

Local Revenue Measures: Which Ones Have California Voters Passed?

For three decades, many local governments in California have had difficulty financing service delivery. Part of the difficulty can be traced to a series of restrictions on their ability to raise revenue. The first such restriction was Proposition 13 in 1978, which limited property tax rates, increases in assessed property values, and the passage of special taxes. Since then, several initiatives and court decisions have expanded the role that voters play in approving new taxes, fees, and assessments.

In *Fiscal Effects of Voter Approval Requirements on Local Governments*, Kim Rueben and Pedro Cerdán investigate the ways local governments have used the ballot to raise taxes, assess fees, and pass bond measures. Their findings indicate substantial variation in voter reaction to fiscal measures depending on region, election timing, the type of measure proposed, and the service to be funded.

Ballot Success Depends on Several Factors

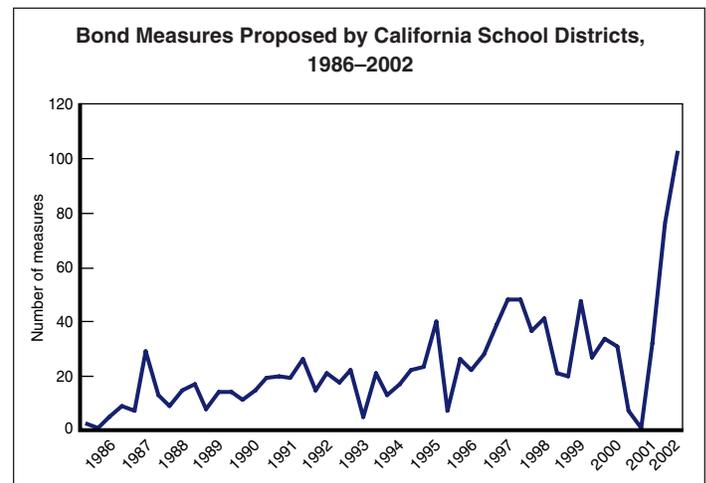
Between 1986 and 2000, California voters were asked to vote on over 2,500 local tax and bond measures. About two-thirds of these measures were for taxes and fees, which passed at a rate of 42 percent. The remaining measures were bond authorization requests, which passed at the slightly higher rate of 48 percent. The authors found that most bond measures were proposed and passed by school districts; other local governments were more likely to propose tax measures. Since 1996, the number of proposed measures has increased, largely because of the rising demand for school infrastructure spending.

Although more local governments have been using the ballot box to raise revenue, most of them have not done so repeatedly. About half of all cities proposed ballot measures to raise revenue, and only one-third passed at least one. A few (especially in the Bay Area) proposed multiple measures, but most requested voter approval for new revenue only occasionally and stopped after one successful election.

Among school districts that proposed a bond measure, most passed only one.

Passage rates for these measures varied according to which services would be funded. Transportation and emergency service measures passed most often, and recreation and park measures passed least often. The number of proposals and passage rates also varied by region. Local governments in the Bay Area and in the state's southern regions proposed revenue measures the most often, and Bay Area measures passed at the highest rate. Proposals for special districts passed at a higher rate than city or county measures—even when they funded the same function.

The number of school bond measures has been climbing since the mid-1980s, but their popularity surged following the passage of Proposition 39 in 2000. In November 2001, voters approved 29 out of 32 school bond measures; in March 2002, 67 out of 76 bond measures passed; and in November 2002, 103 bond measures were proposed and 84 passed (see the figure).



Proposals for school bond measures have risen, especially after the passage of Proposition 39 in 2000. That measure lowered the voter approval threshold from a two-thirds majority to 55 percent.

Which Jurisdictions Have Passed Bonds and Taxes?

In the late 1990s, school districts with high property value assessments raised more money for facility construction than other districts. Moreover, matching programs for state facilities funds exacerbated differences in spending levels across school districts. (Currently, capital expenditures are not subject to equity requirements, but this issue may be raised in current court cases.) With the passage of Proposition 47 in November 2002, voters approved \$13.05 billion in state bond funds for education facilities, making the allocation process an especially timely issue.

Only 55 school districts in California have passed parcel taxes, which raise a given amount of money (usually less than \$200) per property regardless of assessed value. Parcel taxes are passed most often in the Bay Area and by small school districts with high household incomes and assessed values. Districts that passed a parcel tax spent approximately \$600 more per student in 1999–2000 than other school districts; about 60 percent of this difference was directly related to parcel taxes. School districts that passed a parcel tax often approved another measure when the first one expired.

Cities that asked for and implemented new tax measures share several characteristics. Large cities and those in the Bay Area were more likely to ask for and receive voter approval for new tax measures. Before 1978, these cities relied heavily on property taxes to fund local services. They also have relatively high percentages of registered Democrats.

On the revenue side, the authors found that cities with high levels of residential mobility were likely to have higher revenues than other cities. Because Proposition 13 allows full property tax reassessments only when properties change hands, cities with many new residents have higher property tax revenues because assessed values are closer to rising market values.

Analyzing Differences in Passage Rates

The authors also analyzed differences in passage rates by holding some factors constant and comparing others across types of governments, types of taxes, and the purposes to which new revenues would be put. Holding other factors constant, county tax measures pass 32 percent of the time, city measures 40 percent, and special district elections 47 percent. Transportation measures pass 56 percent of the time, whereas park measures succeed an estimated 29 percent of the time. The authors found that, all else equal, hotel taxes and other business taxes pass 56 percent of the time and consumer taxes 36 percent of the time. The authors also found that tax measures are more likely to pass if they are proposed in off-cycle elections, that is, those that do not coincide with state and national contests.

These findings suggest that if popular programs (such as transportation or fire protection) require funding, a dedicated tax is more likely to garner voter support than a general tax, despite the fact that special taxes require a supermajority for approval. However, this approach to local revenue generation may leave certain traditional government services, such as public libraries and parks, with inadequate funding.

This research brief summarizes a report by Kim S. Rueben and Pedro Cerdán, Fiscal Effects of Voter Approval Requirements on Local Governments (2003, 159 pp., \$15.00, ISBN 1-58213-065-5). The report may be ordered by phone at (800) 232-5343 [U.S. mainland] or (415) 291-4400 [Canada, Hawaii, overseas]. A copy of the full text is also available on the Internet (www.ppic.org). The Public Policy Institute of California is a private, nonprofit organization dedicated to independent, objective, nonpartisan research on economic, social, and political issues affecting California.
