

# BALLOT BOX BUDGETING

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July 28, 2011

# HOW DO INITIATIVES IMPACT THE BUDGET?

## Initiatives & the Budget:

More than 300 initiatives considered in past century

- 240 measures deal with 'fiscal matters' or taxation
- Few measures actually pass, but those that do have significant impact on CA tax system and General Fund budget.

### Impact:

- Impose rules that make CA budgeting more difficult
- Influence property tax rates and other sources of revenue

## **3 DIMENSIONS TO BALLOT BOX BUDGETING**

**Initiatives impact the budget by:**

**1.) Limiting tax collection**

**2.) Imposing spending caps and mandates**

**3.) Requiring major expenditures from  
General Fund**

# INITIATIVES THAT LIMIT TAX COLLECTION

Prop	Year	Description	Effect on Budget?
13	1978	<ul style="list-style-type: none"> <li>• Required 2/3s to increase state and local taxes.</li> <li>• Decreased property tax base by pegging property values to their 1975 value and prohibiting reassessment of a new base year value except in cases of change in ownership or completion of new construction.<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Major cause of persistent budget delays.</li> <li>• Caused a 53% reduction in local property tax revenues.</li> <li>• Before Prop. 13, CA ranked 1 in per-pupil spending. In 2007-2008, CA spent \$9,706 per pupil (94% of the national average), which earned the state a rank of 28th.<sup>2</sup></li> </ul>
62	1986	<ul style="list-style-type: none"> <li>• Required two-thirds vote by local city council members in order to place a general tax proposal on a jurisdiction-wide ballot.<sup>3</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Like Prop. 13, further deprived local elected officials of their taxing authority.</li> <li>• Prop. 62 intended to make both special taxes and general local taxes subject to majority vote.<sup>4</sup></li> </ul>

# INITIATIVES THAT LIMIT TAX COLLECTION

218	1996	<ul style="list-style-type: none"> <li>Required local governments to obtain the approval of property owners before levying taxes on property-related fees such as water delivery, garbage service fees, etc.<sup>5</sup></li> </ul>	<ul style="list-style-type: none"> <li>Short-term revenue losses of \$100 million</li> <li>Long-term local government loss—\$2.5 billion.<sup>6</sup></li> </ul>
26	2010	<ul style="list-style-type: none"> <li>Required two-thirds vote of the legislature to raise certain state fees.<sup>7</sup></li> </ul>	<ul style="list-style-type: none"> <li>Decreases state and local government revenues and spending by 1 billion annually.</li> <li>Increases Transportation and General fund costs by 1 billion annually.<sup>8</sup></li> </ul>

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- Legislative Analyst's Office. *LAO Analysis of Prop. 26*. July 15, 2010, [http://www.lao.ca.gov/ballot/2010/26\\_11\\_2010.aspx](http://www.lao.ca.gov/ballot/2010/26_11_2010.aspx)
- Ibid.

# INITIATIVES THAT IMPOSE SPENDING CAPS & MANDATES

Prop.	Year	Description	Effect on Budget?
4	1979	<ul style="list-style-type: none"> <li>Sought to limit state and local government spending to 1978-1979 levels with an annual adjustment for population growth and inflation.<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>In instances where California experienced significant budget surpluses, the legislator and governor were not free to spend the money to bolster vital programs.<sup>2</sup></li> </ul>
98	1988	<ul style="list-style-type: none"> <li>Requires the allocation of 40 percent of the budget to K-14 education.<sup>3</sup></li> <li>Guarantees an annual increase of state spending on educational services, unless two-thirds of the legislature votes for suspension</li> </ul>	<ul style="list-style-type: none"> <li>Discourages policymakers from having substantial debates on educational funding and policy because legislators automatically opt to maintain the Prop. 98 guarantee rather than examining school finance on a year to year basis.<sup>4</sup></li> </ul>

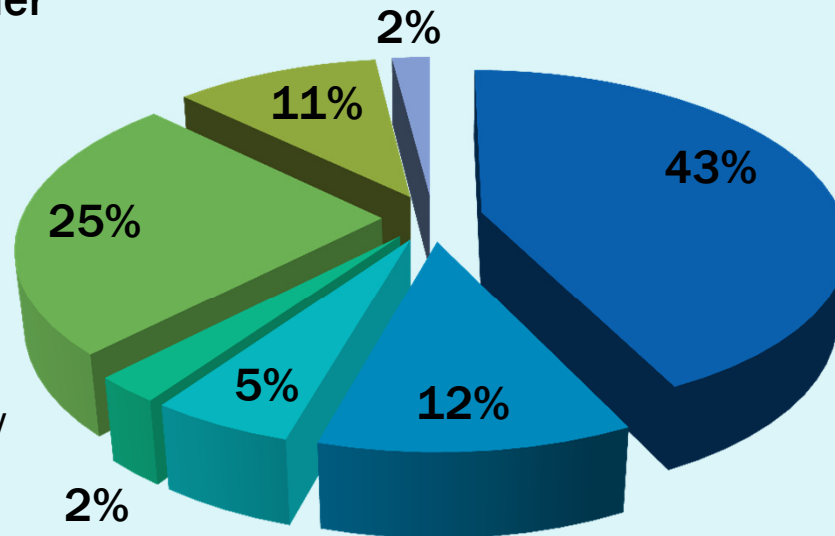
# INITIATIVES THAT IMPOSE SPENDING CAPS & MANDATES

Prop.	Year	Description	Effect on Budget?
58	2004	<ul style="list-style-type: none"> <li>Creates the Budget Stabilization Account reserve fund.</li> <li>The BSA would take a slice of annual revenues "until the balance in the account reaches \$8 billion or 5 percent of General Fund revenues, whichever is greater."<sup>5</sup></li> </ul>	<ul style="list-style-type: none"> <li>Analysis by the National Association of State Budget Officers finds the rainy day fund to be too small to adequately provide protection in the case of economic crisis or environmental disaster.<sup>6</sup></li> </ul>

1. Lisa Martin. *Exploring the Gann Limit*. CA Tax Digest. July 2000, 2, <http://www.caltax.org/member/digest/July2000/jul00-9.htm>
2. LA Times, *Warnings from Sacramento*, February 24, 1989, [http://articles.latimes.com/1989-02-24/local/me-6\\_1\\_gann-limit](http://articles.latimes.com/1989-02-24/local/me-6_1_gann-limit)
3. Ed Source. *A Guide to California's School Finance System: Prop. 98*. 2011, <http://www.ed-data.k12.ca.us/articles/article.asp?title=Proposition%2098>
4. Joe Mathews & Mark Paul. *California: Crack Up* (Los Angeles: University of CA Press, 2010), 88
5. Ibid. 88
6. National Association of State Budget Officers, *Budget Processes in the States* (Washington DC: National Association of State Budget Officers, 2008) 67-71.

# 2011-2012 GENERAL FUND EXPENDITURES

- K-12 Ed
- Higher Ed
- Government
- Enviromental Protection/Natural Resources
- Health and Human Services
- Corrections and Rehabilitation
- Other



From 2011-12  
Governor's Budget Summary



# INITIATIVES THAT REQUIRE LARGE EXPENDITURES FROM GENERAL FUND

Prop.	Year	Description	Effect on Budget?
70	1988	<ul style="list-style-type: none"> <li>• Authorizes a general obligation bond issue of \$776 million dollars for wildlife protection and land preservation.<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Overall cost of repayment is \$1.4 billion.</li> <li>• \$207.55 million is outstanding in Prop. 70 bonds.<sup>2</sup></li> </ul>
184	1994	<ul style="list-style-type: none"> <li>• Doubles sentencing penalties for persons convicted of felony crimes in California.</li> <li>• A third strike results in a 25 years to life sentence.<sup>3</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Three strikes adds an additional \$2.3 billion per year to prison costs without demonstrating a significant deterrent effect.<sup>4</sup></li> <li>• African- Americans make up 6.5% of the population, but they make up nearly 30% of the prison population, 36% of second strikers, and 45% of third strikers.<sup>5</sup></li> </ul>

# INITIATIVES THAT REQUIRE LARGE EXPENDITURES FROM GENERAL FUND

Prop.	Year	Description	Effect on Budget?
21	2000	<ul style="list-style-type: none"><li>• Provides prosecutors, rather than judges, the discretion to try minors as young as fourteen as adults for felony crimes.</li><li>• Makes it easier to send juveniles back to prison for probation violations.<sup>6</sup></li></ul>	<ul style="list-style-type: none"><li>• LAO estimated costs for new infrastructure and trial costs for the measure to be nearly half a billion dollars.<sup>7</sup></li><li>• A study conducted by the Justice Policy Institute in 2000 found that minority youths arrested for violent crimes were seven times more likely overall to receive prison sentences from adult courts than white youths arrested for similar crimes.<sup>8</sup></li></ul>



# INITIATIVES THAT REQUIRE LARGE EXPENDITURES FROM GENERAL FUND

Prop.	Year	Description	Effect on Budget?
4	2004	<ul style="list-style-type: none"> <li>Authorized \$3 billion in bonds for state funded stem cell research. The bond was meant to be doled out during a 10 year period.<sup>9</sup></li> </ul>	<ul style="list-style-type: none"> <li>Total cost is 6 billion with interest. Currently, California faces \$916 million dollars in debt from measure.</li> <li>The \$300 million per year devoted could be used for more worthy projects.<sup>10</sup></li> <li>Grantees opted to use the money to build expensive infrastructure rather than devote it to previously established university research centers.<sup>11</sup></li> </ul>

1. John G. Matsusaka. *A Case Study on Direct Democracy: Have Voter Initiatives Paralyzed the California Budget?* The Book of States 2010 (New York: CSG, 2010)
2. Ibid. 329
3. Brian Brown & Greg Jolivet. *A Primer: Three Strikes-The Impact After More Than a Decade.* Legislative Analyst Office. October 2005.
4. Dan Walters. *Is California's Crime Drop Due to the Three Strikes Law?* Sacramento Bee. June 6 2011: Our Region. Print.
5. Scott Ehlers, Vincent Schiraldi & Eric Lotke. *Racial Divide: An Examination of the Impact of California's Three Strikes Law on African Americans and Latinos,* Justice Policy Institute (October 2004) 2. [http://www.justicepolicy.org/uploads/justicepolicy/documents/04-10\\_tac\\_caracialdivide\\_ac-rd.pdf](http://www.justicepolicy.org/uploads/justicepolicy/documents/04-10_tac_caracialdivide_ac-rd.pdf)
6. Jennifer Taylor. *California's Proposition 21: A Case for Juvenile Justice.* Southern California Law Review. Vol. 75, (2002). 990.
7. Matsusaka, 329
8. Mike Males & Dan Macallair. *The Color of Justice: An Analysis of Juvenile Adult Court Transfers in California.* Justice Policy Institute (February 2000) 3-4.
9. Matsusaka, 329.
10. Wayne Lusvardi. *Cancel Prop. 71 Stem Cell Funding?* CalWatchDog, June 28, 2011. <http://www.calwatchdog.com/2011/02/23/cancel-prop-71s-stem-cell-research/>
11. Rebecca Taylor. *Looking Back at Proposition 71 Stem Cell Funding in California.* LifeNews.com. June 10, 2011. <http://www.lifenews.com/2011/06/10/looking-back>

## CONCLUSION

**Questions? Comments?**