

## POLICY NOTE

# Citizens' Guide to Initiative 1464, to direct taxpayer funding to private political campaigns

By Jason Mercier,  
Director of WPC's Center for Government Reform

October 2016

### Key Findings

- Initiative 1464 repeals the current state ban on directing tax dollars to private political campaigns
- Initiative 1464 is based on a new law passed by Seattle voters in 2015
- The tax-funded voucher provisions of the Seattle law, however, do not take effect until 2017, making evaluation of its real-world impact premature
- According to the state's Office of Financial Management (OFM), Initiative 1464 would cost approximately \$171.5 million over the next six years
- Unlike most previous ballot measures, Initiative 1464 does provide its own funding source by repealing the nonresident sales tax exemption
- This sales tax exemption, however, has been recommended for continuation by the Joint Legislative Audit and Review Committee (JLARC) to help Washington's border communities
- Funding for Initiative 1464's requirements will ultimately come out of the general fund, at the expense of funding public education and other state programs.

### Introduction

In November the people of Washington will vote on Initiative 1464. The proposal is based on a new law passed by Seattle voters in 2015. Comprising 23 pages and 37 sections, Initiative 1464 is a very complex proposal covering many aspects of campaign finance. Starting in 2018, Initiative 1464 would allow eligible individuals to direct up to three taxpayer-financed \$50 contributions (available until public funds are exhausted) to "qualified" political candidates for their political campaigns. The official explanatory statement prepared by the Attorney General's Office notes that Initiative 1464 "would repeal the law that currently prohibits using state funds for political campaigns."<sup>1</sup>

### The experience of tax-funded campaigns nationally

According to the National Conference of State Legislatures (NCSL) there are currently five states (Arizona, Connecticut, Hawaii, Maine and Minnesota) that provide some type of matching public funds for legislative races, but none provide taxpayer directed vouchers as proposed by Initiative 1464. Describing why public funding of campaigns is not common practice across the country NCSL says: "States cannot require candidates to use public financing programs, and the financial advantages of private fundraising frequently prompt candidates to opt out of public financing programs, which often include expenditure limits for participants."<sup>2</sup>

### Estimated fiscal impact

According to the state's Office of Financial Management (OFM), Initiative 1464 would cost approximately \$171.5 million over the next six years.<sup>3</sup> Unlike most previous ballot measures, Initiative 1464 does provide its own funding source by repealing the nonresident sales tax exemption. This sales tax exemption, however, has been recommended for continuation by the Joint Legislative Audit and Review Committee (JLARC).

---

1 "Voters' Guide – Initiative 1464 Explanatory Statement," Washington State Secretary of State's Office website, accessed September 1, 2016, at <https://weiapplets.sos.wa.gov/MyVoteOLVR/onlinevotersguide/Measures?language=en&electionId=63&countyCode=xx#ososTop>.

2 "Overview of State Laws on Public Financing," National Conference of State Legislatures website, at <http://www.ncsl.org/research/elections-and-campaigns/public-financing-of-campaigns-overview.aspx>.

3 "Fiscal Impact Statement for Initiative 1464," Washington Office of Financial Management website, August 2017, page 1, at <http://www.ofm.wa.gov/ballot/2016/Initiative1464FIS.pdf>



**Jason Mercier** is the Director of the Center for Government Reform at Washington Policy Center and is based in the Tri-Cities. He serves on the boards of the Washington Coalition for Open Government and Candidate Verification, and was an advisor to the 2002 Washington State Tax Structure Committee. Jason is an ex-officio for the Tri-City Regional Chamber of Commerce. He worked with lawmakers in 2008 to create the state's renowned budget transparency website [www.fiscal.wa.gov](http://www.fiscal.wa.gov) and has been a champion for many of the state's important budget reform tools including the 4yr balanced budget requirement adopted in 2012. In 2010, former Governor Gregoire appointed Jason as WPC's representative on her Fiscal Responsibility and Reform Panel. He has testified numerous times before legislative committees on government reform issues, and his op-eds regularly appear in newspapers around the state, including *The Seattle Times* and *Tri-City Herald*. Jason also provides a regular "Eye on Olympia" TV update for KVEW (ABC Tri-Cities) and can be heard frequently on the state's radio stations including on KOMO and KIRO.

*Washington Policy Center is an independent research organization in Washington state. Nothing here should be construed as an attempt to aid or hinder the passage of any legislation before any legislative body.*

Published by  
Washington Policy Center  
© 2016

**washingtonpolicy.org**  
**206-937-9691**

Discussing why it is recommending the sales tax exemption be continued JLARC analysts said: "Continuing the preference will continue to support Washington retail establishments by removing the disincentive for nonresidents from no or low sales tax locations to purchase goods in Washington."<sup>4</sup>

Given the potential for lost retail sales from nonresidents no longer crossing the border to shop in the state, this may mean significant funding for Initiative 1464's requirements will come from Washington taxpayers out of the general fund, at the expense of funding public education and other state programs.

## Conclusion

Among those speaking out against Initiative 1464 due to the proposed use of tax dollars for political campaigns are former State Auditor Brian Sonntag, former Attorney Generals Slade Gorton and Rob McKenna and former Secretary of State Sam Reed.<sup>5</sup> Many Washingtonians may also be strongly opposed to the forced political speech of having their tax dollars go to support the political campaigns of candidates that they oppose.

An alternative approach is for improved campaign finance transparency, as recommended by former Secretary of State Sam Reed. Since Initiative 1464 is based on a Seattle program that has not taken full effect yet, it would be prudent to wait to see if this new approach is more effective than the experience of prior national and state taxpayer-funded campaign laws, before adopting a similar policy statewide.

*This publication is a summary of a 10 page study on I-1464. To access the full study, go to [www.washingtonpolicy.org](http://www.washingtonpolicy.org)*

- 
- 4 "2011 Tax Preference Performance Reviews – Report 12-2," Washington Joint Legislative Audit and Review Committee, January 11, 2012, page 231, at <http://leg.wa.gov/jlarc/AuditAndStudyReports/Documents/12-2.pdf>.
  - 5 "Voters' Guide – Initiative 1464 Arguments For and Against," Washington State Secretary of State's Office website, accessed September 1, 2016, at <https://weiapplets.sos.wa.gov/MyVoteOLVR/onlinevoters-guide/Measures?language=en&electionId=63&countyCode=xx#ososTop>.