

HJR 4210, to repeal the 60 percent vote requirement to increase local public debt

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March 2015

Key Findings

1. *The 60 percent rule to pass school levy bonds is designed to protect families from excessive taxation, especially low-income families, the unemployed and the elderly living on fixed incomes.*
2. *The 60 percent rule supports family incomes, job growth and economic development.*
3. *The 60 percent rule encourages home ownership, private savings and investment in family needs.*
4. *When the 60 percent rule for school operating levies was repealed, local property taxes increased statewide by 34 percent.*
5. *Public debt per person in Washington is nearly triple the national median. Washington's debt is sixth highest in the nation, and fifth as a percentage of personal income.*
6. *The 60 percent rule provides fiscal discipline for school officials who may want to present "Taj Mahal" building plans to voters.*
7. *Most bond levies pass. Recently 69 percent of school districts seeking bond levies received voter approval, resulting in \$613 million in new funds.*

Introduction

The legislature is considering House Joint Resolution 4210, proposing a referendum to the people to change the state constitution and allow a simple majority vote to increase property taxes for school bond levies at a general election.¹ Currently 60 percent of local voters must approve a bond levy before a school district can take on more public debt.

The state constitution currently requires a school district to gain 60 percent

approval from voters before district officials can take on public debt of more than 1 percent of assessed property values in their area.²

A proposed change to the constitution must be approved by a two-thirds majority of each house of the legislature and be approved by a majority of statewide voters at a general election.

This Legislative Memo examines the reasons the 60 percent vote requirement school construction debt was put in place, the reasons supporters of HJR 4210 are

1 "Amending the Constitution to provide for a simple majority of voters voting to authorize school district bonds at general elections," House Joint Resolution 4210, at app.leg.wa.gov/billinfo/summary.aspx?bill=4210&year=2015.

2 Article VII, Section 2, Constitution of the State of Washington.

seeking a change, and what benefit, if any, the people of Washington would retain if the constitutional 60 percent vote requirement remains in place.

Background

Reports on public borrowing indicate the 60 percent vote requirement has not prevented long-term financing and significant school construction projects in recent decades. The state Treasurer reports that local governments in Washington have engaged in an intensive period of capital construction, mostly funded by bonds, to “capitalize on historically low interest rates and unusually low construction costs.”³ Between 1989 and 2012, two-thirds of school bond levy proposals were approved in more than half the school districts in the state.⁴

In 2012, 69 percent of districts approved \$613 million in school bond requests.⁵ In February 2015, Spokane, Central Valley, Mead and Liberty school districts all passed school bond levies.⁶ Hundreds of schools have been built recently or are under construction in Washington state.⁷

The 60 percent vote requirement was enacted by voters in 1944. The voters’

pamphlet explained the reasons for the tax limitation policy:⁸

- “To protect your home or farm from excessive taxation.”
- “To encourage home-ownership as the cornerstone of free government and the American way of life.”
- “To insure the establishment of industries with continuing jobs for our citizens and returning soldiers.”
- “To insure stable, adequate and dependable income for State and local governments.”
- “To continue a tax policy which has stood a twelve year test, a policy which has made home and farm ownership a safe investment and a tax structure which will bring in new industries and new citizens.”

The voters’ pamphlet explained further:

“Tax limitation is the bulwark which protects the home and farm against confiscating tax levies... Under this system of tax limitation common schools of the State have received far greater financial support than in any other like period in their history.”

By a wide margin, voters approved this amendment to place a limit on all tax levies on real property. The amendment includes a provision which allows voters to lift the limit on local taxation if a broad majority, 60 percent, approve such an increase in their property taxes.

3 “Cover letter, 2014 Debt Affordability Study,” by James L. McIntire, State Treasurer and Chair, State Finance Committee, 2014, at www.tre.wa.gov/documents/debtAffordStudy-2014.pdf.

4 “Table 4, School District Property Tax Levies, 2013 Collections,” Office of Superintendent of Public Instruction, August 2013, page 4, at www.k12.wa.us/safs/PUB/LEV/1314/levy13.pdf.

5 Ibid.

6 “County voters back nearly all school levy and bond proposals, including Central Valley’s,” by Jody Lawrence-Turner, *The Spokesman Review*, February 10, 2015.

7 “Facts at a Glance,” OSPI Facilities & Organization, School Construction Assistance Program Overview,” Office of Superintendent of Public Instruction, accessed March 16, 2015, at: www.k12.wa.us/SchFacilities/pubdocs/Folio_final_web_spreads.pdf.

8 “A Pamphlet, Containing Constitutional Amendments, Initiative Measure No. 157, Initiative Measure No. 158, Referendum Measure No. 25, To be Submitted to the Legal Voters of the State of Washington for Their Approval or Rejection at the General Election to Be Held on November 7, 1944,” by Secretary of State Belle Reeves, 1944, at [www.sos.wa.gov/_assets/elections/Voters percent27 percent20Pamphlet percent201944.pdf](http://www.sos.wa.gov/_assets/elections/Voters%20percent27%20Pamphlet%201944.pdf).

Since 1944, Washington voters amended the constitution seven times to place other limits on property tax levies.⁹ Yet for 70 years, voters have retained the 60 percent vote requirement for school bond levies.

The purpose of property tax limitation

Supporters of the 60 percent vote requirement property tax limit say it serves a number of public purposes. First, it promotes fairness by preventing a narrow majority of 50.1 percent of voters from raising taxes on a large minority of 49.9 percent.

Second, it protects owners of homes, farms and businesses from excessive property tax increases, preserving family income to allow more savings and investment in family needs and in small businesses. Preserving household income makes more money available to families to pay all the other taxes needed to fund local schools.

Third, the 60 percent vote requirement makes it harder for school administrators to take on excessive public debt, which imposes a long-term burden on citizens. School construction debt lasts up to 30 years, long enough to burden the next generation of taxpayers, and to require payments from people who were too young to participate in the decision to take on public debt.

Fourth, the 60 percent vote requirement provides budgetary discipline for school districts. District administrators determine the size of their operating and capital budgets. Making it easy to borrow, especially long-term, creates a temptation for school administrators to spend today,

while putting the cost off to the distant future.

Fifth, the 60 percent vote requirement provides stronger and more unified public decision making than a simple majority vote, reducing conflict in closely divided communities and providing schools with more stable and predictable funding over time.

Proposal to repeal the 60 percent voter approval requirement

HJR 4210 would end the 60 percent vote requirement, replacing it with a 50 percent majority vote for passing school bond levies. Proponents say the lower approval threshold is needed to raise more funds through long-term debt to build and remodel school facilities.

However, the public's concern about having safeguards against too much debt and taxation are as relevant today as when voters first enacted the 60 percent requirement.

Opponents of repealing the requirement say people need protection from excessive taxation imposed by government officials. Voters face tax-increase requests from narrowly focused interest groups that stand to benefit directly from school district spending. These interest groups, like school district officials and union executives, can more easily organize to place tax increases on property owners, while the property owners tend to be diffused and disorganized.

Opponents also argue that property taxes are regressive and fall hardest on the poor and those living on fixed incomes, including retired people. They say the 60 percent vote requirement helps restore balance in electoral contests between special interests and taxpayers.

⁹ Since 1944, voters have approved seven amendments to the state constitution to limit property tax levies: Amendments 55, 59, 64, 79, 90, 95 and 101.

School districts are under considerable public pressure from many interest groups to spend public money. School districts face no competitive pressure to keep their costs down. Operations levies, which typically last six or seven years, can be so high that they strain the ability of taxpayers to then pay for school bond debt. Payments and interest on a single school bond levy typically lasts up to 30 years.

Washington's debt burden is already high, ranking sixth highest in the nation based on population, and fifth highest as a percentage of personal income.¹⁰ The amount of debt per person in Washington is \$2,817; nearly triple the national median of \$1,074. High debt levels can "crowd out" the ability to fund services and infrastructure, as Washington's state treasurer points out.¹¹

School district bond levies sometimes fail because district officials have developed "Taj Mahal" building plans that the community rejected. The failure of a bond levy requires school districts to return to the drawing board and design a more reasonable plan. Local voters frequently approve a more affordable re-designed building plan, often by wide margins.

Legislators agree that a super-majority vote requirement is sometimes needed. For example, a 60 percent vote is required before lawmakers can spend money from the state's Rainy Day Fund (called the Budget Stabilization Account).

Special interests can gain advantage in low-turnout elections

Proponents argue HJR 4210 is a good change because it would require bond levy votes to take place in the general

election. School districts working with unions often place levy requests before voters in special elections conducted in February or August, when voter turnout is low. Union executives are able to turn out supporters who stand to benefit directly from increased public borrowing, and overbalance the concerns of property owners about high taxation.

The 60 percent requirement helps protect taxpayers in low-turnout elections and high-turnout elections, especially low-income families, the unemployed and the elderly living on fixed incomes. An increase in yearly property taxes does not mean an increase in the ability to pay, and many families experience a drop in household income when taxes and public borrowing go up.

Repeal of an earlier 60 percent requirement led to higher taxes

By any measure, the people of Washington are generous in supporting public programs. Residents pay \$4 billion each biennium in state property taxes, which the state uses to fund all government programs, including schools.¹²

In 2007, voters agreed to repeal the 60 percent vote requirement for passing school district operating levies. As a result, the property tax burden imposed on Washington state taxpayers has significantly increased.

Local property taxes for school operating costs have increased by \$500 million a year, from \$1.5 billion in 2008-09 to \$2.0 billion in 2013-14, an increase of

10 "Figure 30, 2014 Debt Affordability Study," by James L. McIntire, State Treasurer and Chair, State Finance Committee, 2014, page 29, at www.tre.wa.gov/documents/debtAffordStudy-2014.pdf.

11 Ibid., page 29.

12 "2015 A Citizen's Guide to the Washington State Budget," Senate Ways and Means Committee, 2015, page 11, at leg.wa.gov/Senate/Committees/WM/Documents/2015CGTB.pdf.

34 percent.¹³ In 2010, Governor Gregoire signed legislation to further increase the burden on property taxpayers, by raising the amount local districts can raise in property tax levies from 24 percent of state and federal revenues to 28 percent.¹⁴

Repealing the 60 percent vote requirement for capital levies as well would further increase the likelihood that unions and district officials would seek higher taxes. Removing this taxpayer protection would make it more tempting for organized political interests to promote tax-increase ballot proposals, because the measure is “for schools,” without informing voters that revenues for public education have already increased substantially.

Conclusion

Schools in Washington continue to receive more and more revenue, year after year, from all state, local and federal sources. In 2014, per student funding from all sources was at an all-time high of \$11,300 per student. Since 1990, per student funding for the public schools has increased by 37 percent, adjusted for inflation.¹⁵

HJR 4210 would remove an important taxpayer protection in state law, and would expose low-income families, the unemployed and the elderly living on a fixed income to a higher property tax

burden. It would not improve the quality of the spending plans proposed by school officials, and would likely encourage organized special interests, like unions, to gain access to more public funding.

The people of Washington are generous in funding public education, and school district officials have access to more public money than ever before. For this reason, the 60 percent requirement for school bond levies, a successful policy in place for over 70 years, is a reasonable taxpayer protection that serves the public interest.

13 “K-12 Detail, Statewide and School District Enrollment, Staffing and Finance Data,” Washington State Fiscal Information, Legislative Evaluation and Accountability Program Committee, at fiscal.wa.gov/K12.aspx.

14 “2015 Citizens Guide to K-12 Finance,” Senate Ways and Means Committee, 2015, page 13, at leg.wa.gov/Senate/Committees/WM/Documents/K-12percent20Booklet_2015percent202-10-15.pdf.

15 “Figure 29, Historical Comparison of Statewide School District General Fund—Revenues and Expenditures Per Pupil,” Organization and Financing of Washington Public Schools, 1996 edition, Office of Superintendent of Public Instruction, page 123, at www.k12.wa.us/safs/PUB/ORG/96/org_fin96.pdf.

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