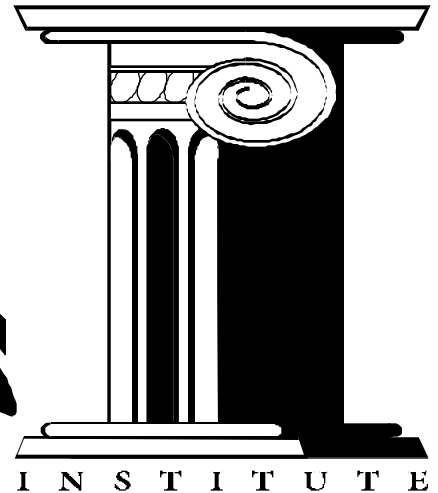


LIMITS



On Power and the Use of Power

Passing Tax Increases the Hard Way

by National Conference of State Legislatures

The recent debate in Washington, D.C. over requiring a three-fifths vote of Congress in order to raise taxes, has re-kindled interest in state supermajority requirements and how they affect state finances.

Twelve states now use supermajority requirements to restrict legislative tax powers. Supermajority requirements are

not tax limitations in the traditional sense, although they can serve to limit the growth of state revenues if they prevent tax increases. Supermajority requirements dictate either a two-thirds, three-fourths, or three-fifths majority vote in both chambers to pass tax increases or new taxes.

The Arkansas Legislature

was the first, in 1934, to require tax increases to be approved by an extraordinary majority.

Arkansas courts have interpreted the supermajority requirement to apply only to taxes on the books when it was adopted, so sales taxes and alcohol excise taxes are exempt from the requirement. Legislatures in Louisiana, Mississippi, and Florida followed with supermajority requirements.

The Louisiana and Mississippi measures apply to all tax increases. The Florida measure applies only to bills that increase the corporate income tax above a constitutional cap of five percent.

Citizens took up the cause in the late 1970s in California and South Dakota, passing initiatives to require supermajority votes. The Delaware General Assembly referred the issue to the ballot and voters passed it in 1980.

LIMITS is our quarterly membership newsletter arriving in March, June, September, and December. It consists of short articles and essays on protection of human rights by limiting the powers of government. If you have an article that you believe is worth sharing, submit it to:

Public Interest Institute
600 North Jackson Street
Mt. Pleasant, IA 52641
319-385-3462
Fax 319-385-3799
E-mail piiatiwc@se-iowa.net

All or a portion of your article may be used.

The views expressed in this publication are those of the authors and not necessarily those of Public Interest Institute. They are brought to you in the interest of a better-informed citizenry.

continued on page 2

continued from page 1

Another wave of supermajority requirement initiatives surfaced in the early 1990s as citizens in at least six states voted on the issue. Measures in Arizona, Colorado, Oklahoma, Oregon, and Washington have passed; a measure in Nevada is still pending. Except for Oregon, all of these recent supermajority requirements are the result of citizen initiatives.

The effectiveness of supermajority requirements in controlling government growth depends upon the make-up of the legislature and on the

state's tax system. In states with one predominant party, the majority party traditionally has enough votes to approve tax increases. In other states, the requirement can be restrictive. Staff from supermajority states report that diligent consensus building by legislative leaders is necessary to gain approval of most tax increases. States with tax systems that fail to provide revenue growth commensurate with economic growth may have trouble coping with such requirements.

The spread of supermajority requirements is probably lim-

ited to the states, mostly in the West, with the voter initiative process. They are just one of a number of "tax revolt" measures that may be favored by anti-tax or anti-government groups, although the recent debate in Congress over supermajority requirements will likely spur a renewed interest in the states. □

Reprinted with permission from National Conference of State Legislatures, from NCSL's July-August 1996 issue of State Legislatures magazine. State Legislatures magazine is copyrighted by National Conference of State Legislatures.

Supermajority Requirements for Raising Taxes				
State	Adopted	Referendum or Voter Initiative	Legislative Majority Required	Applies To
Arizona	1992	I	2/3	All taxes
Arkansas	1934	R	3/4	All taxes except sales and alcohol
California	1979	I	2/3	All taxes
Colorado	1992	I	2/3	All taxes*
Delaware	1980	R	3/5	All taxes
Florida	1971	R	3/5	Corporate income tax**
Louisiana	1966	R	2/3	All taxes
Mississippi	1970	R	3/5	All taxes
Oklahoma	1992	I	3/4	All taxes
Oregon	1996	R	3/5	All taxes
South Dakota	1978	I	2/3	Sales and income tax
Washington	1993	I	2/3	All taxes***

Source: NCSL survey of state fiscal officers, May 1996

Voter approval of a supermajority requirement is pending in Nevada.

- * Tax increases automatically sunset unless approved by the voters at the next election.
- ** The constitution limits the corporate income tax rate to 5 percent; 3/5 vote needed to increase beyond 5 percent.
- *** 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 2/3 legislative majority and by the voters.

On the Road to Devolution

by Amy K. Frantz

Earlier this year, I attended Heritage Foundation's Resource Bank Meeting. This annual gathering of conservative think tanks, public interest groups, state and local government officials, and other organizations addressed the issue of devolution — returning many powers and duties of the federal government to the states and to the people.

Many speakers shared their ideas and the steps they have taken in various cities and states to remove the federal government's unwanted interference.

Daniel Denning, Executive Director of American Legislative Exchange Council, spoke for devolving power to state and local governments, because the government that is closest to the people is the most efficient, effective, and economical.

An example of successfully overcoming the federal government's command and control policies was related by Becky Norton Dunlop, Secretary of Natural Resources for the state of Virginia. For many years, Virginia has had an auto emissions testing program, requiring vehicle owners to pass an annual emissions inspection. This testing is done at one of 385 privately-owned service stations participating in the emissions program.

After passage of the 1990 Clean Air Act, the U.S. Envi-

ronmental Protection Agency (EPA) mandated Virginia to establish a centralized emissions testing program, in which the state would build and run ten or twelve garages used only for administering emissions tests. The state argued that requiring the owners of Northern Virginia's 600,000 vehicles to drive to one of ten sites, and likely idle their vehicles in long lines, would create more pollution, not less. The EPA refused to budge, and the state of Virginia sued to maintain its decentralized system administered by private service stations.

Finally, after the 1994 election gave control of the U.S. House of Representatives and the U.S. Senate to Republicans, the EPA backed down and allowed Virginia to keep its emissions testing system.

Mayor Stephen Goldsmith of Indianapolis believes that returning federal or state power to local government is not enough. All governments should let citizens and taxpayers make decisions that are in their own best interests.

Mayor Goldsmith discussed his efforts to inject competition into many services provided by that city. The fundamental duties of a city, Mayor Goldsmith said, are to provide good streets and a working sewer system and fight crime. Many cities fail to fulfill these responsibilities, and blame the failure

on having too few social programs.

Instead, the Mayor advocates concentrating on those responsibilities, and contracting out as many other services as possible. Mayor Goldsmith has achieved some success despite the resistance from bureaucrats and others reluctant to change. The City of Indianapolis has saved \$240 million through competition for city services, and has reduced its non-public-safety workforce by 40 percent.

Another speaker, Professor Stephen Calabresi of Northwestern School of Law, discussed the threat our national courts pose to states' powers. One example he cited is the Supreme Court's striking down of term limits set by the states. Professor Calabresi described the Constitutional Court of Germany, the members of which are partially appointed on the state level, making the German Court more sympathetic to states' powers than is the U.S. Supreme Court.

Other speakers highlighted successful private programs established to take the place of one-size-fits-all, over-regulated government programs. Steve Mariotti, President of National Foundation for Teaching Entrepreneurship (NFTE), began a program to teach inner-city children how to start and run their own business. His

continued on page 4

continued from page 3

program includes hands-on business experience for inner-city children, and is completely funded by private corporations. While not every individual who participates in the NFTE program starts a business, participants learn skills and values necessary to be successful in the workplace.

Another successful program is Kids Hope USA, which teams church volunteers with at-risk youth. Executive Director Virgil Gulker began Kids Hope to provide church members with more opportuni-

ties to become involved in their community. Each volunteer meets with the same student at the school for one hour per week throughout the school year. Approval by the school and the parents is required before the volunteers begin meeting with the children.

Volunteers are often able to form a bond of friendship with the child and provide the attention he or she would not receive at home.

Programs such as Kids Hope and NFTE demonstrate that people are not waiting for

the government to solve their problems; they are working to solve problems on their own.

The Resource Bank Meeting highlighted many successful examples of returning government's powers and duties to the people, and allowing individuals to try to solve problems instead of the government. But these success stories are too few. More work must be done to limit the power of government in our daily lives. □

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

Toward A Civil Society

by Lawrence W. Reed

“Taxation,” said Oliver Wendell Holmes, “is the price we pay for civilization.” But a much better case can be made that taxation is actually the price we pay for the *lack* of civilization. If people took better care of themselves, their families, and those in need around them, government would shrink and society would be stronger as a result.

Economist Mark Skousen put it well when he stated recently, “[E]very time we pass another law or regulation, every time we raise taxes, every time we go to war, we are admitting failure of individuals to govern themselves. When we persuade citizens to do the right thing, we can claim victory. But when we force people to do the right thing, we have failed.”

The triumph of persuasion over force, people helping people because they *want* to and not because government tells them they *have* to, is the sign of a civilized people and a civil society, Skousen argues.

For all the people interested in the advancement and enrichment of our culture, this is a crucial observation with far-reaching implications. Cultural progress should not be defined as taking more and more of what other people have earned and spending it on “good” things through a government bureaucracy. Genuine cultural progress occurs when individuals solve problems without resorting to politicians or the police and bureaucrats they employ.

When the French social

commentator Alexis de Tocqueville visited a young, bustling America in the 1830s, he cited the vibrancy of civil society as one of this country’s greatest assets. He was amazed that Americans were constantly forming “associations” to advance the arts, build libraries and hospitals, and meet social needs of every kind.

If something good needed doing, it rarely occurred to our ancestors to expect politicians and bureaucrats, who were distant in both space and spirit, to do it for them.

“Amongst the laws which rule human nature,” wrote de Tocqueville in *Democracy in America*, “there is none which seems to be more precise and clear than all others. If men are to remain civilized, or to be-

come more so, the art of associating together must grow and improve...”

It ought to be obvious today, with government at all levels consuming a whopping 41 percent of personal income, that many Americans don’t think, act, and vote the way their forebears did in de Tocqueville’s day. So how can we restore and strengthen the attitudes and institutions that formed the foundation of American civil society?

Certainly, we can never do so by blindly embracing government programs that crowd out private initiatives or by impugning the motives of those who raise legitimate questions about those government programs. We cannot restore civil society if we have no confidence in ourselves and believe that government has a monopoly on compassion. We’ll never get there if we tax away 41 percent of people’s earnings and then, like children who never learned their arithmetic, complain that people can’t afford to meet certain needs.

We can advance civil society only when people get serious about replacing government programs with private initiative, when discussion gets beyond such infantile reasoning as, “If you want to cut government subsidies for Meals on Wheels, you must be in favor of starving the elderly.”

Civil society will blossom when we understand that

“hiring” the expensive middleman of government is not the best way to “do good,” that it often breaks the connection between people in need and caring people who want to help. We’ll make progress when the “government is the answer” cure is recognized for what it is — false charity, a cop-out, a simplistic non-answer that doesn’t get the job done well, even though it makes its advocates smug with self-righteous satisfaction.

Restoring civil society won’t be easy. Bad habits and short-term thinking die hard. Example: When the Mackinac Center for Public Policy recently suggested a modest 7.5 percent reduction in the state of Michigan’s \$28 billion budget, one newspaper editorial saw utterly no redeeming value to the recommendations. It equated the restoration of civil society with subjecting human life “to the largess of the highest bidder in the marketplace.” There was little substance, but a lot of breast beating in the editorial. The message was, “We’re more humane and generous than the Mackinac Center because we want government to solve our problems.” A newspaper that sometimes laments the superficiality of political campaigns can’t get past bumper sticker slogans when it comes to serious proposals with which it disagrees.

Meanwhile, thoughtful writers are noticing encourag-

ing trends in the country. An article in the January 29, 1996, issue of *U.S. News & World Report* trumpeted the “revival of civic life.” Among the examples it cited was that of Frankford, Pennsylvania. Frankford had become a highly taxed, depressed, and government-dependent community desperate for answers. A spark of civil society was lit, and now people are solving problems themselves. They’re not sitting back, bemoaning their plight, and editorializing about how the politicians should save them. “Once you get past the resentment of the government not doing it for you, you get it done yourself,” said a local resident.

We can learn a whole lot more from the Frankfords of the world than from those who think charity means spending someone else’s money or just pontificating about social needs from behind a word processor. Restoring civil society requires that we “Just Say No” to shirking our personal and local responsibilities and expecting Lansing or Washington to do it for us. It requires us to think creatively about stimulating private initiative, and then just *doing it*. ☐

Reprinted with permission from Lawrence W. Reed, President of Mackinac Center for Public Policy, a research and educational organization based in Midland, Michigan. Mr. Reed's article appears in the July 8, 1996 issue of Mackinac Center's VIEWPOINT ON PUBLIC ISSUES.

And You Thought April 15 Was Bad!

by Institute for Policy Innovation

Cost of Government Day is the day of the year, counting from January 1, on which the average American has earned enough in gross income to pay off all his or her direct and hidden taxes (total federal, state, and local government spending plus the costs of regulation). Through their annual Cost of Government Day event, Americans for Tax Reform (ATR) reminds us that April 15 is simply the day we file our taxes. By accounting for the total burden of government on the individual worker,

Cost of Government Day is a much more helpful index of how burdensome and intrusive government at all levels has become.

A July 3rd Cost of Government Day means that this year, the average American spends 184.6 days working for the government, and only 181.4 days working for himself and his family. Amazingly, when you account for the total burden of government, *the average American spends more time working for the government than for himself.*

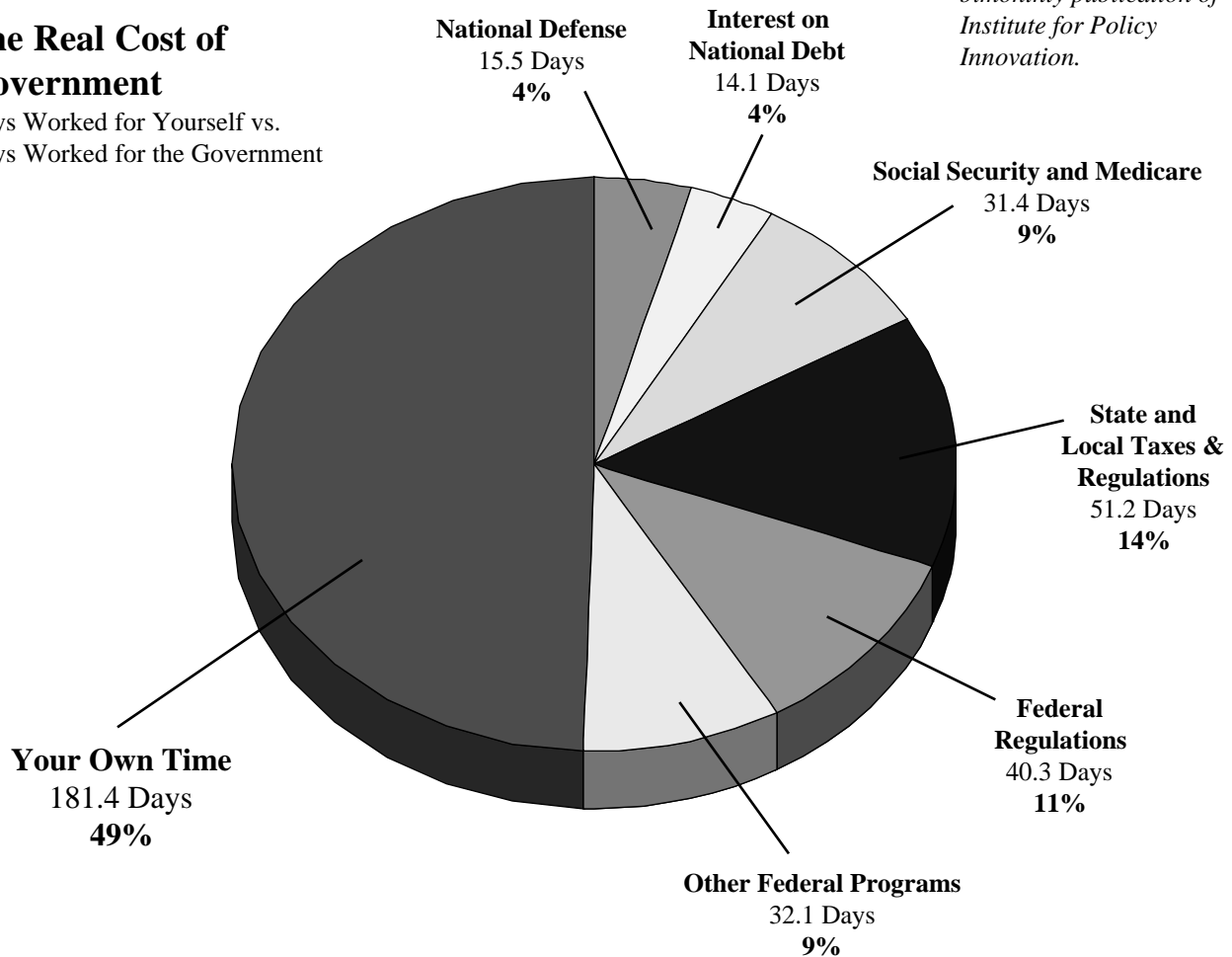
No wonder it seems so difficult to save for retirement, children's education expenses, and financial emergencies. We're all carrying an enormous expense in our household budget that we don't even think about.

The chart below shows the breakdown of the Cost of Government Day calculations. Notice especially how sizeable the cost of regulations, at the federal, state, and local levels, has become. □

Reprinted with permission from IPI INSIGHTS, a bimonthly publication of Institute for Policy Innovation.

The Real Cost of Government

Days Worked for Yourself vs. Days Worked for the Government



What's Happening In The States

by Amy K. Frantz

Several states have secured a place on the November ballot for tax and spending limitation amendments or are collecting signatures for future ballots. Some of those states, and the limits that will be before their voters, are:

- In Nevada, the Gibbons Tax Restraint Initiative will be on the November 5, 1996 ballot. Former Nevada Assemblyman Jim Gibbons attempted to enact a tax limitation statute during his service in the State Legislature. Having failed, Mr. Gibbons has taken his case to the people of Nevada.

Under the Initiative, a two-thirds vote in both houses of the Legislature is required to increase any tax, fee, assessment, or rate or any other form of public revenue. Alternatively, the Legislature may adopt a tax increase with a simple majority, but the measure will not become law unless ratified by the voters in the next election.

The Gibbons Tax Restraint Initiative was approved by Nevada voters in the 1994 general election, receiving 80% of the vote. Changes in the Nevada Constitution must be approved by voters in two consecutive elections. Due to its overwhelming support in 1994, it is likely the Initiative will become part of the state's Constitution following the vote this fall.

- The Florida Supreme Court ruled in May that the Florida Tax Cap Committee's Tax Limitation Constitutional Amendment will appear on the November ballot as Proposition One. The Tax Limitation Amendment prohibits a new state tax or fee from being added to the State Constitution unless the proposed amendment is approved by two-thirds of the voters. Currently, a proposed Constitutional amendment need only receive a simple majority of the vote for approval. The tax limitation is retroactive to any new state tax or fee imposed on or after November 8, 1994.

The Florida Tax Cap Committee says the supermajority vote requirement is necessary to protect against the imposition of a state income tax. The Committee is concerned about the promotion of a state income tax by some Florida politicians and special interest groups.

- California voters will be considering the Right to Vote on Taxes Act. If approved, it will amend the California Constitution to provide tax limitation protection for local taxpayers. The Right to Vote on Taxes Act requires any new local tax to be approved by the voters. A new assessment on property owners must be approved by a majority vote of property owners. The amend-

ment also limits the use of fees and charges imposed on property owners.

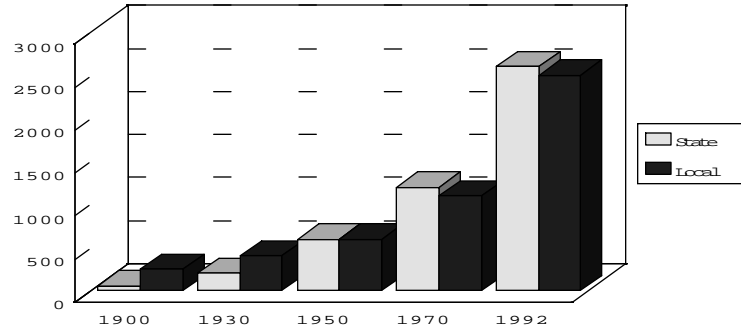
In July, the California Secretary of State officially certified the Right to Vote on Taxes Act for the November 5, 1996 ballot. The Alliance of California Taxpayers and Involved Voters, the Howard Jarvis Taxpayers Association, and other interested groups collected over one million signatures. If approved, this Constitutional amendment will take effect on November 6, 1996.

- In 1992, Arizona voters approved a two-thirds majority requirement for tax increases by the State Legislature. The supermajority requirement has been successful. Since the passage of the two-thirds requirement, the Arizona State Legislature has not enacted a tax increase.

Due to concerns about politicians and special interest groups circumventing the State Legislature and putting a tax increase on the ballot by initiative, where only a simple majority vote is required to increase taxes, Arizona citizens plan to put an initiative on a future ballot to require a two-thirds popular vote to increase taxes. Groups are collecting signatures, and are targeting the 1998 ballot. □

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

Facts on the Growth of Government Per Capita State and Local Spending: 1900-1992



It's not just federal spending that's out-of-control. State and local governments have been on the big-government growth track right along with the Feds. And while state and local governments rightly complain that some of their spending is a result of unfunded mandates from Washington, state and local discretionary spending has been growing at a furious pace: From 1982 to 1992, state budgets climbed from \$300 billion to \$450 billion — a 50% real increase.

- California spent \$4 million a year for a Board of Cosmetology and \$3 million for an Iceberg Lettuce Commission.

- North Carolina's ratio of teachers to non-teaching education employees fell from two-to-one to one-to-one.

- Fairfax County, Virginia built a palatial \$100 million government center, complete with granite floors imported from Finland, glass elevators, and a \$30,000 conference table made from rare imported mahogany.

It's yet another testament to the truth of supply-side economics: If you ensure an abundant supply of tax dollars, government will find a way to use it. □

Reprinted with permission from IPI INSIGHTS, a bimonthly publication of Institute for Policy Innovation.

LIMITS
September 1996
Volume 1, Number 3

Executive Director
Dr. Don Racheter

LIMITS is published by Public Interest Institute at Iowa Wesleyan College, a nonpartisan, nonprofit, research and educational institute whose activities are supported by contributions from private individuals, corporations, companies, and foundations. The Institute does **not** accept government grants.

Contributions are tax-deductible under sections 501(c)(3) and 170 of the Internal Revenue Code.

Permission to reprint in whole or part is granted, provided a version of this credit line is used: "Reprinted by permission from LIMITS, a quarterly newsletter of Public Interest Institute."

We invite you to call us at 319-385-3462, fax to 319-385-3799, E-mail piiatiwc@se-iowa.net, or write us at our address below.

Copyright © 1996

**Public Interest Institute
at Iowa Wesleyan College
600 North Jackson Street
Mt. Pleasant, IA 52641**