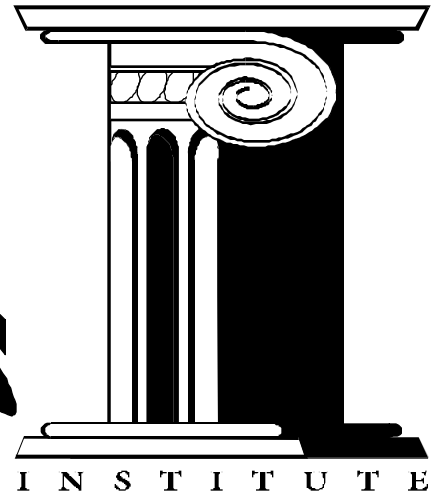


LIMIT



On Power and the Use of Power

Limiting The Government's Power To Tax

by Amy K. Frantz

In April, the Iowa Legislature approved two proposed Constitutional amendments that will make it harder for state government to go into debt or raise taxes. The proposed Constitutional amendments must be approved again in identical form by the next Legislature before being submitted to Iowa voters, likely on the 2000 ballot. If the proposed amendments are approved by a majority of the voters, the amendments will become part of the Constitution of the State of Iowa.

One of the proposed Constitutional amendments limits state government spending to 99 percent of projected tax revenue. In 1992, the Iowa Legislature enacted a general fund expenditure limit, limiting state spending to 99 percent of the Revenue Estimating Conference's forecast of state tax revenue for the next fiscal year plus any surplus exceeding

ten percent. This spending limit law helped eliminate Iowa's \$400 million deficit and build up a budget surplus.

The proposed Constitutional amendment strengthens the resolve to maintain the current statutory limit by placing the spending limit in Iowa's Constitution. Ron Corbett, Speaker of the Iowa House, said, "Limiting our spending to 99 percent [of revenue] has brought us out of a deficit to the strong fiscal position we have today. There is no reason not to make this permanent." While this amendment allows spending to rise as fast as revenue, it will prevent the state from spending more than it takes in and going into debt.

The second proposed Constitutional amendment requires a three-fifths (or supermajority) vote by the members of the Iowa Legislature to increase the state in-

come, sales, or use taxes or to enact a new state tax. If approved by the next Legislature and the voters, Iowa would join the other states that now have a Constitutional supermajority requirement to raise taxes: Arizona, Arkansas, California, Colorado, Delaware, Florida, Louisiana, Mississippi, Missouri, Nevada, Oklahoma, Oregon, and South Dakota.

Opponents of the proposed Constitutional amendments claimed that the restrictions on taxes and spending would force the state to push some responsibilities onto local governments, resulting in dramatic increases in property taxes.

However, U.S. Bureau of the Census data shows that from 1991 to 1994, in the states without a supermajority requirement to raise taxes, the average increase in per capita state and local government property tax revenue was

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LIMITS

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The Citizen Initiative — Popular Democracy for Vermont

by Ethan Allen Institute

What can the ordinary citizen do when the legislature refuses to address a burning issue despite widespread public support?

Or when the legislature passes something so disagreeable that a large number of citizens are certain that the measure would be voted down if only it could be put to a popular vote?

The citizen can write letters to the editor, join an advocacy organization, get involved in a party or campaign, discuss the issue at a town meeting, and nail "No trespassing" signs on trees. The two things the citizen can't do are (a) vote on the issue and (b) force the legislature to vote on this issue.

In at least 21 other states citizens are better off, thanks to a citizen initiative process. In the direct version, typified by California and Oregon, a group of voters can petition a proposal directly onto a statewide ballot. If the voters give the proposal a majority, it becomes law.

In the indirect version, used in Massachusetts and Maine, citizens petition the legislature to act first. The legislature may change the wording before putting the measure out to the voters for final approval.

The citizen initiative has been a powerful tool for popu-

lar government. In Maine, a 1977 initiative overturned the state's fledgling statewide property tax. The following year California's Proposition 13 limited increases in property taxes. In 1996 California voters adopted Proposition 209, which put an end to racial preferences by state government institutions. A number of states have used the initiative to impose term limits on their legislators.

This powerful tool of popular democracy has its critics. The most telling criticism is that ill-informed voters, under the influence of slick, expensive PR blitzes, can adopt as law poorly conceived proposals that would never survive better informed consideration by a legislative body. In addition, it is possible to have more than one incompatible proposal on the same election ballot, leading to conflicting results if more than one proposal is approved. As the Burlington Free Press once put it, the direct initiative amounts to "rule by mob". There is, however, another type of initiative that avoids this criticism. That is the indirect advisory initiative. It gives the voters the power to force the legislature to act on the issue.

The direct initiative can only be achieved through a

constitutional amendment. Such an amendment was proposed by Sen. Vincent Illuzzi (R-Essex Orleans) in 1990.

The indirect advisory initiative requires only a statute. Such a statute has been proposed in several recent Vermont bills dating back to 1989. The 1997 version (H.194) is sponsored by Rep. Gary Richardson (R-Weathersfield) and 13 other Republicans, plus Progressive Rep. Terry Bouricius of Burlington. It has these provisions:

1. Before June 1 of an election year, a citizens' group of at least 25 registered voters may apply to the Secretary of State to place a measure on the general election ballot.

2. The group then proceeds to collect petition signatures from voters equal in number to five percent of those who voted for Governor in the previous election (about 12,000).

3. If the signatures are sufficient to qualify the measure, it is put on the ballot for voter approval.

4. If approved by a majority in the election, the House chosen in that same election is required to vote on the measure within 20 days of convening in the following January. If the proposal, with or without amendment, receives a majority in the House, it is sent to the Senate for similar fast track consideration. Differences between House- and Senate-approved versions are settled through a conference commit-

tee, as with other legislation.

5. The final measure approved by both chambers is sent to the governor for approval or veto.

The legislature might pass

The citizen initiative has been a powerful tool for popular government.

the language of the original proposal, or an amended version, or vote the whole thing down. Each legislator would, however, know the sentiments of his constituents on the issue, which were expressed on the same election ballot on which the legislator was elected. A legislator would obviously vote against their clearly expressed will at his or her own political peril.

Obviously, different people have different subjects in mind for the citizens' initiative. It could be used for such issues as:

§ restoring the death penalty

§ legalizing or prohibiting gay marriage

§ decriminalizing marijuana

§ repealing Act 60

§ repealing the heavy cutting law

§ expanding parental choice in education

Unlike the direct initiative, where voters make law on election day, the indirect advisory initiative gives the legislature ten weeks after election day to deal responsibly with

possible problems. What it does not do is allow legislators to duck the issues the people want them to address.

The citizen initiative, one form or another of which has become a fixture in almost half of the states, has never met with legislative favor in Vermont. Elected officials tend to dislike the initiative of any kind because the direct version places popular limits on their powers, and the indirect version forces them to cast votes on politically dangerous issues. But controversies on any of several current hot issues may well provide the impetus for legislative consideration of a citizen initiative bill. More and more Vermonters seem to believe that the people ought to have a right to, at the very least, force their elected representatives to vote on issues important to them. ○

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Editor's Note: The Vermont State Legislature did not consider H. 194, legislation to establish the indirect advisory initiative, prior to ending its Legislative session on May 21, 1998. The committee considering H. 194 voted 4-4 on this legislation, and it did not advance.

Initiative and Referendum Update

by Amy K. Frantz

A few states voted on initiatives on primary ballots, while others continue the push for the November elections.

ARIZONA

U.S. Representative Matt Salmon of Arizona is serving as chairman of the effort to repeal the Arizona state personal income tax. The STOP (Stop Taxing Our People) Initiative would eliminate the personal income tax on January 1, 2004, allowing five years for State Legislators to phase out the personal income tax. The state's personal income tax has been reduced by about 28 percent since 1993. This Constitutional initiative will ensure the reduction in income tax will continue until Arizona joins the other nine states with no personal income tax.

"The income tax puts a drag on the productivity of our people," said Representative Salmon. "The STOP Initiative gives the people a chance to guarantee that we will stay on [a] prosperous course."

The STOP Initiative must have 169,442 valid signatures of support from registered Arizona voters by July 2, 1998 in order to qualify for the November ballot. Supporters of the initiative are collecting signatures and hope to see the initiative on the ballot this fall.

CALIFORNIA

Nine propositions appeared on the state's primary election ballot on June 2, 1998. Voters approved six of the propositions, including the English for the Children Initiative or Proposition 227. This initiative replaces the state's current bilingual education system with an English immersion program for non-English speaking students. The English immersion program is designed to help non-English speaking students catch up quickly and join their English-speaking classmates sooner.

Voters also approved propositions concerning court consolidation, court oversight, congressional term limits, sentencing for the murder of a peace officer, and the initiative and referendum process.

Among the initiatives rejected by voters was Proposition 226, the California Campaign Reform Initiative or "Paycheck Protection." This initiative would have required labor unions and employers to obtain the written permission of employees before deducting dues from their paychecks to be used for political purposes.

FLORIDA

Initiative supporters in Florida have come together to

promote their ideas in a "Crusade for Freedom." The Crusade is a coalition of supporters of at least ten initiatives who decided to pool their resources and push for voter approval of these initiatives over the next six years.

The goals of the Crusade for Freedom are to restore freedom from crippling over-taxation, freedom to own private property, freedom from mediocre education, freedom from fear of dangerous criminals set free by unaccountable judges, and freedom to change the Florida State Constitution by citizens' initiative.

Initiatives the "crusaders" hope to see on the ballot include three judicial reform initiatives described in earlier *LIMITS* columns, a new citizens' initiative process that will restore the people's right of initiative and limit judicial interference in the process, and initiatives on school vouchers, term limits, property rights, and making prisoners serve 85 percent of their sentence.

MICHIGAN

Michigan voters may see a school choice initiative on a future ballot. Supporters are collecting signatures to place an initiative on the ballot to establish a universal tuition tax credit (UTTC). The UTTC is a

tax credit that may be claimed by any taxpayer — individual or corporate, not just parents of students. The credit applies to Michigan's individual income tax, single business tax, or state education property tax. This proposed initiative is based on a study conducted by Mackinac Center for Public Policy.

NEBRASKA

On May 12, 1998, voters in Nebraska approved ballot measures to create a single-subject rule for all initiatives and referendums. This approval is a setback for supporters of initiative and referendum. The single-subject rule has made it easier for judges to invalidate ballot measures in other states, such as Florida.

OHIO

Voters in Ohio rejected two primary ballot measures on May 5, 1998. State Issue 1 would have allowed the state to sell general obligation bonds to finance school buildings. State Issue 2 called for a one-cent increase in the state sales tax to be used for education and property tax relief. Eighty percent of those voting rejected State Issue 2.

OREGON

In the May 19, 1998 primary, Oregon voters rejected an

attempt to make certain tax increases easier. Measure 53 would have eliminated the requirement for a 50 percent voter turnout in order to raise most property taxes on a non-general-election ballot. Oregon voters approved the 50 percent turnout tax protection, known as the double-majority law, only two years ago.

WASHINGTON

The success of the anti-car-tax campaign in the Virginia gubernatorial election has spurred other states to try to eliminate this tax, including Washington State. The No Car Tax initiative would cut the motor vehicle excise tax in half in 1999 and eliminate the tax in 2000. Supporters of the No Car Tax initiative say it is the largest tax cut proposed in any state this year.

Signature gathering began in March, and supporters have until July 2 to collect the 179,248 signatures required to appear on the November ballot.

Also in Washington, the voters will consider Initiative 200 — the Washington Civil Rights Initiative — this November. Although this initiative received the most signatures in support of an initiative ever collected in the state, the State Legislature did not pass a Civil Rights legislative initiative during its legislative session.

If the voters approve the Washington Civil Rights Initia-

tive this fall, provisions similar to California's Civil Rights Initiative (Proposition 209) will become law in Washington State, but will not be a part of Washington's Constitution. In Washington, provisions adopted through the citizens' initiative process can only be statutory changes; the citizens' initiative cannot be used to change the State Constitution.

Finally, there is a new website on the Internet for persons interested in initiative and referendum. The Direct Democracy Journal website collects information on current initiatives, referendum, and "other acts initiated by the People of the United States."

The Direct Democracy Journal website has information on pending initiatives in the twenty four initiative states plus the District of Columbia, and provides links to individual initiatives that have their own websites. The site also has an essential elements chart that provides details on what it takes to get an initiative on the ballot, such as signature requirements and filing deadlines, and tips for those interested in putting an initiative on the ballot.

The Direct Democracy Journal website can be found at www.directdemocracy.com. o

Amy K. Frantz is a Research Analyst with Public Interest Institute.

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\$106.13. In the states with a supermajority requirement, the average per capita increase was only \$39.75.

A study by Daniel J. Mitchell of The Heritage Foundation looked at the seven

states that adopted a supermajority Constitutional amendment prior to 1992, and thus have lived under a supermajority requirement to raise taxes for some time.

Mitchell found that in states with supermajorities, per capita state spending increased, on average, by 132 percent from 1980 to 1992. In states without

a supermajority, per capita state spending increased by 141 percent. Also, states with a supermajority requirement saw taxes increase from 1980 to 1992, but not by as great an amount as in states without a supermajority requirement to increase taxes. A supermajority requirement will not stop a

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Supermajority Requirements to Raise Taxes

State	Vote Required	Adopted	Type of Provision	Type of Tax
Arizona	2/3	1992	Constitutional	All taxes
Arkansas	3/4	1934	Constitutional	All taxes except sales & alcohol
California	2/3	1979	Constitutional	All taxes
Colorado	2/3	1992	Constitutional	All taxes (1)
Delaware	3/5	1980	Constitutional	All taxes
Florida	3/5	1971	Constitutional	Corporate income tax (2)
Louisiana	2/3	1966	Constitutional	All taxes
Mississippi	3/5	1970	Constitutional	All taxes
Missouri	2/3	1996	Constitutional	All taxes (3)
Nevada	2/3	1996	Constitutional	All taxes
Oklahoma	3/4	1992	Constitutional	All taxes
Oregon	3/5	1996	Constitutional	All taxes
South Dakota	2/3	1978 (4)	Constitutional	All taxes
Washington	2/3	1993	Statutory (5)	All taxes (6)

Source: National Conference of State Legislatures, National Taxpayers Union, & Americans for Tax Reform

¹ Tax increases automatically sunset unless approved by the voters at the next election.

² The Constitution limits the corporate income tax rate to 5 percent; 3/5 vote needed to increase beyond 5 percent.

³ Applies to emergency taxes only. Voter approval is required for taxes that exceed \$50 million or 1% of state revenue, whichever is less.

⁴ The provision adopted in 1978 applied only to sales and income taxes. The Constitution was amended in 1996 to apply the supermajority requirement to include any new taxes or an increase in the existing tax rate or base.

⁵ Washington's is statutory because it was adopted through the initiative process; citizens' initiatives in that state can only change laws, not the State Constitution.

⁶ Tax increases producing revenue that does not exceed the spending limit must be approved by 2/3 legislative vote; tax increases that produce revenue over the limit must be approved by a 2/3 legislative majority and by the voters.

Big Government's Banner Year

by Institute for Policy Innovation

Both parties in Washington have made the appealing claim that “the era of big government is over.” But 1997 statistics released by the Treasury Department reveal that big government is alive and kicking. In three critical areas, big government is bigger than ever.

(1) In 1997, the federal tax bite consumed 19.8 percent of the Gross Domestic Product (GDP). Not since the defense spending during World War II has the government claimed so much of a percentage of GDP, and then at a time when the American economy was leveraged to the hilt to pay for the defense of western civilization.

(2) Further, government employment growth again outpaced private sector job growth, continuing a fifty-year trend. Government employment continues to rise faster than private sector employment despite claims that the size of government is shrinking.

(3) Not only is government employment increasing, but compensation for those workers continues to grow faster than in the private sector. Since 1991, government compensation has increased by 1.4 percent a year after inflation, almost three times the 0.5 percent growth of the private sector. (See Table below).

Who Cares?

Who cares whether government employees make more than private sector employees, or what size chunk the federal government takes out of the economy? Consider the following:

§ The previous postwar high tax bite (19.7 percent) occurred in 1969 and 1981, years that were followed by recessions.

§ President Clinton’s current budget proposal would raise this tax burden to 20.8 percent of GDP.

Further, the larger government is as a share of the economy, the more difficult it becomes to pass significant tax reform. For instance, proponents of the National Sales Tax must face the almost-insurmountable obstacle of 20 percent of the economy that is not taxable through their proposal. The smaller the tax base, the higher the sales tax rate must be in order to make the proposal revenue-neutral.

And finally, just as work must pay more than welfare if we want to move people off the welfare rolls, so must private sector jobs pay more than government jobs if we are serious about shrinking big government. ○

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Average Annual Growth in Hourly Rate of Compensation is compensation divided by hours worked by sector, adjusted for inflation using the GDP deflator. U.S. Department of Commerce, *Survey of Current Business*, Tables 6.2, 6.9, and Summary Table 3.

Trade includes wholesale and retail trade.

Services include finance, real estate, and services.

Average Annual Growth in Hourly Rate of Compensation					
	1951-60	1961-70	1971-80	1981-90	1991-96
Total	2.7%	2.6%	1.3%	1.0%	0.7%
Private Sector	2.7%	2.5%	1.3%	0.8%	0.5%
Manufacturing	3.0%	2.0%	1.6%	0.6%	0.8%
Trade	2.0%	2.2%	1.0%	0.6%	0.0%
Services	2.8%	3.3%	1.4%	2.1%	0.9%
Government	2.5%	3.1%	1.5%	1.8%	1.4%

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state from increasing taxes and spending, but it can make it harder to raise taxes. In the states studied by Mitchell, the states that restrict the ability to raise taxes were more prosperous (average economic growth of 43 percent, compared to 35 percent for states without the supermajority), created more jobs, and incurred less debt.

The U.S. House of Representatives voted on a proposed amendment to the U.S. Constitution to require a two-thirds vote of Congress to raise taxes in April. The proposed Tax Limitation Amendment received 238 votes, but fell short of the two-thirds vote necessary

for a Constitutional amendment to be sent to the states for ratification. All five members of Iowa's House delegation supported the proposed amendment.

Speaker of the House Newt Gingrich has promised the House of Representatives will vote on the proposed amendment each year until it passes.

The Tax Limitation Amendment is a first step toward limiting the amount of your money the government can take from you. A tax limitation amendment will not block all tax increases. But it can prevent tax increases that pass with only a slim majority (such as the 1993 tax increase which was approved by a vote of 51-50 in the Senate and 218-216 in the House) or with the support

of Members of Congress from only one political party.

Representative Joe Barton, sponsor of the Tax Limitation Amendment, writes in *Insight Magazine*, "Four of the last five major tax increases never would have become law under the supermajority requirement." Those tax increases cost Americans \$666 billion. The supermajority requirement would ensure that tax increases have bipartisan support and are truly necessary.

LIMITS will continue to update our readers on the efforts in the state and the nation to limit the government's power to tax. ○

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