

BALLOT PROPOSITION #101

Dedicated Fund Source for Ballot Measures

FISCAL ANALYSIS

Description

Proposition 101 amends the Constitution to require any initiative or referendum creating mandatory state expenditures to also provide an increased revenue source for the spending increases. Proposition 101 requires this additional revenue source to provide sufficient funding to pay for the immediate and future costs of the proposed spending increase. Finally, if the revenue source provided in a given proposition is inadequate to cover the spending levels mandated by the proposition in any given year, Proposition 101 grants the Legislature the ability to reduce spending levels to match the dedicated revenue level. This proposition would only apply to future ballot propositions, and would not apply retroactively to spending mandated by ballot propositions enacted in previous years.

Estimated Impact

Proposition 101 requires future ballot propositions that increase state spending to identify a funding source other than general state revenues to pay for the increased spending. Therefore, future ballot propositions could not have a General Fund cost.

Analysis

This ballot proposition affects future ballot propositions that seek to mandate additional state spending. While prior year ballot propositions are not affected by Proposition 101, the following is a list of recent propositions with a General Fund impact. These propositions are presented here in order to illustrate some examples of ballot propositions having a state General Fund impact:

- Proposition 303, the Growing Smarter Act. This proposition, passed in 1998, created the Land Conservation Fund and directs an annual deposit of \$20 million from the General Fund to the Land Conservation Fund for Fiscal Years 2001-2011.
- Proposition 301, the Education 2000 initiative. This proposition, passed in 2000, increased the state sales tax, and directed the increased revenue to various education programs. The proposition also mandates an annual 2% increase in the K-12 school funding formula, which is not paid for with the additional sales tax revenue. Cumulatively through FY 2005, the 2% increase mandated by this proposition has increased General Fund costs by approximately \$281 million since FY 2001.
- Proposition 204, the Healthy Arizona initiative. This proposition, passed in 2000, expanded Arizona's Medicaid program up to 100% of the Federal Poverty Level and dedicated revenue generated by the Nationwide Tobacco Settlement to pay for the expansion. The expansion also allowed the state to convert an existing 100% state-funded population to a two-thirds, federally matched population, and added new individuals not previously eligible. Tobacco Settlement funds are no longer adequate to fund the added costs of the expansion, and in FY 2005 the General Fund is expected to contribute approximately \$210 million to fund the requirements of this proposition. It is difficult to estimate the potential current year costs of the state-only program in existence prior to the enactment of Proposition 204 due to population and other program changes. The state may have contributed approximately \$200-\$300 million in FY 2005 to the 100% state-funded program if it still existed and remained at its pre-Proposition 204 caseload of approximately 18,900 enrollees.
- Proposition 200, the Clean Elections Act. This proposition, passed in 1998, created the Clean Elections Commission and allows Arizona taxpayers to a) divert \$5 of their tax liability to the Clean Elections Fund, and b) receive a \$5 credit when making that selection. In FY 2005, these provisions are expected to lead to General Fund revenue losses of approximately \$8 million.

Local Government Impact

None.

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