

Outcome of Ballot Measures In The 2022 General Election: Impact On State Budgets

November 15, 2022

Voters in 36 states considered 129 ballot measures in this year's general election. Since this was a mid-term election year, the numbers were significantly higher than the 24 measures from last year.

Significant tax measures on this year's ballots had a mixed result. California voters rejected a tax increase of 1.75 percent on personal income above \$2 million with revenue dedicated to zero-emission vehicle purchase incentives, vehicle charging stations, and wildfire prevention, while in Massachusetts a constitutional amendment was approved to create a 4 percent state income tax on incomes that exceed \$1 million, with revenues used for education and transportation purposes.

Colorado voters approved a measure to reduce the state income tax rate from 4.55 percent to 4.40 percent for tax years beginning on or after January 1, 2022, and also approved a measure to earmark one tenth of one percent of existing income tax revenues and allocate those funds to housing projects, including affordable housing financing programs.

Education measures included one in Arizona whereby students who attended any public or private school or home school equivalent for two years will be eligible for financial aid at state universities and in-state tuition rates, regardless of immigration status. California voters approved providing additional funding from the general fund for arts and music education in all K-12 public schools including charter schools.

Maryland and Missouri voters approved legalizing recreational marijuana while voters in Arkansas, North Dakota, and South Dakota rejected legalizing recreational marijuana.

Health care access was on the ballot in a number of states. Oregon's measure establishes the obligation to ensure that every resident has access to cost-effective, clinically appropriate and affordable health care as a fundamental right. South Dakota voters approved Medicaid expansion under the *Affordable Care Act*.

Minimum wage measures were approved in Nebraska and Nevada and a measure to provide a constitutional right to collective bargaining was approved in Illinois.

California voters rejected both gaming measures dealing with in-person and online sports betting and required payments to the state for regulatory purposes.

Voters approved bond measures in New Mexico for libraries, senior centers and education and in New York for projects related to the environment, natural resources, water infrastructure, and climate change mitigation.

Voters were asked about provisions to change the ballot measure process. In Arizona, a constitutional amendment requiring an initiative or referendum receive 60 percent of the vote to approve taxes is still undecided and Arkansas voters rejected a measure to require a 60 percent supermajority vote of approval for initiated constitutional amendments and initiated state statutes in order to be adopted.

Measures dealing with changes to state budget processes had a mixed result. Utah voters did not approve a measure to increase spending during an emergency session and Louisiana voters rejected a measure to increase the investment cap for equities. In South Carolina voters approved measures to increase the amount for both general fund and capital fund reserves.

Ballot measures have made a significant impact on finances in states and localities over the years. Provisions to limit class size, earmark revenues, significantly 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.

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. Even after ballot measures have been decided, legal and administrative challenges may arise in implementing the measures.

The following are some notable ballot measures considered in the 2022 election affecting state finances.

Taxes

California Proposition 30 - Did Not Pass

This measure would have increased the tax on personal income by 1.75 percent above \$2 million and dedicate the revenue to zero-emission vehicle purchase incentives, vehicle charging stations, and wildfire prevention. The estimated state tax revenue from this measure would have ranged from \$3.5 billion to \$5 billion annually.

California Proposition 31 - Passed

This will approve a 2020 law prohibiting retail sale of certain flavored tobacco products. The estimated fiscal impact is a decrease in state tobacco tax revenues ranging from tens of millions of dollars annually to around \$100 million annually.

Colorado Proposition 121 - Passed

This measure will reduce the state income tax rate from 4.55 percent to 4.40 percent for tax years beginning on or after January 1, 2022. This will decrease the general fund by \$638 million in fiscal 2023 and by \$413 million in fiscal 2024.

Colorado Proposition 123 - Passed

This measure will dedicate one tenth of one percent from existing income tax revenues and allocate funds to housing projects, including affordable housing financing programs.

Massachusetts Question One - Passed

This constitutional amendment creates a 4 percent state income tax on incomes that exceed \$1 million for tax years beginning on or after January 1, 2023, with revenues used for education and transportation purposes. This change is estimated to increase annual state revenues by \$1.2 billion in the near term, which is approximately 2.4 percent of the current annual state budget. However, annual revenue generated by the surtax will vary significantly and unpredictably from year to year, according to the fiscal analysis.

Education

Arizona Proposition 308 - Passed

This measure will allow Arizona students who attend any public or private school or home school equivalent for two years to be eligible for financial aid at state universities and in-state tuition rates, regardless of immigration status.

California Proposition 28 - Passed

This measure will provide additional funding from the general fund for arts and music education in all K–12 public schools including charter schools by setting aside the equivalent of 1 percent of the required state and local funding for public schools for arts education. This set-aside is above the constitutionally required amount of funding for public schools and community colleges. The fiscal impact is estimated at about \$1 billion annually beginning next year.

Marijuana

Arkansas Issue 4 - Did Not Pass

This measure would have legalized marijuana use for residents 21 years of age and older and authorize the commercial sale of marijuana.

Maryland Question 4 - Passed

This constitutional amendment legalizes adult-use recreational marijuana and directs the legislature to pass laws for the use, distribution, regulation, and taxation of marijuana..

Missouri Amendment 3 - Passed

This measure legalizes the purchase, possession, consumption, use, delivery, manufacturing and sale of marijuana for personal use for adults over the age of twenty-one; allows individuals

convicted of non-violent marijuana-related offenses to petition to be released from incarceration and/or have their records expunged; and imposes a 6 percent tax on the sale of marijuana.

North Dakota Statutory Measure 2 - Did Not Pass

This measure would have legalized the possession of cannabis for adults 21 and older; allow individuals to grow up to three cannabis plants; and establish by October 1, 2023, an adult-use cannabis program to regulate production and distribution.

South Dakota Initiated Measure 27 - Did Not Pass

This measure would have legalized marijuana use, possession, and distribution for individuals 21 years old and older.

Gaming

California Proposition 26 - Did Not Pass

This measure would have allowed in-person sports betting at racetracks and tribal casinos and require racetracks and casinos that offer sports betting to make certain payments to the state to support state regulatory costs. The proposition also would have allowed additional gambling such as roulette at tribal casinos and add a new way to enforce certain state gambling laws.

California Proposition 27 - Did Not Pass

This measure would have allowed tribes or gambling companies to offer online sports betting on non-tribal lands. It would have required tribes and gambling companies that offer online sports betting to make certain payments to the state for specific purposes such as to support state regulatory costs and to address homelessness. The proposition also would have created a new online sports betting regulatory unit and provide new ways to reduce illegal online sports betting.

Health Care/Medicaid

Oregon Measure 111 - Passed

This constitutional amendment establishes the obligation to ensure that every resident of Oregon has access to cost-effective, clinically appropriate and affordable health care as a fundamental right. While this measure establishes a new constitutional obligation of the state, it does not specify what the state must do to comply, how that compliance will be measured, or identify specific steps the state must undertake.

South Dakota Constitutional Amendment D - Passed

This constitutional amendment requires Medicaid benefits be provided to adults between 18 and 65 with incomes below 133 percent of the federal poverty level. The expansion of Medicaid is estimated to cover an additional 42,500 eligible individuals, with a total estimated cost over the first five years of \$1.5 billion. For the first five years under current federal law, the state's share of expenses is estimated to be \$166 million with the state recognizing additional general fund savings of \$162 million.

Collective Bargaining

Illinois Amendment 1 - Passed

This measure creates a state constitutional right to collective bargaining.

Budget Process

Louisiana Amendment One - Did Not Pass

This constitutional amendment would have increased the equity investment cap to 65 percent for certain state funds.

South Carolina Amendment One - Passed

This will increase the Capital Reserve Fund from 2 percent to 3 percent of state general fund revenue.

South Carolina Amendment Two - Passed

This will increase the General Reserve Fund from 5 percent to 7 percent of state general fund revenue incrementally by one-half percent each year.

Utah Constitutional Amendment - Did Not Pass

This measure would have increased the limit on appropriations the state legislature can make in an emergency session from 1 percent of the previous fiscal year's budget to 5 percent, exempt emergency federal funding from the limit, and exempt any appropriations that decrease total spending for the year from the limit.

Minimum Wage

Nebraska Initiative 433 - Passed

This will increase the state's minimum wage incrementally to \$15 per hour by 2026.

Nevada Question 2 - Passed

This measure will incrementally increase the minimum wage to \$12 per hour for all employees by July 1, 2024.

Bonds

New Mexico Bond Questions 1-3 - Passed

These bond measures authorize \$24.5 million for senior citizen facility improvements, \$19.3 million for public libraries, and \$216 million for public higher education institutions, special public schools, and tribal schools.

New York Proposal One - Passed

This will issue \$3 billion in general obligation bonds for projects related to the environment, natural resources, water infrastructure, and climate change mitigation.

Ballot Measure Process

Arizona Proposition 128 - Did Not Pass

This constitutional amendment would have allowed the state legislature to amend, divert funds from, or supersede an initiative or referendum measure enacted if any portion has been declared unconstitutional or illegal by the Arizona or U.S. Supreme Court.

Arizona Proposition 129 - Passed

This constitutional amendment requires initiative measures be a single subject and requires that the subject be expressed in the title of the initiative measure.

Arizona Proposition 132 - Undecided

This constitutional amendment would require that an initiative or referendum to approve a tax receive 60 percent of the vote.

Arkansas Issue 2 - Did Not Pass

This measure would have required a 60 percent supermajority vote of approval for initiated constitutional amendments and initiated state statutes in order to be adopted.

If you have any questions please contact Stacey Mazer at smazer@nasbo.org or 202-624-8431