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## Origins of a Stalemate

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Sometimes things just happen. That's how California ended up with a two-thirds vote requirement for taxes and the budget, currently the subject of so much handwringing.

Neither one was the product of intensive debate nor public deliberation, despite the far reaching impact on state finances.

David Doerr, now of Cal Tax but for many years tax consultant to the Assembly wrote "California's Tax Machine" in 2000, a history of California taxes and spending. He notes that in 1933 State Controller Ray Riley and Board of Equalization member Fred Stewart recommended to the legislature several state and local spending controls to close a "huge" \$50 million budget

gap. One of their ideas that caught on was to require a two-thirds vote to pass the budget if it grew by more than five percent a year. Almost as an afterthought, the legislature added the two-thirds vote to a constitutional amendment the voters passed in November 1933.

In the 1960s, the five percent requirement was dropped and all budgets required a two-thirds vote. While the two-thirds rule empowered the minority party in the budget process, it was never much of an issue. The majority party added enough goodies to get the minority members to go along, and most budgets passed before the legislature left for its summer break.

Budget holdups became more common in the 1980s and 1990s, but often it was just posturing. In 1983, majority Democrats refused to send Gov. George Deukmejian a budget unless he promised not to call a special election on redistricting. In 1980, Senate Republicans were going to hold up the budget for some long forgotten reason, but then realized this would keep them from going to

the Republican National Convention that August, so the resistance collapsed.

Budgets became a serious partisan issue during the first term of Gov. Pete Wilson in the early 1990s. Collapse of the aerospace industry in California led to a situation where the California economy no longer generated sufficient revenues to cover rising budget costs. Over the past two decades, the situation has gotten worse. California has slowly lost its manufacturing base and its high quality blue collar jobs. That has reduced the revenue flow while expenditures, many driven by autopilot spending, have continued to rise.

Thus were born the permanent and structural deficits that have bedeviled Govs. Wilson, Davis and Schwarzenegger, and with them long and ugly budget battles. The two-thirds budget rule is now so important because we lack consensus on what to do.

Majority Democrats have demanded tax increases to close the gap, which Republicans bitterly oppose. That leads right to the second fiscal headache for the Democrats: the two-thirds requirement to raise taxes.

Unlike the 75-year-old two-thirds budget rule, the two-thirds tax rule is relatively recent. Until the passage of Proposition 13 in 1978, taxes could be increased by a simple majority vote, but tax increases were rarely an issue because the state's economy generated enough revenue to meet budget needs.

Proposition 13 was driven by a huge budget surplus at the time combined with steeply rising local property taxes. Its purpose was to reduce property taxes by more than 50 percent and to cap future property tax increases, which it did. The literature of the era shows almost no discussion of the two-thirds vote requirement for increases in state taxes. According to Proposition 13 supporters at the time, it was placed in the measure to prevent the legislature from making up the property tax deficit by raising state taxes. But the legislature had never tried that, relying instead on its very large surplus.

Proposition 13 was bitterly fought over in the courts. Opponents claimed it violated the state's one subject rule for initiatives and was a constitutional revision, not a constitutional amendment. The court bought neither argument, noting simply that the measure set up a new system for taxation and provided relief for property taxpayers. Apparently the issue was never raised, or the court paid no attention to the argument that it changed the rules for both state and local taxation.

The two-thirds requirements might have an orphaned past, but the people appear to love them. In 2004, Democrats and their labor allies qualified Proposition 56 to lower the two-thirds vote to 55 percent. Despite huge labor spending for the measure, it only received 34 percent and carried only San Francisco County.

Speaker Karen Bass has proposed ACA 4 this session to do away with the two-thirds budget vote rule. But there is no reason to believe the voters would be any more supportive of changing the two-thirds rule today than they were in the past, either for taxes or for the budget.

*Tony Quinn is co-editor of the California Target Book, a nonpartisan analysis of legislative and congressional elections. This article was originally published in the California Morning Report.*