

Citizens' Guide to Spokane's Proposition 2 *Supermajority Requirement to Raise Taxes*

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Key Findings

1. Proposition 2 asks Spokane voters to enact a reasonable taxpayer protection policy at the city level.
2. The charter change would increase from four to five the number of votes on the city council needed to raise taxes.
3. In the absence of five votes, Spokane's council could ask voters for simple majority approval of tax hike.
4. Spokane voters have approved a state-level supermajority requirement to raise taxes five times before.
5. Spokane's city charter already contains other supermajority requirements.
6. Proposition 2 allows citizens to clearly frame the city's budget debate.

On February 12, Spokane voters will decide whether a taxpayer safeguard voters have already approved at the state level should apply to the city of Spokane.

Spokane's Proposition 2 asks voters to raise the number of city council votes that councilmembers need to increase the financial burden on taxpayers from four to five of the council's seven members. The ballot measure¹ says:

This proposition will amend the Spokane City Charter by adding a new section to require that after March 1, 2013, any "new councilmanic tax" as defined in Ordinance No. C-34950, may be levied or increased only by a majority plus one vote of the City Council, as set forth in Ordinance No. C-34950.

Should this measure be enacted into law?

Yes

No

"New councilmanic tax" means any tax the city has the authority to levy but has not levied, or any increase in current tax rates.

A "yes" vote on Proposition 2 would be a reasonable policy decision by voters, and would send a strong message they want elected officials to find efficiencies and consensus before raising taxes. Historically, a higher vote threshold has required a greater discussion with citizens about tax increases and budgeting priorities.

Background

The Spokane City Council has the authority to impose a number of taxes, including those on property, utility, sales, and business and occupation (B&O). The city does not currently collect a B&O tax, but it does charge business license fees.

Under Proposition 2, any increase in existing taxes, or the creation of a city B&O tax, would require five votes on the city council. While the business license fee would be subject to the supermajority requirement, most of the city's other fees would not.

¹ City of Spokane Proposition 2, ballot language provided by Spokane County Elections Office.

What is the difference between a tax and a fee? The table following explains how the state's Department of Revenue² defines the two.

	<u>Tax</u>	<u>Fee</u>
Purpose	To raise revenue	To regulate for public welfare or to charge as a user fee
Application	Applied uniformly in the taxing district	Applied to persons receiving services or for the cost of off-setting the regulatory burden incurred by the fee payer
Use of funds	General use, for public benefit	Specific use and directly related to the regulatory purpose

The supermajority vote requirement would not apply to water rates, but it would apply to the taxes the city charges on those rates. Taxes on water bills, for example, make up one of the city's largest revenue sources.

Perhaps most felt in the community, the city's yearly 1% property tax hike would be subject to the higher vote requirement. In November 2012, Spokane's city council nearly approved a 1% property tax increase. It ultimately failed by a 3-4 vote. Had the supermajority requirement been in place, it would have needed two additional votes to pass.³

In lieu of a supermajority on the council, Spokane's lawmakers could still send voters a proposal to raise taxes which would simply need a majority in a citywide election in order to pass.

Supermajorities Are a Basic Part of Our Democracy

Opponents of Proposition 2 say supermajority vote requirements are undemocratic. Supermajority requirements, however, are a routine part of democratic systems. They exist at the federal, state and local levels.

Washington state's constitution contains more than 20 supermajority requirements.⁴ The most recent was added in 2007, when Democratic Senate Majority Leader Lisa Brown of Spokane and Republican Senator Joseph Zarelli of Ridgefield (Clark County) presented voters with Senate Joint Resolution 8206, requiring a three-fifths vote of the legislature to spend money from the Budget Stabilization Account.⁵ Other examples of supermajority requirements in the state constitution⁶ include:

- A two-thirds vote of the legislature to convene a special session of the legislature

² Tax or fee? By Jason Mercier, Washington Policy Center, available online at www.washingtonpolicy.org/blog/post/it-tax-or-fee.

³ "Divided council approves budget," by Jonathan Brunt, *The Spokesman-Review*, available online at www.spokesman.com/stories/2012/dec/11/divided-council-approves-budget/.

⁴ Supermajorities are a basic part of our democracy, by Jason Mercier, Washington Policy Center, available online at www.washingtonpolicy.org/publications/legislative/supermajority-vote-requirements-are-basic-part-washingtons-democracy.

⁵ Citizens Guide to SJR 8206, by Jason Mercier, Washington Policy Center, available online at [www.washingtonpolicy.org/sites/default/files/PN2007-18%20\(Rainy%20Day%20Budget%20Reserve\).pdf](http://www.washingtonpolicy.org/sites/default/files/PN2007-18%20(Rainy%20Day%20Budget%20Reserve).pdf).

⁶ Constitution of the State of Washington, available online at www.leg.wa.gov/LAWSANDAGENCYRULES/Pages/constitution.aspx.

- A 60% vote of the legislature or a 60% vote of the people to approve a lottery
- A two-thirds vote of the legislature to consider a newly introduced bill within ten days of final adjournment
- A two-thirds vote of the legislature to override a governor's veto
- A two-thirds vote of the people to relocate the state capitol

Supermajority requirements are also common in Spokane's basic charter, the governing document of the city.⁷ Supermajority council votes are needed to:

- Override the mayor's veto
- Adopt emergency budget ordinances
- Place the recall of an elected official on the ballot
- Override a popular vote of the people after three years

The U.S. Constitution contains several supermajority vote provisions, including the approval of foreign treaties, overriding a presidential veto, impeaching a public official and approving changes to the constitution.

The framers of Spokane's city charter, the Washington Constitution and the U.S. Constitution did not believe supermajority requirements were unfair or undemocratic. In fact, they placed them throughout those documents, believing a higher level of agreement was needed for certain public actions. In fact, legislators have often changed their own rules and adopted higher vote requirements.

By approving a supermajority requirement for tax increases, the people of Spokane would simply be stating a policy preference that they want a higher level of agreement before councilmembers increase the financial burden the city places on citizens.

Local Support for State's Supermajority Requirement

Citizens of the city of Spokane have a long history of supporting supermajority requirements for tax increases at the state level. By overwhelming majorities, Spokane voters approved the higher state threshold in 1993, 1998, 2007, 2010 and 2012.

The most recent version, statewide Initiative 1185, passed in the city of Spokane with almost 70% of the vote. The approval was nearly unanimous among city and county precincts.

2012 – Initiative 1185 – Supermajority Vote Requirement for the Legislature to Raise Taxes (Spokane County Results)

Yes – 151,147 (70.1%)

No – 64,338 (29.9%)

Pierce County Adopts Requirement

State legislative leaders are trying to shift more costs to cities and to increase their citizens' financial burden to pay for them. Doing so at the local level,

⁷ City of Spokane – City Charter, available online at www.spokanecity.org/services/documents/charter/.

where supermajority requirements are not in place, would appear to make tax increases easier.

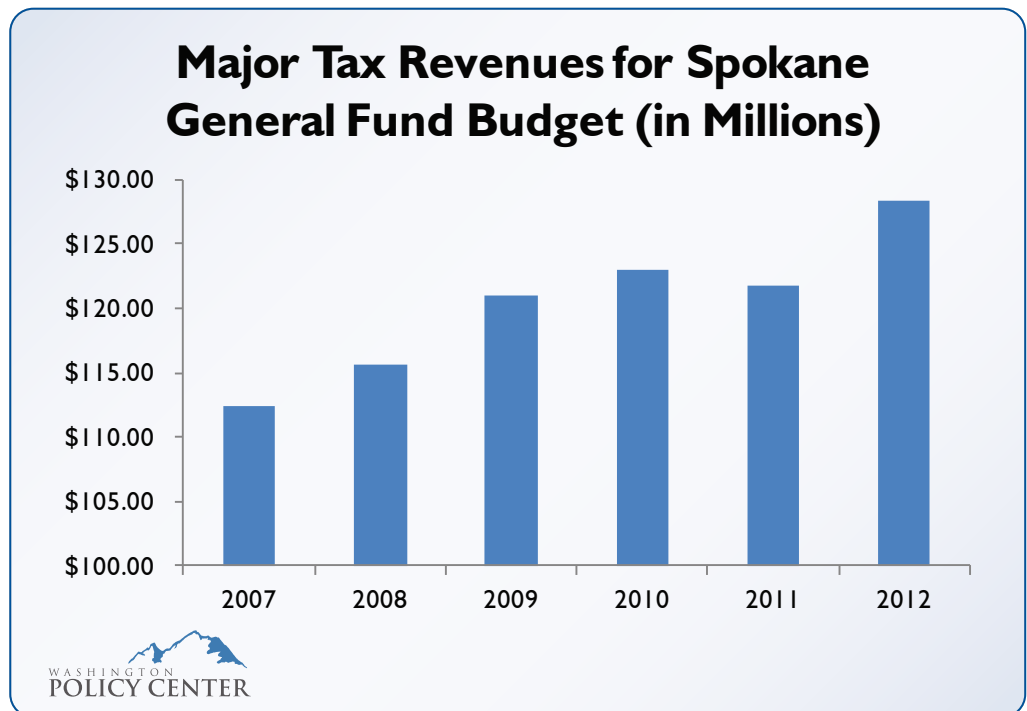
In response to concerns about state costs being shifted to cities and counties, the Pierce County council sent a charter change to voters requiring a supermajority for new taxes. In November 2012, voters overwhelmingly approved the measure with 67% support.⁸

Michigan and Colorado's Requirements

Spokane's proposed charter change does not go as far as other states' taxpayer protections. In Michigan, for example, local lawmakers are subject to the Headlee Amendment, which requires voter approval of all tax increases at the state and local level.⁹

In Colorado, voter approval is required of all tax increases before they can become law. Despite the claims of opponents that the requirement would handcuff lawmakers' ability to do their job, voters have shown a willingness to increase their financial burden when they can be shown how their hard-earned dollars will be spent. In fact, in the 2012 election, 11 Colorado cities approved tax increases to fund various public services.¹⁰

Spokane's Budget and Tax Revenues



Since 2007, major tax revenues for the city's general fund budget increased more than 14%

⁸ "Pierce County voters demand higher threshold for council to impose new taxes," by Steve Maynard, *The News Tribune* (Tacoma), available online at www.thenewstribune.com/2012/11/06/2358018/measure-requiring-5-pierce-county.html.

⁹ The Headlee Amendment, serving Michigan for 25 years, by Lawrence Reed, Mackinac Center for Public Policy, available online at www.mackinac.org/5574.

¹⁰ "Voters generous about tax increases in 11 towns," by Ryan Parker, *The Denver Post*, available online at www.denverpost.com/politics/ci_21960660/voters-generous-about-tax-hikes-11-colorado-towns.

The citizens of Spokane are already very generous on the amount of money they pay to city government. Since 2007, major tax revenues for the city's general fund budget increased more than 14%.¹¹

In 2007, the city budgeted \$112.4 million from property, city utility, retail sales, private utility, and gambling and leasehold excise taxes. By 2012, the city's budget estimated the collective revenues from those sources to be \$128.3 million.

When shown a need for higher tax revenues and given assurances about where they will be spent, Spokane voters have been willing to increase their financial burden. In 2004, city voters overwhelmingly approved then-Mayor Jim West's plan to spend \$117.3 million to repair the city's crumbling streets.¹² With 61% approval, the average Spokane homeowner increased his own taxes by roughly \$150 per year to pay for repaving city roads. Voters credited the mayor and other city leaders for engaging the entire community in a broad discussion about the need for repairs.

In 2012, working together and building consensus, the Spokane City Council voted 6-1 for an increase in the hotel/motel tax to fund expansion of the Spokane Convention Center and Spokane Arena. The proposal had more than enough support to pass, even if the supermajority requirement had been in place.

Conclusion

Proposition 2 asks Spokane voters to adopt a reasonable taxpayer protection policy at the local level, one that already exists in state law. It does not make increasing taxes impossible; it simply requires lawmakers reach greater consensus before raising the financial burden they place on citizens. "It has forced lawmakers to fully debate the merits and compromise," the *Walla Walla Union-Bulletin* said of supermajority requirements.¹³ In the absence of consensus on the council, lawmakers could always allow voters to approve tax increases with a simple majority vote.

The tax limitation policy set forth under Proposition 2 goes no further than what Spokane voters have already approved five times at the state level, and it does not go as far as tax limitation requirements in other states. By passing the charter change, Spokane voters will be clearly framing the city's budget debate and sending a strong message to state legislators that rising state costs should not be shifted to local taxpayers.

Chris Cargill is the Eastern Washington office director and Jason Mercier is director of the Center for Government Reform at Washington Policy Center, an independent policy 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. For more information visit washingtonpolicy.org.

¹¹ City of Spokane General Fund Budget revenues for Property, City Utility, Retail Sales & Use, Private Utility and Gambling & Leasehold Excise, years 2007–2012, available online at www.spokanecity.org/government/budget/generalfund/.

¹² City voters pass street bond, work underway, Spokane Public Works & Utilities, available online at www.spokaneutilities.org/subf273.html?id=6896.

¹³ "Voters should renew two-thirds supermajority for tax increases," September 2012, *Walla Walla Union-Bulletin* editorial board, available online at union-bulletin.com/news/2012/sep/07/renew-two-thirds-majority-for-tax-increases/.