By Popular Demand:

How Citizen-Driven Ballot Measures Have Shaped Tax Policy for the Better

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As policymakers attempt to peer into the future and predict the direction of tax and spending limitation in the next century, they would do well to focus on the successes of the past. This year marks the 100th Anniversary of the introduction in the United States of Initiative and Referendum (I&R) – the process that allows citizens to submit binding laws of their own (Initiative) or of the legislature's (Referendum) to a vote of the people.

Academics and politicians have debated the utility and the impact of I&R for years, but from a tax and spending policy perspective the evidence is clear. With I&R, citizens have created an innovative, effective array of procedural restraints on the growth of state and local government that have even awakened the federal political establishment. Without I&R, citizens almost certainly would be laboring under a more oppressive and unaccountable fiscal regime than they do today.

I&R and the Tax Revolt: Twins at Birth

From the Boston Tea Party to the Whiskey Rebellion to the repeal of Lincoln's "War Tax," American history is replete with tax *rebellions* brought on by political and economic factors peculiar to those times. But the Tax *Revolt* – the ongoing political movement for limited government – is a more recent phenomenon that could not have sustained itself without institutional mechanisms. Chief among these mechanisms was the rise of Initiative and Referendum.

The Initiative and Referendum process now exists in varying degrees in 24 states, as well as thousands of localities (see Appendix 1 for details). In addition, 3 states allow citizens to refer only legislative measures to a vote.* Most political observers trace the catalyst behind the rise of I&R to the Progressive and Populist movements of the late 19th and early 20th Centuries. And from its beginning, I&R attracted tax reform advocates of all ideological persuasions who were concerned that the elected establishment was unresponsive to their cause.

In the 1880s Oregon activist William S. U'Ren became convinced of I&R's utility in enacting philosopher Henry George's "Single Tax" on land speculation and unearned income:

> I forgot, for [a] time, all about Henry George and the Single Tax. The one important thing was to restore the lawmaking power where it belonged – in the hands of the people. Once give us that, we could get anything we wanted – single tax, anything. [1]

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Part of George's proposal lives on at the local level, in the form of a "land-value tax" to replace conventional property taxes. But much to the detriment of taxpayers at all levels, taxes on earned and unearned income became a reality, primarily through legislative action. Since the imposition of the federal income tax alone in 1913, receipts at that level have soared 175,000 percent.[2] States have followed suit.

For this reason, many modern I&R efforts have centered upon the fiscally conservative notions of tax reduction and limitation. Indeed, analysts on both ends of the spectrum acknowledge I&R's profound impact on the modern Tax Revolt. According to James Ring Adams, I&R is responsible for the "Third Wave" of this movement:

> This experiment in direct democracy made little difference in fiscal affairs at first, but the means were at hand. In the Great Depression, Midwestern voters used the ballot to cut their property tax rates. In the course of the economic catastrophe, voters in some twenty states adopted one form or another of constitutional tax limits. But it remained for our day to discover the full potential of the initiative.[3]

Populist political commentator Pat McGuigan went so far as to suggest that the Tax Revolt owes its continued existence to I&R:

> [T]he reality is that the most frequent subject of significant ballot propositions since 1978 has been one or another aspect of taxing and spending. No other "issue cluster" – not utilities, not the environment, not even the nuclear freeze – has faced such popular scrutiny more often. Win or lose, the tax … movement has, in most states, been deciding the bounds of political debate on tax and fiscal policy. The tax revolt "lives" as long as supporters of tax and spending reduction or limitation are able to force – in a competitive political environment – popular votes … on their proposals.[4]

Taxpayers Act – and React – Through I&R

By historical consensus, I&R and the grassroots Tax Revolt have had an inseparable relationship. Yet, many of these same historians tend to emphasize I&R as a tool citizens use to react to decisions of elected officials. They portray tax rollback movements and referenda on legislative tax hikes as the most important upshot of I&R. These analyses overlook I&R's equally, if not more, critical role in the development of effective, pro-active constraints on the future growth of government.

Presently 27 states have some form of "Tax and Expenditure Limitation" (TEL), a catch-all phrase that describes any law intended to limit government revenues or spending (see Appendix 2 for details).[5] But this innocuous term conceals the truth that without Initiative and Referendum, TELs would almost certainly have been dismissed as a worthless legislative fad long ago. I&R has enabled Tax and Expenditure Limitations to succeed for four key reasons:

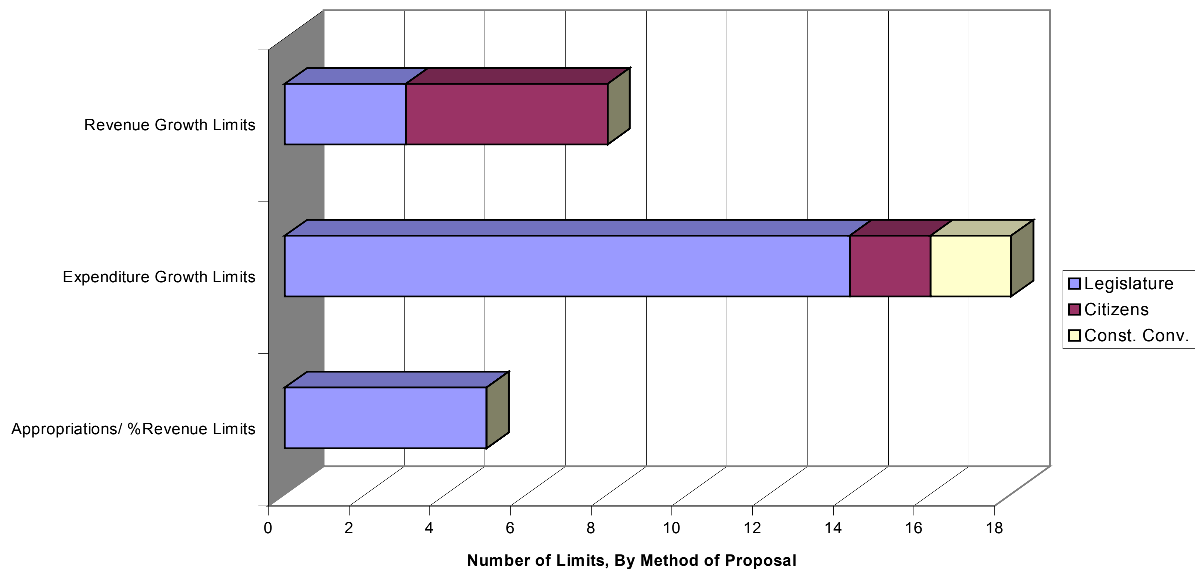
<u>1) TELs proposed through Initiative and Referendum are more permanent.</u>

Of the 30 TELs operating in the 27 states (some states have more than one such law), 17 are constitutional and 13 are statutory. Virtually any constitutional provision will stand the test of time longer than a statute, because Constitutions typically require extraordinary procedures to amend them. Most other laws can be altered or repealed by a simple majority vote of the legislature. Nearly two-thirds of all citizen-initiated TELs are constitutional (excluding Washington state, which only allows statutory initiatives, that figure would rise to four-fifths). However, less than half of all legislatively-proposed TELs are constitutional.

2) TELs proposed through Initiative and Referendum are stricter.

Even the National Conference of State Legislatures (NCSL), not one of direct democracy's biggest boosters, acknowledged that "[g]enerally citizen initiated limits are more restrictive."[6] But how can such a statement be quantified? One way is to use NCSL's own definitions of what constitutes a strong TEL. The results of this analysis are depicted in the table below.

Table 1. Origins of TELs in the States, as of 1997
(By Descending Order of Restrictiveness)



Probably the weakest TELs are those that limit appropriations to a percentage of revenue estimates. By NCSL's reasoning, they "[do] not establish an absolute limit or tie growth to any measurable index."[7] None of these TELs, currently existing in five states, were initiated by citizens. All were proposed by state legislatures.

According to NCSL, laws that curtail expenditure growth to some economic measure (such as inflation or personal income growth) are somewhat more restrictive.[8] Of the 17 TELs that generally focus on expenditure growth, just 1 was proposed by voter initiative

and 2 were proposed through a constitutional convention. The remaining 14 originated in the legislatures.

TELs that limit revenue growth instead of (or in addition to) expenditures are, in NCSL's opinion, more stringent in their operation.[9] Of the 8 TELS that tend to focus on revenue growth, 5 were proposed through I&R and 3 were launched by legislatures.

Thus, as the restrictiveness of TELs increases, so does the likelihood that the measures were initiated by the voters rather than lawmakers.

<u>3) Other tax limits proposed through Initiative and Referendum are simpler and broader-based.</u>

One key area that the preceding methodology did not address is the rise of legislative "supermajority" or voter approval requirements in order to increase taxes. These laws are concerned less with a *defined limit* on the growth of government itself and more with a *procedural constraint* on measures that affect the growth of government. As this publication went to press, voters in 15 states had enacted such constraints* (see Appendix 3 for details).[10] Of these, 7 were proposed by citizens and 8 were proposed by legislatures.

But this ratio does not reveal the depth of I&R's contribution to the quality and quantity of supermajority and voter approval requirements. For example, Arkansas' legislatively-imposed supermajority law only pertains to certain kinds of taxes. Florida's first supermajority law only applied to increases in the corporate income tax rate, but a citizen initiative later changed the requirement to 2/3 voter approval for all new constitutionally-imposed taxes (such as a state income tax).

Furthermore, I&R provided the catalyst for the recent explosion of voter approval and supermajority measures at the state level. Prior to 1978, only 4 such laws could be found in state constitutions, all of which were proposed by the legislature. Since 1978, 11 such laws have been added to the books, only 3 of which were proposed by the legislature.

Finally, the 8 citizen-initiated measures adopted since 1978 are by far the most sweeping – 4 require legislative supermajorities of 2/3 or 3/4 to raise taxes, while the remainder stipulate such supermajorities <u>or</u> voter approval for higher taxes. The typical legislatively-proposed constraint has a supermajority requirement of 3/5 or 2/3, and only 1 – Missouri's – has ever mandated voter approval for even some types of tax hikes.

<u>4) TELs and other tax limits proposed by Initiative and Referendum deliver on the relief they promise.</u>

Some initial studies of the effectiveness of TELs have concluded that these measures had either a limited or no impact on restraining taxes and spending.[11]

Ironically, the statistical evidence supporting these claims crumble to dust if only citizen-proposed TELs, supermajority requirements, and voter approval safeguards are examined.

In his landmark 1994 study, Dean Stansel analyzed ten years of economic performance in 18 states that had adopted TELs.[12] Stansel reached a different conclusion from some of his predecessors when he found that the five-year growth rate of per-capita state spending in TEL states fell from 0.8 percentage points *above* the national average to 2.9 percentage points *below* the average after enactment.

However, Stansel found that the "swing" in states with voter-initiated and –referred TELs was much stronger: from 6.5 points *above* the national average to 2.2 points *below* average over the periods studied. In contrast, states with legislatively- initiated and approved TELs saw a *rise* in per capita state spending – from 2.1 points below the U.S. average to 0.5 points below average. Stansel did not compare these results to the remaining TELs that were proposed in the legislatures but referred to the citizens.

Economic measurements such as these aren't easy to translate, but the bottom line is quite simple: most citizen-initiated TELs brought the growth of government under control, while many legislatively-crafted TELs may actually have encouraged government growth. In fact, I&R is almost exclusively responsible for creating and enabling the most effective TELs. As Stansel aptly observed:

> TELs that originate in the legislature, since they are written by politicians – the very people whose behavior they are intended to restrain – tend to be more vague, less restrictive, and more easily circumvented. In contrast, those originating with the voters usually have more teeth. …The ideal TEL would originate with and be approved by the voters, where possible, rather than the legislature.[13]

Since the publication of Stansel's study, the benefits of limits proposed through I&R have only grown stronger. As Table 2 indicates, in the three states that have most recently enacted citizen-initiated voter approval requirements, the four-year percentage change in personal income has been above or near the U.S. average.

Table 2. Personal Income Growth
Colorado, Oklahoma, Washington vs. U.S. Average

	Personal Income - 1993	Personal Income - 1997	Percentage Change
Colorado	$22,109	$27,015	22.2%
Oklahoma	$17,422	$20,214	16.0%
Washington	$22,018	$26,412	20.0%
United States	$21,220	$25,298	19.2%

Source: U.S. Department of Commerce, Bureau of Economic Analysis

No analysis of this kind would be complete without mentioning that some state I&R provisions make it extremely difficult to qualify and pass fiscal restraint laws. Utah

and Wyoming, for example, have had virtually no ballot activity due to burdensome petitioning requirements. Illinois' Supreme Court has effectively ruled that citizens cannot initiate proposals on tax policy. Other courts in Arkansas and Florida have attempted to curtail tax-related initiatives. Washington State and Idaho allow citizens to propose statutory, but not constitutional, laws. Alaska, Maine, and Wyoming require legislative review on top of a statutory limitation.[14]

Due to these restrictions, the practical "universe" of I&R states available to would-be tax limitation advocates is somewhat smaller than the official tally of 27 states. Pending legislative action to either adopt I&R elsewhere or make existing I&R provisions more accessible to citizens, the present legal and political climate would only afford the opportunity to add perhaps five I&R states to the roster of those requiring voter approval or legislative "supermajorities" for tax hikes. These observations are reflected in the table appearing on page 7.

Table 3. Potential for Additional Voter Approval /Supermajority Laws, under Existing Initiative and Referendum Provisions

States with Some Form of I&R	States with I&R and Voter Approval/ Supermajority Laws	States with Weak I&R Laws or Rulings	States where Constitutional Citizen-Initiated Tax Limits Are Most Feasible
Alaska Arizona Arkansas California Colorado Florida Idaho Illinois Kentucky Maine Maryland Massachusetts Michigan Mississippi Missouri Montana Nebraska Nevada New Mexico North Dakota Ohio Oklahoma Oregon South Dakota Utah Washington Wyoming	Arizona Arkansas California Colorado Florida Mississippi Missouri Montana Nevada Oklahoma Oregon South Dakota Washington	Kentucky Maryland New Mexico (Allow citizen Referenda only; no Initiatives) Alaska Maine Wyoming (Allow statutory initiatives only; "indirect" method requires prior submission to legislature) Idaho Utah (Statutory only; high signature requirement) Illinois (Court ruling severely restricts initiative subjects)	Massachusetts Michigan Nebraska North Dakota Ohio

Although this paper is premised on the notion that I&R greatly enhances the opportunity for tax limits, these findings should not automatically discourage citizens in non-I&R states from pursuing limits of their own. In some instances, persistence on the part of well-organized grassroots citizen groups has prevailed upon lawmakers to enact certain fiscal safeguards.

For example, Iowa activists have successfully convinced the State Legislature to pass two Constitutional Amendments to limit state debt and prevent runaway taxes. Under Iowa law, voters must approve these Amendments before they become part of the Constitution (an election was scheduled for June 29, 1999).

In addition, the Minnesota House of Representatives recently adopted a Constitutional Amendment to require a 60 percent vote of the Legislature in order to increase taxes. The Senate had not voted at the time this paper was printing.

Nonetheless, most activists in non-I&R states would probably attest to the difficulty of their tasks, relative to those of citizens in states with strong I&R provisions. Iowa's current debt and tax protection effort required years of work from a coalition spearheaded by Iowans for Tax Relief, a 51,000-member organization that, relative to the state's population of 2.85 million, is proportionally the largest state taxpayer group in the nation. The following section provides additional evidence on this point.

Case Studies: I&R Makes a Practical Difference

While a large number of Americans may be able to identify popular initiatives like California's Proposition 13 or Colorado's Amendment 1, few appreciate the dynamics of I&R in the political process as a whole. Several historical examples are appropriate.

California: The Citizens Awaken

Many recognize the Golden State as the birthplace of the modern Tax Revolt with the adoption of Proposition 13 in 1978. The measure cut property taxes from 2.5 percent of market value and capped the actual rate at just 1 percent. Additionally, it required a 2/3 legislative "supermajority" to increase other state taxes.

While some explain Proposition 13's success as a natural public reaction to rising property values (and therefore taxes), failure of elected representatives to address the problem had a more important role. As far back as 1968, the political establishment sought to derail or delay significant tax relief. That year, the Legislature placed a measure of its own on the ballot to compete with Proposition 9, a citizen-initiated proposal that would have functioned much like the property tax lid in Proposition 13. The Legislature's proposal was modest in comparison, offering a per-home exemption of $750 of assessed value from property taxes. Proposition 9 was defeated, and the Legislature's alternative was adopted.

But just five years later, property taxes were skyrocketing again. Local governments crowed to residents about lower property tax rates, yet failed to acknowledge that the assessments to which the rates applied had doubled or tripled. By 1977, the State Legislature got into the act, squandering a year's worth of debate over various tax relief proposals to no avail. All the while, the state's budget surplus soared, rendering absurd all the claims from public officials that a property tax cut was "unaffordable."

It took lawmakers and Governor Jerry Brown until March of 1978 – three months after Proposition 13 had qualified for the ballot – to place a weaker substitute, Proposition 8, on the election slate. But the hand-wringing did not end there. Proposition 13's opponents predicted the loss of 451,000 jobs and a 2.8 percent jump in unemployment if the measure passed. A Sacramento City Council member warned, "most counties will face such drastic staff cutbacks that efficient administration of welfare programs at the local level will be impossible."

But voters would not be fooled this time. Proposition 13 prevailed, according to California political economist Alvin Rabushka, because the citizen-drafted measure was clearly better:

> Although the [Legislature's] plan might have lowered tax rates, future assessment increases could still have increased property taxes. Future tax rate reductions under [Proposition] 8 need have occurred only when assessed values exceeded the complicated local government revenue limit. Under [Proposition] 13, assessment increases were limited to 2 percent per year so long as a house was not sold. Thirteen offered much greater assurance to property owners about their future property taxes. …Virtually the entire Legislature championed 8 over 13. [15]

In light of Rabushka's observation, overburdened Californians ought to ponder how bad their plight might have been without I&R.

In an exhaustive study of 32 years of economic data, William Craig Stubblebine found that real per capita personal income grew faster in California after Proposition 13 than before it. All of this private sector growth occurred even as government revenues as a share of personal income rose by 0.6% annually.[13] The *San Jose Mercury*, whose editorial pages railed against Proposition 13, admitted a year after passage that "Armageddon is not exactly upon us." Napa County's Administrator, who jumped on the anti-13 bandwagon, conceded that "In all my years I have never been so embarrassed as by such tactics [as those used against Proposition 13]. They were blatant and dishonest."[14]

Using I&R, citizens who were derided as "amateur legislators" broke the economic and political gridlock that the so-called "professionals" couldn't.

<u>Colorado: Splitting the Difference</u>

This state's experience clearly illustrates the difference in opinion between lawmakers and citizens over what constitutes a stringent Tax and Expenditure Limitation. In 1977,

the state legislature adopted a statutory limit, then regarded as novel, on general fund appropriations. Intended to allay citizens' concerns over budget growth during a time of state economic expansion, the law restricted state appropriations increases to 7 percent, relative to state general fund appropriations in the prior year.

But much to the dismay of taxpayers – and the indifference of most public officials – state and local government mushroomed, during Colorado's economic booms *and* busts. From 1979-90, property tax revenue increased 151 percent, two and one-half times faster than inflation. From 1981-1990, income tax revenues outpaced the growth in personal incomes by a similar margin. Meanwhile, state and local debt was skyrocketing, up 180% during 1980-87.

Amidst this concern, activists attempted on three separate occasions to qualify and pass an initiative known as the Taxpayer Bill of Rights (TABOR). While successive versions of TABOR contained refinements, the measure basically stipulated that voter approval would be required for any state or local expenditures of revenue above and beyond inflation and population growth. Although the initiative's proponents failed to win at the polls in 1986, 1988, and 1990, their margin of defeat became smaller.

Faced with the possibility that TABOR proponents might succeed by the next election, in 1991 the Legislature passed a new statutory expenditure limit. As in California, the Colorado political establishment's solution was comparatively tame. The law limited annual increases in state general fund appropriations to 6 percent of the previous year's level or 5 percent of total state personal income for the two previous years, whichever is less. Undaunted, activists pressed on with the TABOR measure, which had qualified for the November 1992 ballot as Amendment 1.

Public officials, from the Governor down to county Sheriffs, wildly predicted that fiscal and economic calamity would descend upon the state if Amendment 1 passed. One investment banker went so far as to predict that the measure could increase chances for the Pope's assassination during a planned visit to the city of Denver. But the voters ignored the rhetoric and adopted the tax limit. And to date, according to State Treasurer (now Governor) Bill Owens (R), not a single one of the far-fetched doom scenarios has come true:

> [T]he Pope came and went – successfully and without any threat to his person. Crime has dropped, our economy is booming, while the credit ratings for most public debt have actually improved. …Colorado's economy has improved more in the past four years than at any time since World War II; tax revenues have surged as the leveling off of taxes has led to new business investment; job growth has surpassed the national average every year since 1992 and unemployment has fallen to 2% below that of the rest of the country.[16]

Opponents of Amendment 1 have likewise come to appreciate its unique impact on the fiscal policy process. In 1993, Governor Roy Romer (D) admitted that passage to him meant "two things: 'We want you to run a leaner government' and 'we want to participate'. With a message like that, clearly we need some outreach that, hopefully, will close the gap between citizens and the government." Romer's Director of State Planning

and Budgeting agreed, and observed "…Amendment 1 came along, and it seemed like the right time to go out and retest our assumptions about the people's order of values."[15] It is difficult to imagine any legislatively-imposed limit inducing such reactions.

For residents of other states that allow I&R, Amendment 1 has provided another boon: along with Oklahoma's Question 640, it has become a model for limiting government growth that has helped to touch off the next wave of the post-Proposition 13 tax revolt. Activists in Florida, Nevada, Washington – and in November 1998, Montana – have successfully employed the concept of voter approval for higher taxes in their own ballot measures.

Connecticut: A Revolt Quelled

Other equally important lessons about I&R can be learned from a state that does *not* offer the process to citizens.

In 1990, former Republican Senator Lowell Weicker was elected Governor of Connecticut as an Independent. He clearly stressed during his campaign that he wasn't "for" a state income tax, yet as Governor he vetoed three budgets without one. This was a crucial pledge, since Connecticut had long served as a haven from the oppressive tax structures of New York and later New Jersey.

By August of 1991, Weicker had smashed his explicit promise to the voters and forced the State Legislature to pass that which he insisted he wasn't "for" – a budget that created a 4.5% income tax. The move touched off widespread anger among citizens, culminating in an October rally in Hartford attended by 65,000 residents. However, without the right to initiate a repeal measure, or even to force a referendum on the new law, citizens could only demand that elected officials reconsider their action.

Even with this massive expression of discontent, the income tax remained in place, and Connecticut became one of the few states to experience a net drop in its population. Using the political establishment's preferred response – the threat of "just vote them out" – popular pressure helped convince Governor Weicker to decline candidacy for re-election in 1994. His successor John Rowland (R) pledged to eliminate the income tax once elected, but so far has only managed reductions. Nutmeg State residents had to work until May 26th last year just to pay their combined tax bills – the latest in the nation.

For their part, state lawmakers reacted to the protest by adopting and referring to the voters a Constitutional Amendment that limited state appropriations increases to the growth of "personal income" or "inflation", whichever is greater. Although voters approved the change by an 80 percent margin, the measure required the Legislature to define "personal income" and "inflation" before it could take effect.

Predictably, this was not done, and the law has been ignored. Without the chance to compel the Legislature's obedience through an initiative, citizens were left to sue the state for enforcement. Their case languished, as activists were forced to consume

precious resources simply to obtain the legal standing to be heard in court. The state, of course, used tax dollars to argue its own position.

Citizen-initiated tax and expenditure limits like Colorado's Amendment 1 were specifically drafted to give any individual taxpayer the legal standing to sue in order to enforce provisions that politicians would prefer to ignore.[17] Unfortunately, taxpayers in Connecticut – the "Constitution State" -- are at the mercy of their so-called "representative government."

Oklahoma: Sooner or Later, Relief

The Sooner State's experience with Initiative and Referendum demonstrates that the letters "I&R" are most effective when used together.

Despite an average tax burden that was 14th-highest in the nation, in 1990 Oklahoma public officials decided they needed even higher taxes. The Legislature and Governor adopted an "education reform package" that also increased sales and income taxes by more than $400 million. Using I&R, citizens successfully petitioned for a referendum on the law, which was held in October of 1991. Pro-taxpayer forces encountered every obstacle in their campaign, including a 15 to 1 spending disadvantage and a bombing of the campaign's headquarters. Citizens voted against repeal of the tax hikes by a 54-46 percent margin.

But rather than walking away, activists used I&R to petition for a second proposal, this time one of their own drafting. State Question 640, as the measure became known, would subject all state tax increases to a ¾ legislative "supermajority" vote or a majority vote of the people for approval. In March of 1992, faced with a similarly determined opposition, Question 640 supporters carried the day -- ironically by the same 54-46 percent margin that had earlier defeated them.

In states that only allow initiated referenda, citizens are confined to merely reacting to what elected officials have done. But with the initiative, citizens can, in the words of Oklahoma activist Dan Brown, "take back the government we once owned."[18]

This paper has generally confined its analysis to the importance of I&R in establishing effective across-the-board fiscal limits. However, I&R has also proven to be a powerful deterrent to other moves to inflate government. Oregon voters, for example, have rejected nine separate attempts to permit the state to levy a sales tax.[19] Because of the state's I&R provisions, the Legislature effectively must submit such a sweeping proposal to the voters, or risk a citizen-mounted referendum or initiative drive.

Conclusion: A Power to be Wielded and Cherished

Arguably the Initiative and Referendum has contributed more to fiscal restraint than any other procedural device or substantive action. Tax rate reductions on the federal level, amounting to trillions of dollars since World War II, have been swallowed up by

subsequent increases. Statutory budget process reforms at all levels have proven porous indeed against the pressures to spend more.

Federal constitutional amendments to require a balanced budget and limit taxes would certainly provide greater aggregate protection for taxpayers than any state or local limits, but such proposals require Congressional approval or passage by a limited Convention called by 2/3 of the states before they can be ratified. Even so, the concepts behind those federal reforms owe their genesis to state and local tax and expenditure limits, the strongest of which were implemented through I&R.

Conversely, taxpayers should reflect upon how much bigger government would be without I&R. Toothless tax caps and spineless spending lids would be the norm, and citizens would be forced to compete with rent-seeking special interests for the attention of legislators. Political promises to restrain taxes and spending would be largely dependent on the will of those making the pledges – a weak link at best. States that would normally allow citizens to set tax limits would no longer provide an incentive to neighboring high-tax states to do the same.

But most important of all, the socio-political phenomenon known as "grassroots activism" would be much more limited than it is today, if not non-existent. Thousands of citizens, discouraged by fighting a distant Congress with control over trillions of dollars in taxes, have found that they can fight City Hall as well as the State Capitol – by using I&R. This process has given at least some Americans a choice between meaningless elections and outright revolution, ironically providing the very kind of political stability that critics say I&R seeks to upset.

As Initiative and Referendum enters its second century of use in the United States, citizens should embrace and nurture this invaluable process. It has transformed the "Tax Revolt" from a passing fancy to a permanent fixture in American politics.

Appendix 1. States with Initiative and Referendum					
States where some form of initiative or Popular Referendum is available	**Date process was adopted**	**Type of process available**		**Type of Initiative process available**	
		Initiative	**Popular Referendum**	**Constitutional Amendment**	**Statute**
Alaska	1959	X	X	O	X
Arizona	1912	X	X	X	X
Arkansas	1909	X	X	X	X
California	1911/66	X	X	X	X
Colorado	1912	X	X	X	X
Florida	1972	X	O	X	O
Idaho	1912	X	X	O	X
Illinois	1970	X	O	X	O
Kentucky	1910	O	X	O	O
Maine	1908	X	X	O	X
Maryland	1915	O	X	O	O
Massachusetts	1918	X	X	X	X
Michigan	1908	X	X	X	X
Mississippi	1992	X	O	X	O
Missouri	1906	X	X	X	X
Montana	1904/72	X	X	X	X
Nebraska	1912	X	X	X	X
Nevada	1904	X	X	X	X
New Mexico	1910	O	X	O	O
North Dakota	1914	X	X	X	X
Ohio	1912	X	X	X	X
Oklahoma	1907	X	X	X	X
Oregon	1902	X	X	X	X
South Dakota	1898/72/88	X	X	X	X
Utah	1900/17	X	X	O	X
Washington	1912	X	X	O	X
Wyoming	1968	X	X	O	X
Totals	***27 states***	***24 states***	***24 states***	***18 states***	***21 states***
Source: Initiative and Referendum Institute, 1998.					

Appendix 2. State Tax and Expenditure Limitations (TELs)				
State	**Adopted**	**Constitutional or Statutory**	**Limit Applies to**	**Nature of Limit**
Alaska	1982	Constitutional	Appropriations	Growth and population and inflation
Arizona	1978	Constitutional	Appropriations	7.23 percent of personal income
California	1979	Constitutional	Appropriations	Personal income growth and population
Colorado	1991	Statutory	Appropriations	General fund appropriations limited to 6% of prior year's appropriations
	1992	Constitutional	Expenditures and Revenue	Spending limited to growth of population and inflation, tax increases require voter approval
Connecticut	1992	Constitutional	Appropriations	Greater of personal income growth or inflation
Delaware	1978	Constitutional	Appropriations	98% of estimated revenue
Florida	1994	Constitutional	Revenue	5 year average personal income growth
Hawaii	1978	Constitutional	Appropriations	3 year average personal income growth

Idaho	1980	Statutory	Appropriations	5.33 percent of personal income
Iowa	1992	Statutory	Appropriations	99% of adjusted general fund receipts
Louisiana	1979	Statutory	Revenue	Ratio to personal income in 1979
	1993	Constitutional	Appropriations	Per capita personal income growth
Massachusetts	1986	Statutory	Revenue	Growth of wages and salaries
Michigan	1978	Constitutional	Revenue	9.49% of prior year's personal income
Mississippi	1982	Statutory	Appropriations	98% of projected revenues
Missouri	1980	Constitutional	Revenue	5.64% of prior year's personal income
	1996	Constitutional	Revenue	Voter approval required for tax increase over $50 million or 1% of state revenues
Montana	1981	Statutory	Appropriations	Personal income growth
Nevada	1979	Statutory	Expenditures	Growth of population and inflation
New Jersey	1990	Statutory	Appropriations	Personal income growth
North Carolina	1991	Statutory	Appropriations	7% of state personal income
Oklahoma	1985	Constitutional	Appropriations	12 percent adjusted for inflation; 95% of certified revenue
Oregon	1979	Statutory	Appropriations	Personal income growth
Rhode Island	1992	Constitutional	Appropriations	98% of projected revenue
South Carolina	1980,1984	Constitutional	Appropriations	Personal income growth
Tennessee	1978	Constitutional	Appropriations	Personal income growth
Texas	1978	Constitutional	Appropriations	Personal income growth
Utah	1988	Statutory	Appropriations	Growth in population and inflation
Washington	1993	Statutory	Expenditures and Revenue	Growth in population and inflation; tax increases beyond limit need voter approval
Source: NCSL Survey of Legislative Fiscal Officers, April 1996.				

Appendix 3. State Supermajority/Voter Approval Tax Limits

State	Vote Requirement (Each House)	Description/History
Arkansas	3/4 elected	Required only for taxes levied since 1934. (Primarily sales and alcohol beverage taxes.)
Arizona	2/3 elected	Constitutional requirement adopted in 1992. (Citizen Initiative.)
California	2/3 elected	Constitutional requirement adopted in 1978. (Citizen Initiative.)
Colorado	2/3 elected (Temporary emergency taxes only; otherwise voter approval required.)	Constitutional requirement adopted in 1992. (Citizen Initiative.)
Delaware	3/5 elected	Constitutional requirement adopted in 1980.
Florida	3/5 elected 2/3 of voters voting in election	Applies only to changes in corporate income tax, which was adopted in 1971. Applies only to taxes proposed by constitutional amendment. (Citizen Initiative, 1996.)
Louisiana	2/3 elected	
Mississippi	2/3 elected	
Missouri	2/3 elected (Emergency taxes only.)	Voter approval required for taxes that exceed $50 million or 1% of state revenues, whichever is less. (Referred by Legislature, Constitutional amendment adopted in 1996.)
Montana*	3/4 elected (Temporary emergency taxes only; otherwise voter approval required.)	Constitutional Requirement adopted in 1998. (Citizen Initiative.)
Nevada	2/3 elected or voter approval	Constitutional requirement adopted in 1996. (Citizen Initiative.)

Oklahoma	3/4 elected or voter approval	Constitutional requirement adopted in 1992. (Citizen Initiative.)
Oregon	3/5 elected	Constitutional requirement adopted in 1996. (Referral by Legislature.)
South Dakota	2/3 elected	Required to enact new tax or increase existing tax rate or base. Adopted in 1978, amended to apply to new taxes in 1996. (Citizen Initiative 1978, Legislative Referral 1996.)
Washington	2/3 or voter approval	Tax increases that raise revenue under the expenditure limit require 2/3 vote. Revenue over the limit requires voter approval. (Citizen Initiative, 1993.)
* At press time the State Supreme Court had invalidated this measure; proponents were considering a federal appeal. Source: National Taxpayers Union staff research.		

[1]George Norris, *Fighting Liberal: The Autobiography of George W. Norris* (New York: MacMillan, 1961), cited in Thomas Cronin, *Direct Democracy* (Cambridge: Harvard University Press, 1989).
[2] Author's calculations from Office of Management and Budget, *Budget of the United States Government FY 1999: Historical Tables* (Washington, DC: GPO, 1998), and U.S. Department of Commerce, Bureau of the Census, *Historical Statistics of the United States: Colonial Times to 1970* (Washington, DC: GPO, 1975).
[3] James Ring Adams, *Secrets of the Tax Revolt*, (San Diego: Harcourt, Brace, Jovanovich, 1984).
[4] Patrick McGuigan, *The Politics of Direct Democracy in the 1980s* (Washington, DC: Free Congress Research and Education Foundation, 1985).
[5] Factual information on TELs was acquired primarily through results of an April 1996 Survey of State Fiscal Officers by the National Conference of State Legislatures, as well as U.S. Advisory Commission on Intergovernmental Relations, *Significant Features of Fiscal Federalism* (Washington, DC: ACIR, 1994). Supplemental information was compiled by the author in connection with "Grassroots," a regular feature on state and local tax activities appearing in NTU Foundation's newsletter *Capital Ideas.*
[6] Mandy Rafool, *State Tax and Expenditure Limits*, Legislative Finance Paper Number 104, (Denver: National Conference of State Legislatures, November 1996).
[7] Ibid.; analysis following each definition is the author's, not NCSL's.
[8] Ibid.
[9] Ibid.
[10] See note 5.
[11] See as examples Dale Bails, "The Effectiveness of Tax-Expenditure Limitations: A Re-Evaluation," *American Journal of Economics and Sociology*, April 1990, Karen Benker and Daphne Kenyon, "Fiscal Discipline: Lessons from the State Experience," *National Tax Journal*, September 1984, and Marcia Howard, "State Tax and Expenditure Limitations: There Is No Story," *Public Budgeting and Finance*, Summer 1989.
[12] See Dean Stansel, *Taming Leviathan: Are Tax and Spending Limits the Answer?*, Policy Analysis Number 213 (Washington, DC: Cato Institute, July 1994).
[13] Ibid.
[14] Information compiled by the Initiative and Referendum Institute (see page 1), and from the author's research in connection with "Grassroots," a regular feature on state and local tax activities appearing in NTU Foundation's newsletter *Capital Ideas*.
[15] Alvin Rabushka, *The Tax Revolt*, (Stanford, CA: Hoover Press, 1982). Additional information for this section was compiled from David Magleby, *Direct Legislation* (Baltimore: Johns Hopkins University Press, 1984), as well as the author's personal research archives.
[16] William Craig Stubblebine, "If Proposition 13 Ain't Broke, What Needs Fixing?", *State Tax Notes*, January 17, 1994.
[17] Cited in Alvin Rabushka, *The Tax Revolt*.
[18] Bill Owens, "Amendment 1 Has Proved Its Worth," *Rocky Mountain News*, December 16, 1996. Additional information for this section was compiled from the author's personal research archives as well as the National Conference of State Legislatures (see note 6).

[19] Washington Post, February 20, 1993, p. A4.
[20] See Stephen Moore and Dean Stansel, "The Great Tax Revolt of 1994," *Reason*, October 1994. Additional information for this section was provided by Robert Heghman, Esq., Counsel for the Federation of Connecticut Taxpayer Organizations, in correspondence with the author, Summer of 1998, and the Tax Foundation.
[21] Quoted in Peter J. Sepp, "Taxpayers Answer Call to Action," *Dollars and Sense*, November 1991. Additional information for this section was provided by Peter J. Sepp, "Hail Victory!," *Dollars and Sense*, March 1992, and by Suzanne Seixas, "Fed Up and Fighting Back," *Money*, January 1991.
[22] See Kenneth Silber, "Voters Take Control of Taxes," *Insight*, January 3, 1994.