

**“FISCAL EFFECTS OF THE VOTER INITIATIVE: EVIDENCE FROM
THE LAST 30 YEARS”****Executive Summary**

Initiatives and referendums are playing an increasing role in political decisionmaking. Twenty-four states now allow citizens to propose and approve laws directly without recourse to their elected representatives. Initiatives are setting the political agenda at the state level and even the national level with issues such as immigration, affirmative action, medical marijuana, and physician-assisted suicide. Both conservative and liberal groups continue to view direct legislation as an attractive way to push their agendas when the legislature is not responsive to their interests.

Yet direct democracy remains controversial. Critics view it as a subversion of the representative government established by the founding fathers, while advocates argue that it is a natural evolution of democracy in light of our highly educated population, and technological developments that allow easy dissemination of information to every citizen. A few prominent initiatives loom large in the public mind, such as California’s tax cutting Proposition 13. But up to now, there has been little available in the way of broad statistical evidence.

The attached article is the first large scale statistical study of the effects of the voter initiative in the United States. The study examined state and local fiscal policies from 1960 to 1990. When the budgetary numbers were compared for states that allow voter initiative and states that do not, several clear patterns emerged.

- Initiatives led to significantly lower spending and taxes. Per capita spending, for example, was about \$83 per capita lower in a typical initiative state than a typical non-initiative state, which translates into \$332 less expenditure (and hence taxes and fees) for a family of four. Compared to the average level of state and local spending, \$2300 per capita, initiatives caused a reduction of 4 percent.
- Initiatives led states to decentralize spending decisions. Local spending was 10 percent higher in initiative states than non-initiative states, while state spending was 12 percent lower. Thus, voters used initiatives to force spending decisions to be made closer to home.
- Initiatives led states to adopt a less redistributive revenue system. In initiative states, broad-based taxes (primarily on property, income, and sales) were 8 percent lower than in non-initiative states, while fees for services (such as college tuition) were 7 percent higher. Initiative states charged users for services they received instead passing the costs on to other taxpayers.

Spending and tax decisions depend on more than just whether or not initiatives are available in a state. Such things as the income of a state, its need for new infrastructure to meet a growing population, and so on are important. The statistical procedure employed controlled for all these

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factors, specifically, income, population density, population growth, urbanization, mineral wealth, aid from the federal government, and the state’s region.

The study also checked whether the initiative was responsible for the fiscal differences, or whether voters in initiative states were just intrinsically more conservative. Data from Gallup polls and CBS News/*New York Times* polls were used to compare the ideology of citizens in initiative and non-initiative states. There was no difference on average.

The period from 1960 to 1990 covers the high point of the big government era and the rise of the taxpayer rebellion. The evidence analyzed provides the first broad statistical overview of the consequences of voter initiatives for tax and spending policies. Taken together, the findings show that voter initiatives are not the most important factor determining state fiscal policies, but they do make a difference. Voters have used the initiative to cut back the size of their state governments and put a break on redistribution. Whether this is good or bad depends on what one thinks is the optimal role of government.

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