

In addition to deciding the next President of the United States of America, voters will be asked on November 8<sup>th</sup> to consider a number of state and local ballot initiatives that could have various impacts on the public finance market. Below we have compiled a number of noteworthy ballot measures and bond authorizations. Our analysis of the underlying items is based on potential credit implications and does not incorporate political analysis.

#### BALLOT INITIATIVES

A number of popular themes will show up on voters' ballots next week: nine states will vote on some form of marijuana legalization, five states and a number of cities will decide on minimum wage increases, and four states are asking voters to weigh-in on increasing cigarette taxes. Below, we highlight a few key ballot measures.

##### California – Proposition 55

The measure asks voters to approve the extension of higher personal income tax rates originally approved in November 2012 as part of Proposition 30. The tax increases are set to expire on December 31, 2018, but would be extended to 2030 under Prop 55. Revenues would continue to be allocated primarily to K-12 education and community colleges, with some funding for healthcare programs in certain years. ***Passage would provide California with greater clarity on future tax revenues, although continued budgetary discipline will be required if the State wants to sustain the positive trends it has experienced over the last four years.***

##### Illinois – Transportation Lockbox

The State of Illinois will ask voters to constitutionally restrict transportation revenues for only transportation-related uses. Essentially, it is a mechanism to prohibit diversion of transportation revenues to help cover the State's general operating expenses. Maryland and Wisconsin passed similar amendments in 2014. ***Typically these "lockbox" mechanisms are viewed favorably. However, the potential approval of the measure will limit Illinois' budgetary flexibility at a time when unpaid bills and operating deficits continue to pile up.***

##### New Jersey – Public Question 2

Currently, 10.5 cents per gallon of New Jersey's 14.5 cents per gallon gasoline tax is constitutionally dedicated for transportation purposes. The State legislature also recently reached agreement on a 23 cent increase that commences November 1<sup>st</sup>. Approval of Public Question 2 will constitutionally dedicate all motor fuel taxes to the Transportation Trust Fund, including any future increases. ***Passage of the constitutional amendment would further solidify New Jersey's past practices of using all gas taxes for transportation purposes. Given the State's budgetary pressures, protecting the gas tax from diversion will benefit the funding of future infrastructure investment.***

#### BOND AUTHORIZATIONS

Although we do not have concrete figures for all bond authorizations on the upcoming ballot, transportation appears to be a central theme. Voters will decide on the future of transportation projects that have an estimated combined cost of \$200 billion. We detail the two largest authorizations below, but many other communities, including Atlanta, Columbus, San Diego and Detroit, are looking for approval on multi-billion dollar projects.

In addition to transportation, funding school renovations and construction will be a key item on a number of ballots. The State of California's Proposition 51 proposes \$9 billion in general obligation bonds for K-12 schools and community colleges. Voters in Texas will decide on \$4.76 billion in local projects with a large percentage dedicated to education.

##### Los Angeles County Traffic Improvement Plan (Measure M)

Approval would authorize an additional 0.5% sales tax and indefinitely extend a previously approved 0.5% sales tax that would fund broad transportation infrastructure, including traffic congestion, local streets, retrofit bridges, and expand rail, subway, and bus systems. Officials estimate that revenues collected over 40 years would amount to \$120 billion. Requires two-thirds approval for passage.

##### Metro-Seattle, Sound Transit Board Proposition No. 1 (Sound Transit 3)

Approval would expand light-rail, commuter-rail and bus transit services in King, Pierce, and Snohomish Counties, WA. Projects would be financed with a 0.5% sales tax, a property tax of \$0.25 per \$1,000 of assessed valuation, and an additional 0.8% motor vehicle excise tax. Along with existing taxes, the authorization would fund the local share of projects costing an estimated \$53.8 billion. Requires a simple majority for passage.

#### PRESIDENTIAL ELECTION – INFRASTRUCTURE IN FOCUS

Both Presidential candidates have supported increased investment in the nation's infrastructure. We would welcome renewed or expanded funding of state and local infrastructure, as there are long-term economic impacts associated with deferring necessary investments. Ultimately, passage of a broad infrastructure investment plan will most likely require bipartisan support. Given the expectation that neither political party will hold a decisive majority over the White House, the Senate, and the House, agreement on a financing plan may fall victim to or be delayed by continued political gridlock.

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