon, voters rejected a measure that would have increased corporate taxes.

Measures were on the ballot in Arizona, Arkansas, California, Florida, Maine, Massachusetts, Montana, Nevada and North Dakota to legalize marijuana for recreational purposes as well as for medical purposes only. Voters in all states other than Arizona approved the measures. Some of the measures stipulate specific taxes, control and distribution mechanisms, and dedication of revenue streams.

Health care was also on several ballots. In Colorado, voters did not approve a constitutional amendment that would have established a health care payment system to fund health care for all individuals whose primary residence is in Colorado. California voters rejected a measure prohibiting state agencies from paying more for a prescription drug than the lowest price paid for the same drug by the United States Department of Veterans Affairs.

Measures that would increase tobacco taxes were on the ballots in California, Colorado, Missouri and North Dakota and only in California did voters approve a tobacco tax increase. In most cases the additional revenue generated would have been dedicated primarily for health programs.

In Maine, voters approved a three percent tax on individual taxable income above \$200,000 to generate additional revenue for education, while in Oklahoma, voters did not approve a one cent increase in the sales and use tax dedicated for education purposes.

Minimum wage measures were approved in Arizona, Colorado, Maine, and Washington and mostly will increase the minimum wage over a several year period. In South Dakota, voters rejected a previously approved minimum wage that would have been modified for those under 18.

In Rhode Island, voters approved a gaming measure while gaming measures in Massachusetts and New Jersey were not approved.

Bond measures were also addressed in several states. A bond measure for schools in California and bond measures in Maine, New Mexico and Rhode Island for purposes such as transportation, ports, higher education, and the environment were approved. Voters in Montana did not approve a measure to create a biomedical research authority.

In all, about half of the states allow initiatives and/or referenda on statewide issues. 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, significantly increase and/or decrease state revenues, compensate landowners, and allocate set portions of the budget are all products of ballot measures throughout the years. In addition to the states with a popular initiative process, most states have provisions for popular votes on a variety of constitutional provisions and other measures. About half of the measures in 2016 were placed on the ballots by citizen initiatives.



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The following are some notable ballot measures that were considered in the 2016 election affecting state finances. When available, the fiscal impact is included in the description.

State Revenues

California Proposition 55 - Passed

This measure extends the temporary personal income tax increases enacted in 2012 on earnings over \$250,000 for single filers; over \$500,000 for joint filers; and over \$340,000 for heads of household for 12 years. This measure is estimated to increase state revenues by \$4 billion to \$9 billion annually from 2019-2030, depending on the economy and stock market. Increased funding will be allocated for schools, community colleges, health care for low-income people, budget reserves, and debt payments.

Louisiana Amendment 3 - Did Not Pass

This measure would have eliminated the deductibility of federal income taxes paid in computing state corporate income taxes.

Missouri Amendment 4 - Passed

This constitutional amendment will prohibit a new state or local sales/use or other similar tax on any service or transaction. This amendment only applies to any service or transaction that was not subject to a sales/use or similar tax as of January 1, 2015.

Oregon Measure 97 - Did Not Pass

This measure would have increased the annual minimum tax on corporations with Oregon sales of more than \$25 million and would have applied to tax years beginning on/after January 1, 2017. The revenue from the tax increase would have been used for education, health care, and services for senior citizens. This measure would have raised approximately \$6 billion in revenue each biennium, according to estimates from the Legislative Revenue Office.

Washington Initiative 732 - Did Not Pass

This measure would have imposed a carbon emission tax on the sale or use of certain fossil fuels and fossil-fuel-generated electricity, at \$15 per metric ton of carbon dioxide in 2017, and increasing gradually to \$100 per metric ton, with more gradual phase-in for some users. It would have reduced the sales tax rate by one percentage point over two years, increased a low-income sales tax exemption, and reduced certain manufacturing taxes.

Washington Initiative 1464 - Did Not Pass

This measure would have repealed a retail sales tax exemption for certain nonresidents on purchases of tangible personal property, digital goods and digital codes that will not be used in the state. During the first six fiscal years, the estimated net new revenue to the general fund from the repeal of the nonresident retail sales tax exemption was \$173.2 million.

Marijuana

Arizona Proposition 205 - Did Not Pass

This measure would have established a 15 percent tax on retail marijuana sales with revenue allocated to public health and education. This would have allowed adults twenty-one years of age and older to possess and to privately consume and grow limited amounts of marijuana and would have created a system in which licensed businesses could produce and sell marijuana. This would have established a Department of Marijuana Licenses and Control to regulate the cultivation, manufacturing, testing, transportation, and sale of marijuana and provide local governments with the authority to regulate and limit marijuana businesses.

Arkansas Issue 6 - Passed

This constitutional amendment will make the medical use of marijuana legal under state law and establish a system for the cultivation, acquisition, and distribution of marijuana for qualifying patients through licensed medical marijuana dispensaries and cultivation facilities and granting those dispensaries and facilities limited immunity.

California Proposition 64 - Passed

This measure will legalize marijuana and hemp under state law and designate state agencies to license and regulate the marijuana industry. This will impose a state excise tax on retail sales of marijuana equal to 15 percent of sales price and state cultivation taxes on marijuana of \$9.25 per ounce of flowers and \$2.75 per ounce of leaves. It will exempt medical marijuana from some taxation.

Florida Amendment 2 - Passed

This measure will allow the medical use of marijuana for individuals with debilitating medical conditions as determined by a licensed Florida physician and allow caregivers to assist patients' medical use of marijuana. The Department of Health



shall register and regulate centers that produce and distribute marijuana for medical purposes and shall issue identification cards to patients and caregivers.

Maine Question 1 - Passed

This measure will allow the possession and use of marijuana under state law by persons who are at least 21 years of age, and allow the cultivation, manufacturing, distribution, testing, and sale of marijuana and marijuana products subject to state regulation, taxation and local ordinance.

Massachusetts Question 4 - Passed

This measure controls the production and distribution of marijuana under a system that licenses, regulates and taxes the businesses involved in a manner similar to alcohol and to make marijuana legal for adults 21 years of age or older.

Montana Initiative 182 - Passed

This measure will allow a single treating physician to certify medical marijuana for a patient diagnosed with chronic pain and includes post-traumatic stress disorder as a “debilitating medical condition” for which a physician may certify medical marijuana. Licensing requirements, fees and prohibitions are detailed for medical marijuana dispensaries and testing laboratories.

Nevada Question 2 - Passed

This measure will regulate and tax marijuana similar to alcohol. Persons at least 21 years old will be allowed to possess and use a limited amount of marijuana. An excise tax of 15 percent will be imposed on wholesale sales of marijuana. The existing sales tax will apply to retail sales of marijuana. Net revenue generated under this proposal will be deposited in the distributive school account and used for support of K-12 education.

North Dakota Measure 5 - Passed

This initiated measure will provide for the medical use of marijuana for defined debilitating medical conditions.

Health Care

California Proposition 52 - Passed

This will make permanent the Hospital Quality Assurance Fee which is collected from private hospitals to generate additional federal dollars for the Medicaid program. It has been collected since 2009 and the charging of the hospital fee by the state was set to end on January 1, 2018.

California Proposition 61 - Did Not Pass

This would have prohibited state agencies from paying more for a prescription drug than the lowest price paid for the same drug by the United States Department of Veterans Affairs. This would have applied to any program where the state is the ultimate payer for a drug, even if the state does not purchase the drug directly and would have exempted certain purchases of prescription drugs funded through the state’s Medicaid program.

Colorado Amendment 69 - Did Not Pass

This constitutional amendment would have established a health care payment system to fund health care for all individuals whose primary residence is in Colorado. The program would have been partially funded by a 10 percent payroll tax with employers paying 6.67 percent and employees paying 3.33 percent. Other non-payroll income would also have been taxed at 10 percent.

Tobacco Taxes

California Proposition 56 - Passed

This measure will increase the cigarette tax by \$2.00 per pack, with equivalent increases on other tobacco products and electronic cigarettes containing nicotine. Revenues will be used primarily to augment spending on health care for low-income individuals for existing health care programs. This measure will increase net state revenue by \$1 billion to \$1.4 billion in 2017-18, with potentially lower annual revenues over time.

Colorado’s Amendment 72 - Did Not Pass

This measure would have increased the state’s cigarette tax by \$1.75 per pack of 20 cigarettes and on other tobacco products by 22 percent of the manufacturer’s list price. Additional revenue would have been allocated by specified percentages to health-related programs and tobacco education programs.

Missouri Amendment 3 - Did Not Pass

This proposed constitutional amendment would have increased cigarette taxes each year through 2020, at which point this additional tax would have totaled 60 cents per pack of 20. This amendment also would have created a fee paid by cigarette wholesalers of 67 cents per pack of 20 on certain cigarettes. The funds generated by these taxes and fees would have been deposited into a newly established Early Childhood Health and Education Trust Fund.



Missouri Proposition A - Did Not Pass

This measure would have increased cigarette taxes in 2017, 2019, and 2021, at which point this additional tax would have totaled 23 cents per pack of 20. This amendment would also have increased the tax paid by sellers on other tobacco products by five percent of the manufacturer's invoice price. The funds generated by these taxes would have been used exclusively to fund transportation infrastructure projects.

North Dakota Measure 4 - Did Not Pass

This measure would have increased cigarette taxes from 44 cents a pack to \$2.20 per pack and would have increased the tax on all other tobacco products from 28 percent of the wholesale purchase price to 56 percent of the wholesale price. Half of the new revenues generated by the increase would have created a veterans' tobacco trust fund.

K-12 Education/Tax Increases

Maine Question 2 - Did Not Pass

This measure will add a three percent tax on individual taxable income above \$200,000 to create a fund for kindergarten through 12th grade public education.

Oklahoma State Question 779 - Did Not Pass

This measure would have increased the sales and use tax by one cent to provide additional funds for education. It would have required an annual audit of school districts' use of monies from the fund, prohibits school districts' use of these funds for administrative salaries, and would have increased teachers' salaries. It would have required that monies from the fund not supplant or replace other education funding.

Minimum Wage

Arizona Proposition 206 - Passed

This initiative will increase the minimum wage to \$10 in 2017, then gradually to \$12 by 2020, and provide 40 hours annual earned paid sick time for employees of large employers.

Colorado Amendment 70 - Passed

This will increase the minimum wage effective January 1, 2017 to \$9.30 per hour and it will be increased annually by \$0.90 each January 1 until it reaches \$12 per hour effective January 2020, and is adjusted annually by the consumer price index.

Maine Question 4 - Passed

This measure will raise the minimum hourly wage of \$7.50 to \$9 in 2017, with annual \$1 increases up to \$12 in 2020, and annual cost-of-living increases thereafter.

South Dakota Referred Law 20 - Did Not Pass

This would have lowered the existing state minimum wage to \$7.50 per hour for non-tipped employees under age 18. In addition, no annual cost-of-living wage adjustment would have been required for the youth minimum wage.

Washington Initiative 1433 - Passed

This measure will increase the minimum wage from \$9.47 in 2016 to \$11.00 in 2017, \$11.50 in 2018, \$12.00 in 2019, and \$13.50 in 2020. Beginning in 2021, the minimum wage will be adjusted with inflation. Based on the fiscal analysis, this will increase state revenues, and state and local government expenditures, during the next six fiscal years.

Gaming

Massachusetts Question 1 - Did Not Pass

This would have granted the Gaming Commission the ability to issue an additional slots license.

New Jersey Question 1 - Did Not Pass

This would have permitted casino gambling in two additional counties with one casino limit in each.

Rhode Island Question 1 - Passed

This measure will authorize a pari-mutuel facility that will have state-operated video lottery games and casino gaming. The measure will require that the state receive 15.5 percent of table games and 61 percent of video lottery terminal revenues.

Bond Measures

Arkansas Issue 3 - Passed

This measure removes the cap on the amount of bonds the state is allowed to issue to a corporation, association, institution or individual to help finance economic development projects and services and require voter approval.

California Proposition 51 - Passed

This measure authorizes \$9 billion in general obligation bonds with \$3 billion for new construction and \$3 billion for



modernization of K-12 public school facilities, \$1 billion for charter schools and vocational education facilities, and \$2 billion for California Community Colleges facilities.

California Proposition 53 - Did Not Pass

This measure would have required statewide voter approval before any revenue bonds can be issued or sold by the state for projects that are financed, owned, operated, or managed by the state if the bond amount exceeds \$2 billion.

Maine Question 6 - Passed

This measure is for a \$100 million bond issue for construction, reconstruction and rehabilitation of highways and bridges and for facilities, equipment and property acquisition related to ports, harbors, marine transportation, freight and passenger railroads, aviation, transit and bicycle and pedestrian trails, to be used to match an estimated \$137 million in federal and other funds.

Montana Initiative 181 - Did Not Pass

This measure would have been for \$20 million a year in state bonds for 10 years to finance a biomedical research authority to promote development of therapies and cures for brain diseases.

New Mexico Bond Issues A Through D - Passed

These measures will authorize general obligation bonds up to \$15.4 million for senior citizen centers and services, up to \$10.2 million for academic, public school, tribal, and public library resource acquisitions, \$142.4 million for tribal education-related capital improvement projects, and up to \$18.2 million for state police, public safety communications, and statewide National Guard facilities improvements and acquisitions.

Rhode Island Questions 3 to 7 - Passed

These measures will authorize general obligation bonds of \$27 million for veterans' homes, \$45.5 million for higher education projects, \$70 million for port infrastructure projects, \$35 million for environmental and recreational purposes, and \$50 million for affordable housing and urban revitalization.

Higher Education

Alaska Measure 2 - Did Not Pass

This would have amended the constitution to allow state borrowing for higher education loans for students.

Louisiana Amendment 2 - Did Not Pass

This measure would have authorized the postsecondary education management boards to establish the tuition and mandatory fee amounts charged by institutions under their supervision and management, without legislative approval.

Initiatives

Colorado Initiative 71 - Passed

This constitutional amendment will require that any petition for a citizen-initiated constitutional amendment be signed by at least two percent of the registered electors who reside in each state senate district for the amendment to be placed on the ballot. It will increase the percentage of votes needed to pass any proposed constitutional amendment from a majority to at least fifty-five percent of the votes cast, unless the proposed constitutional amendment only repeals, in whole or in part, any provision of the constitution.

Transportation

Illinois House Joint Resolution 36 - Passed

This will amend the constitution and add a new section concerning highway funds.

New Jersey Question 2 - Passed

This will provide that an additional three cents of the current motor fuels tax on diesel fuel, which is not dedicated for transportation purposes, be dedicated to the Transportation Trust Fund.

Budget Process

Hawaii Amendment 2 - Passed

This measure will amend the constitution to add alternatives for the use of excess general fund revenues and allows the appropriation of general funds for the pre-payment of general obligation bond debt service or pension or other post-employment benefit liabilities.

Louisiana Amendment 5 - Passed

This establishes the Revenue Stabilization Trust Fund for the deposit of recurring mineral and corporate tax revenues and restricts the use of the fund to 10 percent of the balance when the balance reaches \$5 billion. This will restrict the use of the



fund to construction projects and transportation infrastructure, and to allocate recurring mineral revenues to the payment of state employee retirement debt.

Louisiana Amendment 6 - Did Not Pass

This would have authorized the use of up to five percent of current year appropriations or allocations from statutorily or certain constitutionally created funds or up to one percent of the current year's balances in certain constitutionally created funds to eliminate a projected deficit in the next fiscal year and exempt certain funds and mandates from being used to eliminate a projected deficit.

Corrections

California Proposition 57—Passed

This allows parole consideration for persons convicted of non-violent felonies upon completion of their primary offenses and authorizes the awarding of sentence credits for rehabilitation, good behavior, or educational achievements. This provides that juvenile court judges decide upon prosecutor motion whether juveniles age 14 and older should be prosecuted and sentenced as adults for specified offenses.

Investments

Oregon Measure 95 - Passed

This will allow public universities to invest in equities.

Wyoming Amendment A - Passed

This measure will allow investments of state funds in equities.

Parks and Land

Alabama Amendment 2 - Passed

This constitutional amendment will prohibit funds from the state parks fund, the parks revolving fund, and any funds currently designated for the use of the state parks system from being transferred for another purpose other than the support, upkeep, and maintenance of the state parks system.

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