

## Proposed Supermajority Requirement Would Undermine Sound Fiscal Policy

The New Hampshire Senate may soon take up a measure, CACR 6, to amend the state's constitution to require that an increase in any existing tax or license fee, the creation of a new tax or license fee, or the issuance of state debt be approved by three-fifths of both chambers of the legislature.

In brief, the proposed supermajority requirement:

- ❖ **Would increase the likelihood that the legislature will resort to one-time fixes or accounting gimmicks to address future budget shortfalls.**

In 2010, due in part to the difficulties created by its own supermajority requirement, Arizona entered into a variety of agreements to sell state buildings, including the Arizona State Capitol and the Arizona Supreme Court, and then to lease them back over time. While this generated roughly \$1 billion in funds to help close its budget gap, Arizona will pay the price for such gimmicks in the form of higher lease costs for years to come.

- ❖ **May lead to higher borrowing costs for the state.**

A 1999 study conducted by James Poterba of the Massachusetts Institute of Technology and Kim Rueben of the Urban Institute concluded that states "that restrict tax increases or require supermajorities to increase taxes face higher borrowing costs" than other states. The study calculated that states with supermajority requirements are likely to face additional costs equal to "an extra \$1,750 in interest payments per million dollars of debt issued."

- ❖ **Would inhibit the reconsideration of tax cuts.**

In a 1998 report, the California Citizens Budget Commission acknowledged the problem that supermajority requirements pose for eliminating costly and ineffective tax incentives. It found that the California's supermajority requirement for passing tax increases "makes it relatively easy to enact tax breaks but difficult to repeal them" and subsequently recommended amending California's constitution so that the legislature could reform or repeal tax breaks by a majority vote.

- ❖ **Would empower a very small number of legislators to block action on important priorities.**

Just ten legislators – the number of Senators required to keep that chamber from achieving a three-fifths supermajority – could forestall passage of a tax increase. Worse still, they could also delay or halt consideration of other critical legislation, such as the state budget, as they withhold their support for a tax increase in exchange for concessions on other, potentially unrelated issues.

- ❖ **Attempts to respond to a problem that does not exist.**

The level of taxation in New Hampshire is already exceptionally low -- and has been for some time -- even in the absence of a supermajority requirement. Data from the US Census Bureau and the US Bureau of Economic Analysis indicate that total state and local taxes in New Hampshire equaled 8.8 percent of personal income in FY 2009. By this measure, New Hampshire ranked 47<sup>th</sup> out of the fifty states and the District of Columbia that year.