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STATE-LEVEL BALLOT MEASURES IN NOVEMBER 2004 WITH SIGNIFICANT FISCAL IMPLICATIONS

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A number of states will have measures on the November 2, 2004 ballot that have potentially significant implications for state budgets. What follows is a listing of some such measures.

There appears to be no particular trend across states in the types of ballot measures being proposed; ballot measures this year reflect local circumstances in individual states.

- In four states — **California**, **Colorado**, **Montana**, and **Washington** — one or more ballot measures would raise a tax rate and dedicate the additional revenue to a specific purpose. The additional revenue in Washington would be dedicated to education, while in the other three states it would be dedicated to various health programs.
- By contrast, several measures contain veiled reductions in funds for health, education, and other services. A ballot measure in **Missouri** described in official literature as having “no net fiscal impact” in fact would shift some \$187 million out of the state’s general fund to pay for new roads. In **Washington**, a measure would allow a new form of gambling; the newly legalized gaming is expected to crowd out a portion of existing lottery and other gaming revenue, but nearly all the proceeds of the new game would be dedicated to state property tax reduction, with the likely result of a decline in state and local general-purpose revenue. A measure in **Oklahoma** would raise much-needed new revenues for health care and other services for the next few years, but the measure also contains income tax cuts such that over time, the measure is likely to become a net revenue loser for the state.
- A measure in **Maine** would potentially reduce the amount of revenue available to fund local government, while one in **California** would change funding relationships between state and local government, and one in **Arkansas** would increase property taxes to fund local schools. An **Indiana** measure would allow the state to give property tax breaks to homeowners. Local as well as the state government would lose revenue if **South Dakota** voters approve repealing that state’s sales tax on groceries.

- Measures in at least four states — **California, Nebraska, Oklahoma** and (as mentioned above) **Washington** — would expand legalized gambling, while one in **Michigan** potentially would restrict it. Another Oklahoma measure would change the rules governing the state’s rainy-day fund. Finally, a ballot measure in **Florida** would repeal a funding commitment that had been established by a prior ballot measure.

The list below is not exhaustive, but does include most state-level ballot measures of major fiscal significance. For each measure, a link to an analysis of the measure by an independent fiscal research organization within the state is given where available. A link to a formal state fiscal analysis also is given where available.

California

Proposition 1A would change fundamentally the fiscal relationship between California’s state and local governments. It would limit the state’s ability to alter local revenue streams in order to achieve state policy goals, and it would require the state to reimburse local governments for mandated programs and services on a timely basis. **Proposition 65** is a competing measure to Proposition 1A that also has significant implications for state and local finances in California. An analysis of both measures is available at <http://www.cbp.org/2004/0409prop1A.pdf>. Also see http://www.lao.ca.gov/ballot/2004/1A_11_2004.htm and http://www.lao.ca.gov/ballot/2004/65_11_2004.htm.

Proposition 63 would impose an additional one percent tax on California individuals’ taxable income over \$1 million to provide dedicated funding to expand mental health services for children, adults, and seniors. See <http://www.cbp.org/2004/0409prop63.pdf> and http://www.lao.ca.gov/ballot/2004/63_11_2004.htm.

Proposition 67 would impose an additional 3 percent surcharge on telephone calls made within California to provide funding for emergency rooms, trauma centers, emergency doctors, community clinics, training and equipment for emergency personnel, and improvements to the 911 emergency number system. See <http://www.cbp.org/2004/0408prop67.pdf> and http://www.lao.ca.gov/ballot/2004/67_11_2004.htm.

Propositions 68 and **70** are competing measures relating to gambling on Indian land and to the share of revenue from gaming received by the state. Proposition 68, among other impacts, could result in up to \$1 billion or more in annual new revenue for state and local governments, but its supporters have conceded it is unlikely to win and have ended their campaign. The impact of Proposition 70 on state revenues is less clear; it could be either a substantial increase, or a substantial decrease, in state revenue from Indian gaming. Local governments would likely lose revenue as a result of Proposition 70. See http://www.cbp.org/2004/0410prop68_67.pdf, http://www.lao.ca.gov/ballot/2004/68_11_2004.htm, and http://www.lao.ca.gov/ballot/2004/70_11_2004.htm.

Colorado

Amendment 35 would raise the state tobacco tax, with proceeds dedicated to state-subsidized health insurance programs and other health care services and tobacco education and cessation programs. The new revenue would be exempt from state and local spending and revenue limits. (The proposal specifically directs that a large portion of the funds be used to expand state-subsidized health care coverage, but a bill (House Bill 1455) enacted by the legislature in anticipation of this measure raises some doubt about the extent to which the coverage actually will be extended; the bill reduces baseline spending on health coverage on the same day that the measure goes into effect. News reports suggest the issue may end up in the courts.) See

http://www.state.co.us/gov_dir/leg_dir/lcsstaff/2004/ballot/2004BluebookforInternet.PDF.

Referenda 4A and **4B** (in the Denver metro area only, which includes 56 percent of the state's population) would override tax and expenditure limits to allow certain metro-wide tax changes. Referendum 4A would raise sales taxes by four-tenths of one percentage point to finance public transportation improvements and expansion, while Referendum 4B would extend until 2018 an existing 0.1 percent sales tax to finance regional cultural institutions that otherwise would expire in 2006.

Florida

Amendment 6 would repeal a constitutional amendment approved by voters in 2000. That amendment required the state to build and operate a high-speed rail system among the state's five largest urban areas. The state estimates that over the next 30 years, such a system would cost \$25 billion to \$30 billion. See

http://www.state.fl.us/edr/conferences/constitutionalimpact/a9fis_complete.pdf

Maine

Question 1 would establish a statutory property tax cap that would limit local property taxes to one percent of assessed value, among other possible implications. Although the fiscal impacts of the proposal are not entirely clear, it appears likely to reduce annual local property tax revenue in the average Maine town by at least one-third, and perhaps more. See

http://www.mecep.org/pdfs/ch048_tax_cap.pdf.

Missouri

Amendment 3 would shift a gradually increasing amount of money generated by the state sales tax on motor vehicles — reaching \$187 million per year by FY 2009 — out of the state's general fund (which pays for education, health care and other services), and place it in a fund dedicated for construction of new roads. See <http://www.mobudget.org/amendment.pdf>.

Montana

Initiative I-149 would increase the state cigarette tax by \$1 per pack, with most of the estimated \$45 million in resulting new revenue in fiscal year 2005 dedicated to health programs and the remainder dedicated to the state building fund and the general fund. See <http://sos.state.mt.us/Assets/elections/voterinfopamphlet2004.pdf>

North Carolina

Amendment One would make it easier for localities to issue “self-financing bonds” — commonly known as tax-increment financing. The state constitution now prohibits such bonds without voter approval. See http://www.ncjustice.org/btc/2004pubs/BTC09_23_04.pdf.

Oklahoma

Question # 713 would increase tobacco taxes while cutting income taxes on retirement income and capital gains and repealing the current provision of state law that allows the income tax rate to increase when revenues decline. The new revenue would fund health-care initiatives, although in a few years it is likely that declining rates of smoking will cause the tobacco tax revenue to fall short of the amount that would have been collected from the taxes on retirement income and capital gains. See http://www.captc.org/pubpol/Leg/SQ713_tobacco.pdf.

Questions # 705 and 706 would create a state lottery and **question # 712** would permit electronic gaming at racetracks and establish compacts to regulate gaming at tribal casinos. New revenues would be allocated primarily for K-12 and higher education. See http://www.captc.org/pubpol/Leg/SQ705_lottery.pdf and http://www.captc.org/pubpol/Leg/SQ712_gaming.pdf.

Question # 708 would limit spending from the state’s Rainy Day Fund during years in which revenue collections meet or exceed projections, thus leaving more funds available to avert cuts in public services during years when revenues fall below projections. See http://www.captc.org/pubpol/Leg/SQ708_RDF.pdf.

Question # 714 would expand the number of low- and middle-income seniors able to freeze the value of their houses for property tax purposes, while **question # 715** would give disabled veterans a full property tax exemption. See http://www.captc.org/pubpol/Leg/SQ714_seniors.pdf and http://www.captc.org/pubpol/Leg/SQ715_veterans.pdf.

Question # 707 relates to local economic development bonds. See http://www.captc.org/pubpol/Leg/SQ707_TIF.pdf.

South Dakota

Measure 1 would repeal state and local sales taxes on groceries, which now raise about \$60 million per year. See <http://www.sdsos.gov/2004/2004%20BQ%20Pamphlet.htm>.

Washington

Measure 884 would raise the state sales tax by one cent, with estimated \$1 billion in annual proceeds dedicated to pre-school, K-12 education, and higher education. Washington would have the nation's highest state sales tax rate and the sixth-highest combined state and local sales tax rate. See <http://www.ofm.wa.gov/initiatives/2004/884/>.

Measure 892 would allow “electronic scratch ticket machines,” which are expected to compete with existing forms of gambling (such as the state lottery and local bingo games) that help finance state and local services. Proceeds of the new machines will not replace the lost gambling revenue, but instead will be dedicated to reducing statewide property taxes. Estimated revenue loss is up to \$30 million per year for the state and \$8.4 million for local governments. See <http://www.ofm.wa.gov/initiatives/2004/892/>.

Other Measures

In **Arkansas, Question #1** would raise the statewide uniform school property tax rate as part of an overall education reform package. In **Indiana, Question #1** would amend the constitution to allow property tax exemptions for homeowners. **Michigan's Proposal 04-1** would require certain types of gambling to be approved by voters at both the state and local level. In **Nebraska, Amendment #3** and **Initiatives 419** and **420** would expand, tax and regulate legalized gaming.

The list of measures in this analysis is not intended to be exhaustive. Of the more than 160 ballot measures that voters will face in November in more than two dozen states, roughly one-third are related to taxes, revenue, or state budgets, according to the National Conference of State Legislatures. But many of those not listed are quite small in their fiscal impact. And several major, high-profile proposed ballot measures with major state budget implications that had been under consideration, such as repeal of recent tax increases in Nevada and Ohio, did not qualify for the ballot.