ENOUGH IS ENOUGH:
THE ORIGINS OF PROPOSITION 2½

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B.A., University of California, Irvine (1979)

SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE
DEGREE OF

MASTER OF CITY PLANNING

at the

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

June 1981

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Submitted to the Department of Urban Studies and Planning on May 22, 1981 in partial fulfillment of the requirements for the Degree of Master of City Planning

ABSTRACT

More than 40 initiatives to limit or reduce state and local taxes have appeared on ballots across the country between 1978 and 1981. Proposition 2½, an initiative to reduce property taxes by 40 percent, was approved by almost three out of five Massachusetts voters in November 1980. One explanation for the occurrence of this "taxpayers revolt" is that voters have become more conservative. The success of Proposition 2½ and its counterparts in other states is often attributed to voters' demands for lower taxes and fewer government services.

This thesis presents a case study of Proposition 2½ in order to examine the validity of this "conservative swing" explanation. The thesis argues that to fully understand the meaning and significance of Proposition 2½, one must examine it in terms of its context. By studying the nature of taxing and spending limits, the history of tax reform in Massachusetts, and the sagas of the initiatives proponents and opponents, it is clear that Massachusetts voters approved Proposition 2½ out of frustration with property taxes and an unresponsive legislature, not because they wanted less local government. In addition, the use of the initiative process to set tax policy reveals a weakness of single-issue voting: voters were only able to choose between Proposition 2½ and the status quo, not the myriad alternatives between them. Finally, Proposition 2½ illustrates how the divisiveness of "cutback politics" hindered the attempts of opponents to propose alternatives to the initiative.

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On November 4, 1980 Massachusetts voters approved by a three-to-two margin a law to reduce local property taxes by 40 percent. The initiative, dubbed Proposition 2½, was expected to reduce property taxes by $1.3 billion over the next five years. The day after the election, the Boston Globe remarked that voters might have handed local officials "the most severe fiscal crisis in the state's history."

Within days of the election, several cities and towns placed freezes on hiring and cancelled special programs; others predicted how the property tax cut would affect their budget. Cambridge City Manager James L. Sullivan, for example, painted a bleak picture for his city's future. "We will have to lay off one-third of our employees -- that's 250 teachers, 100 firemen, 100 policemen, 175 public works employees -- and we'll have to close down the health clinics, the branch libraries, the community schools. And," he added, "that's just the first year."

By March of 1981, six months after the election and four months before Proposition 2½ would be effective, the potential impacts of the initiative were glaringly clear. Moody's Investors Service announced that it had temporarily suspended the credit ratings for 37 cities and towns and 7 special districts; the cities and towns on Moody's list included almost 45 percent of the state's 5.7 million residents. In April, Boston's schools ran out of money and stayed open only when ordered to by the courts. Mayor Kevin White, citing Proposition 2½ as the cause, closed seven neighborhood police stations and 13 firehouses. His action touched off a series of sit-ins and demonstrations that
attracted national attention. Throughout this period, state legislators have been reluctant to repeal or alter the law until it is clear that drastic cuts will be necessary. In the words of one legislator, "You don't mess around too much with anything that has won by a 59 - 41 margin."¹

Proposition 2½ is a drastic measure. The average effective property tax rate in Massachusetts was 4.7 percent in 1980; it will be almost halved to 2.5 percent of full value under the new tax cut. At the time of the election it was estimated that property taxes would be cut by $600 million in the 1982 fiscal year and by $1.3 billion after three years. Statewide, cities and towns will have to reduce their property taxes by approximately 40 percent. But the cuts will be unevenly distributed among the state's 351 cities and towns. Boston will be the hardest hit. It has a large low-income population that depends on the city for services, but its property tax base is riddled with tax-exempt universities, churches, and government agencies. Boston's taxes are the second highest in the Commonwealth. Under Proposition 2½, it will have to reduce its property taxes by 75 percent, about $383 million, over the next six to eight years. Other large cities face property tax losses of 40 to 60 percent. Yet many of the state's affluent suburbs and small towns will lose no or only a small portion of property tax revenues.²

A complex measure, Proposition 2½ requires more than just property tax reductions. Its thirteen provisions are designed to change how property taxes are collected and local government budget decisions are made. First, it specifies that property taxes are to be limited to
2.5 percent of "full and fair cash valuation." Although all cities and towns have been under court order since 1974 to reassess property at 100 percent of value, less than a third had complied by 1980. Municipalities were reluctant to use 100 percent valuation because an increase in assessed value would lower their share of state aid. Most local tax bases are thus significantly undervalued. Under Proposition 2\(\frac{1}{2}\), cities and towns must reassess or risk an even greater loss in property taxes.\(^3\)

If a city or town's property taxes exceeded 2.5 percent of its full-value tax base in 1980, it must reduce its property tax levy by 15 percent a year until the limit is reached. Boston and Chelsea, with the highest property taxes in the state, will need as many as eight years to reach their Proposition 2\(\frac{1}{2}\) rate limits. Another 41 cities and towns will need three or more years, while 140 will need only one or two years. The 165 cities and towns with 1980 property tax rates of less than 2.5 percent of full value will not remain free of limits either. Their limits will be equal to their 1979 tax rates -- set two years before Proposition 2\(\frac{1}{2}\) appeared on the ballot and three years before it will take affect.\(^4\)

Once a city or town reduces its total tax levy to 2.5 percent of 1981 full and fair property values, or to the 1979 tax levy, its total property tax levy becomes fixed. At that point, property tax levies may only increase by 2.5 percent of the previous year's levy. There are no allowances for population growth, inflation, or additions to the tax base. If the tax base increases in value by more than 2.5 percent, average property taxes will fall. If new homes or businesses are built,
the city or town would have to provide municipal services although it could not raise the additional revenue to pay for them. The effect of this levy limit is dramatic. Cities and towns will now plan budgets within a fixed tax levy, rather than prepare a budget and then determine the tax levy as is now the case. 5

Prior to the adoption of Proposition 2\(\frac{2}{3}\), local budgets and tax rates were approved by the local legislative body, either town meetings or city councils. Under the provisions of the initiative, if a city or town wishes to increase or decrease, for a single year, its levy or rate limit, it will need voter approval. A two-thirds vote is needed to raise the levy or rate limit, a majority vote to lower them. This, in effect, transfers final budget approval from the local legislative body to the citizens. 6

Proposition 2\(\frac{2}{3}\) changes more than just how the final budget total is determined. It also changes who may influence components of the budget. Under current law, local school committees have fiscal autonomy. They prepare and approve the school budget and forward it to the city council or town meeting. The local legislative body must accept the school committee's budget, it can change neither the total expenditure nor the distribution of money among programs. Proposition 2\(\frac{2}{3}\) abolishes school committee fiscal autonomy. School budgets will now be subject to the same scrutiny and alterations as other departmental requests. In addition, Proposition 2\(\frac{2}{3}\) weakens the ability of public employee unions to bargain for higher wages or increased benefits. It repeals binding arbitration for policemen and firemen. 7

In the past the state has also affected local budgets through
mandates. It could require cities and towns to establish programs, enforce regulations, or change personnel practices. Under Proposition 2\(\frac{1}{2}\), the state may no longer force mandates on cities and towns unless the legislature appropriates the money to pay their costs. In addition, if a city or town accepts an optional program without state reimbursement, it may rescind its acceptance after three years.\(^8\)

Only two levels of government in Massachusetts levy taxes: the state and municipalities. Counties, authorities (e.g., the MBTA), and special districts (e.g., the MDC) are funded by the local property tax. These quasi-governmental bodies assess the cities and towns within their jurisdictions to raise revenue. The assessments are in turn incorporated into the local property tax levy. Although assessments can represent a large portion of local budgets, most county, authority, or district budgets are not controlled by cities and towns. Proposition 2\(\frac{1}{2}\) prevents any county, special district, or authority from increasing its assessment on a city or town by more than four percent a year.\(^9\)

Proposition 2\(\frac{1}{2}\) also includes a provision intended to overcome the objection that property tax reductions give landlords a windfall, but provide no relief for renters. Under the measure, renters can deduct one-half of their annual rent from their income when calculating their state income tax. In addition, the 2.5 percent property tax rate limit applies to all classes of real property, including automobiles. The auto excise tax is thus reduced from $66 per $1000 of value to $25 per $100 of value. This reduction benefits all automobile owners, whether renters or homeowners.\(^{10}\)

It is clear that Proposition 2\(\frac{1}{2}\) will bring large changes to the
Massachusetts fiscal structure. If the legislature makes no changes to the law, property taxes will be reduced by as much as $1.3 billion, auto excise taxes by $190 million, and income taxes (through the renter's deduction) by $47 million. Its provisions alter the manner in which local budgets are prepared. The ability of cities and towns to issue long-term bonds or obtain short-term credit has been impaired. Many more cities and towns are reassessing property at full value. This action is likely to shift the property tax burden from new property owners to old property owners, and from commercial property owners to residential property owners. If the legislature does amend the law, even more significant changes are possible. It could appropriate additional state aid, authorize new taxes, or assume local services. There is talk of abolishing counties, "level-funding" the state budget, and taxing local payrolls. In the long run, Proposition 2 1/2 is likely to change who pays for public services, what public services are available, and which level of government provides them.11

Given the significance of Proposition 2 1/2's effects, I find it worthwhile to explain why voters have approved the initiative. An easy, conventional explanation is that voters wanted to reduce property taxes and the size of local government. After all, this is what the initiative is designed to do. It is also the philosophy of the group that sponsored the initiative, the Citizens for Limited Taxation. The much remarked upon conservative swing in the November 1980 Presidential election adds credibility to this argument. Massachusetts voters chose a Republican President for the first time in 28 years, since Dwight Eisenhower was elected president in 1952.
Ronald Reagan campaigned with a promise to reduce the size of the federal government and to cut taxes. Massachusetts voters endorsed Reagan's plan and approved Proposition 2 1/2 to do the same at home. The vote in favor of Proposition 2 1/2, "overwhelming" in the words of the Boston Globe, can be interpreted as a further sign that government is too large and out of control. Massachusetts voters, like their counterparts in over 20 states in the past two years were simply staging a "taxpayer's revolt." They were telling their legislators, councilmen, aldermen, and mayors to limit the size, cost, and actions of state and local government.12.

But this conventional explanation is far too simple. It overlooks two special features of Proposition 2 1/2 that suggest it is untrue. First, Proposition 2 1/2 is different from most of the other taxing and spending limits enacted during the two-year "taxpayer's revolt." There have been more than 40 taxing and spending initiatives on state ballots since 1978. Most of the approved initiatives have applied to state taxes and spending. The majority of the initiatives approved by voters have limited the growth of future taxes not reduced present taxes. In fact, only two other initiatives to reduce property taxes have been approved by voters since 1978. In both cases, the success of the initiative can be directly related to rapidly rising residential assessments, a problem that did not exist in Massachusetts.13.

Second, there is some evidence that Massachusetts voters are satisfied with their local officials and their local services. Most people did not believe that local governments were particularly wasteful or corrupt. There is, however, considerable distrust and
dislike of the state government. Proposition $2\frac{1}{2}$ will require local governments to reduce the quantity and quality of their services, but places no restraints on the state government. Voter approval of Proposition $2\frac{1}{2}$ seems inconsistent with their feelings about state and local governments.¹⁴

Because of these puzzling features of Proposition $2\frac{1}{2}$, I would like to take a closer look at the initiative and its background. By studying the nature of taxing and spending limits, the history of tax reform in Massachusetts, and the origins of Proposition $2\frac{1}{2}$, I hope to present an explanation of the initiative's success that is more satisfying and conclusive than the "conservative swing" argument.
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A useful point of departure to study Proposition 2½ is June 1978. At that time California voters approved a constitutional amendment to reduce property taxes 60 percent. The measure, Proposition 13 on the ballot, received almost two of every three votes cast. This vote to reduce property taxes was heralded as the beginning of a populist "taxpayer's revolt." Individuals and groups across the country explored ways to repeat the property tax cut in their own states. Massachusetts was not an exception to this trend. Hoping to "take advantage of the tidal wave of public protest," Representative Andrew S. Natsios and three Republican colleagues introduced legislation for a similar cut in Massachusetts property taxes to the General Court two days after the California election. The measure was dubbed Proposition 2½ because it limited property taxes to 2.5 percent of full value. The Republican's legislation was left to die at the end of the 1978 session. Nonetheless it introduced the idea of a 2.5 percent property tax rate limit; the drive for property tax relief continued after their initial defeat. Because Proposition 2½ is part of the recent "taxpayer's revolt," it is important to understand its national context.

Before discussing the use of taxing and spending limits, it is helpful to define the meaning of these terms. There is no single taxing and spending limit adopted by governments. Rather, there are categories of limits that are combined in a particular law. At the most general level, limits may be placed on taxes, expenditures, or revenues. Limits may also be placed on debt. These are not discussed here because,
Unlike taxing and spending limits, they are seldom proposed as initiatives. Within each category a limit may be partial or inclusive. For example, a limit may be placed on how much revenue is collected from one tax -- say the property tax alone -- or from a series of taxes -- say property, sales, and income taxes. Alternatively, a limit may be placed on the total expenditures made by a government, or some exemptions may be granted. Fixed obligations such as pension costs or debt obligations are often exempted from expenditure limits. A limit on revenues may apply to only tax revenues or all sources of revenue, including fees, fines, and user charges.

There are several other ways that taxing and spending limits may differ. For example, a limit may apply to local governments, to the state, to both, or separate limits may be placed on each. A limit may also be fixed or variable. A fixed limit specifies that tax collections, revenues, or expenditures may not exceed a set amount, usually the level for the year the legislation was passed. A variable limit allows taxes, revenues, or expenditures to grow over time. Often, special provisions are attached to a fixed limit to make it variable. The base year amount may be increased to keep up with inflation, population growth, or increased income. Alternatively, the tax rate may be fixed; tax collections may continue to grow over time if the tax base increases.

Limits may also be distinguished by the ease with which they may be changed. A limit embodied in a state constitution is more difficult to change than a law. The former may require voter approval, the latter only the passage of a new bill by the state legislature. An
override provision may be included in the limit. It allows the limit to be exceeded if enough votes are cast in favor. In some cases, the override requires approval of the legislative body, in others it requires approval of the voters. A simple majority vote may be required to override the limit, or a two-thirds or three-quarters vote may be necessary.

These differences in taxing and spending limits are important because they show that no two limits are alike. Each has been designed to accomplish a purpose. Some limits are simply intended to clean up tax administration or prevent abuse. Others are meant to keep taxing and spending at their present levels and to prevent or control future increases. The most extreme measures are often designed to control future taxing or spending and to reduce the current level of taxing or spending. These differences in intent are important to keep in mind when comparing taxing and spending limits across states.

How may Proposition 2½ be characterized in terms of the features discussed above? The measure approved by Massachusetts voters is an extreme tax limit proposal. It has both a tax rate limit and a tax levy limit. The property tax rate limit of 2.5 percent of full value is almost one-half the 1980 statewide average; overtime property tax collections will fall by as much as $1.3 billion. Once a city or town reaches the Proposition 2½ limit, its tax levy is fixed at that amount. There is a small growth factor of 2.5 percent a year permitted. There are no allowances for population growth, inflation, or increased assessments. Fixed obligations of the cities and towns are included in the limit. The auto excise tax cut further reduces local government
revenues. With the exception of the renter's credit, which does not prevent the state from raising taxes, the initiative applies to only one level of government: cities and towns. There are some softening aspects in the law. It does include an override provision. The state is prohibited from requiring cities and towns to accept mandates without being reimbursed for their full costs. In general, Proposition 2\(\frac{3}{4}\) is a conservative tax limit law. It is intended to reduce property taxes and local government revenues.

Proposition 2\(\frac{3}{4}\), Proposition 13, and other taxing and spending initiatives do not embody new ideas. The first property tax limit was enacted in Rhode Island in 1870. And property tax limits have been used continuously since then. By 1976, 40 states limited the ability of local governments to raise revenue from property taxes. Of these states, 15 had adopted property tax limits since 1970. Proposition 13 and its successors differ from existing laws because they were adopted through the initiative process; most of the existing laws have been enacted by state legislators. Given this basic difference in their origin, it is worthwhile to briefly review the history of taxing and spending limits to see how they differ from the initiatives of the late 1970s "taxpayer's revolt."

The history of legislative taxing and spending limits can be broken into three broad periods: the late nineteenth and early twentieth centuries, the Great Depression, and the early 1970s. As noted above, Rhode Island imposed the first property tax rate limit in 1870. It was followed by states such as Nevada in 1895, Oklahoma in 1907, Ohio in 1911, and Arizona in 1921. These laws were most often passed
in response to problems with the property tax. At the turn-of-the-century, many municipalities were incurring large amounts of debt, usually in the name of public construction. As part of their efforts to control local borrowing, several states set property tax rate limits. At the same time property values were rising rapidly from speculation and inflation in many areas. Assessments lagged far behind property values. When reformers pushed for reassessment many taxpayers feared their taxes would increase because local governments would not lower tax rates. Ohio's one percent ceiling on property tax rates was passed in 1910 to ensure that local governments reduced their tax rates proportional to assessment increases. Taxing and spending limits were sometimes passed to constrain the resources of political machines, or to punish urban governments which were considered irresponsible by rural legislatures. In general, these early limits were liberal and did not severely inhibit the growth of local revenues or the provision of local services.

A second wave of property tax limits occurred during the 1930s. This time the problem was not rising assessments but falling ones. Prior to the Great Depression property values had increased rapidly due to speculation. There had been little pressure on municipalities to control spending because the economy was healthy; tax rates remained the same and cities reaped a windfall from the rising assessments. However, when the economy worsened in the early 1930s, property values fell. Cities wanted to increase tax rates to raise sufficient revenue. But property owners were hard pressed to pay their tax bills even with lower assessed values, and tax delinquencies increased. Economic
collapse had highlighted the inadequacies of the property tax and pressure again mounted for tax rate limitation, this time to ensure property tax relief. Several states passed new limits, including Indiana, Washington, New Mexico, Michigan, and West Virginia. Many of them made up for lost property tax revenues by designating some sales and income tax revenues for local governments. 6

After World War II, local revenues diversified. This was due to increased state and federal aid to local governments as well as the adoption of local sales and income taxes. In most states the property tax assumed an increasingly smaller proportion of local government revenues. 7 As long as the economy was healthy, property taxes were only annoying, not destructive. As a result, the next strong movement to limit property taxes did not appear until the early 1970s with the advent of chronic inflation. This time, many of the limits were imposed as part of property tax relief programs.

For a time property tax relief demanded national attention. President Nixon pledged federal aid for property tax relief in his 1972 campaign. In 1973, Senator Edmund Muskie sponsored legislation to modernize property tax administration. "Tax Revolt" became a popular phrase. Throughout the decade, 18 states adopted new controls on local powers to tax and spend. Most of these measures were modest, quiet efforts to limit tax burdens and to control spending. Most were tied to legislative tax reform or relief. For example, many were imposed when states increased local aid, assumed local services, ordered massive reassessments, authorized new taxes to diversify
local revenues, or equalized state aid. Indiana allowed counties to adopt a local income tax beginning in 1974 if all the local governments kept their property tax levies at the 1973 level. After 1975, Wisconsin municipalities could not increase their property tax levies by more than the rate at which property values increased. At the same time the state enacted a new revenue-sharing program and took over the costs of many county functions.

What general conclusions can be drawn from a century's experience with property tax limits? First, most of the limits were intended to reform the administration or use of the property tax. The first limits were passed to correct perceived abuses of the property tax that came from rising assessments, political skulduggery, or fiscal irresponsibility. In the 1930s limits were intended to protect homeowners from excessive property taxes during the Great Depression. In the early 1970s most of the limits were part of state legislatures' attempts to reform the state-local fiscal system. Second, these measures were not intended to control or reduce the size of governments. They were attempts to prevent abuse and improve state and local finances. They were not angry backlashes at government. Finally, as the measures were passed by legislatures they were subject to scrutiny, change, and compromise before enactment. They did not represent the proposal of only one individual or group, nor were they subject to single-issue voting as initiatives are.

Following the passage of Proposition 13, yet another series of taxing and spending limits were enacted. In a significant departure from the past, however, most of the limits adopted from 1978 to 1980
were initiatives not legislative actions. In addition, many were constitutional amendments, much more difficult to change over time than laws. Finally, the initiatives often applied to state as well as local governments.

Proposition 13 was the first successful initiative written to limit or lower taxes since the Great Depression. It was followed by an unprecedented number of initiatives in other states. In November 1978, there were 22 initiatives on 17 state ballots concerned with state or local taxing and spending. Between 1978 and 1980, at least 44 taxing and spending proposals appeared on ballots in 22 of the 25 states that permit initiatives. It is not surprising that many observers have referred to the last three years as an "era of tax revolt." But has there really been a tax revolt? Do voters, as the phrase implies, want to cut taxes and reduce the size of government? And why were taxing and spending initiatives successful in the 1970s when they had been soundly defeated in the past? By looking at the recent initiatives, their designs, and their success or failure, it is possible to ferret out some answers to these questions.

As discussed earlier in this chapter there is no single "right" way to limit spending or taxing. It is not surprising to find that the 44 initiatives are as varied as the 22 states they appeared in. Among them, 26 applied only to local governments, 11 to state governments, and 7 to both. All of the local limits were designed to restrict, reform, or lower property taxes. Four of the state limits and five of the combined limits proposed restrictions on future spending. The remaining applied to sales and income taxes. The initiatives also
varied according to their intent. There were 18 proposals to limit the growth of taxes or expenditures, 16 to reduce taxes, and 10 to reform the collection and administration of taxes.

The election results for the 44 initiatives reveal an important characteristic of the "taxpayer's revolt": most voters chose to limit rather than reduce taxes and expenditures. Of the 18 proposals to limit future increases in taxes or expenditures, 14 passed and 4 failed. Most of these applied to state governments. In general they were flexible, tying spending increases to inflation or growth in state income. They allowed states to maintain their existing level of services, but gave the taxpayer protection from future increases. There were 16 proposals to reduce state or local tax collections; 5 passed and 11 failed. Of these measures, 13 applied to the local property tax and only 4 were approved. Most of the property tax initiatives were variations on Proposition 13 and proposed large cuts in property taxes. Finally, there were 10 proposals to reform tax collections -- allowing property classification, returning budget surpluses to taxpayers, shifting from property taxes to state taxes, and requiring tax rates to fall when assessments rise -- 5 passed and 5 failed. These mixed results are understandable given the complex nature of the proposals and the lack of easily identified benefits.

The significance of the election results is clear. Voters were willing to place limits on increases in future taxes or expenditures, but were far less willing to significantly reduce existing revenues. Also, proposals to control state taxes and spending were far more likely to be approved than those that affected local governments. These
two conclusions suggest that the "taxpayer's revolt" was not all that revolutionary, it was not a movement to reduce taxes or the size of government. Rather, voters expressed a desire to control future taxing and spending. States were the more likely target of these proposals because they did not have a history of tax or expenditure limits. Local governments did, and were "protected" from the reduction proposals. For example, in November 1978, Oregon voters rejected a Proposition 13 proposal to reduce property tax rates to 1.5 percent of market value. Unlike California, Oregon had already imposed property tax controls. An increase of more than six percent in a local property tax levy required voter approval. As taxpayers had protection from unreasonable tax increases, there was little incentive to reduce property taxes.10

But what of the four states that voted to reduce property taxes? What accounts for their divergence from other states? In one state, Nevada, the election is fairly easily explained. In November 1978, almost four out of five Nevada voters approved an identical version of Proposition 13. However, in Nevada a constitutional amendment must be approved by voters in two successive general elections. In 1978, voters could vote yes on the amendment and protest property taxes without facing service cuts. In 1980, when the amendment would become effective, Nevada voters defeated it. Some observers have also debated whether Proposition 13, which cut property taxes by 60 percent, should be considered a tax reduction vote. Many voters did not believe Proposition 13 would result in large service cutbacks because the state government had a $5 billion surplus; they expected the state to "bail out" the local
governments. These voters were correct. In July 1978, Governor Jerry Brown made up for most of the $6.2 billion property tax loss with $4 billion in state aid. Although Proposition 13 reduced property taxes, it did not significantly reduce the size of local governments.\textsuperscript{11}

In only two states have voters approved large property tax cuts: Idaho and Massachusetts. The story of the Massachusetts vote will be unraveled in later chapters. In November 1978, Idaho voters approved a constitutional amendment to limit the property tax rate to 1 percent of market value. There was no state surplus to make up for the 60 percent loss in property tax revenues. A plausible explanation for this vote is that there had been a massive shift in the property tax burden onto homeowners in the years just prior to the election. Because of court-ordered full-value reassessment, the residential share of the property tax burden increased from 24 percent in 1969 to 44 percent in 1978. Most of the increase occurred in 1976. In 1978, Idaho voters approved "Proposition 1" by a margin of almost three to two.\textsuperscript{12}

The experiences of Nevada, California, and Idaho tend to underscore the conclusion that the "taxpayer's revolt" was not a movement to cut back the size of government. Voters in these states, who had approved the most extreme tax cuts, were protesting a property tax burden that was too large. There is no evidence that they wanted less local government. The "taxpayer's revolt" is more properly interpreted as a movement to control spending than to cut back government. However, this explanation does not account for the large number of taxing and spending initiatives that appeared on state ballots between 1978 and 1980. Given the long history of taxing and spending limits, why was
there a rash of initiatives in the late 1970s?

One answer to this question is that not all states had limits. Massachusetts was among this group until 1978. And in many states with limits, the limits were ineffective. California, for example, froze tax rates at their 1972 levels. But housing prices and assessed values increased so rapidly that the rate freeze was meaningless. Municipalities did not lower tax rates when assessments rose, they merely collected the additional revenue. Arizona’s tax limit law passed in 1921 was so widely violated by the 1970s that the League of Arizona Towns and Cities published a manual on how to legally evade the limit. In other cases, the limits applied only to local governments. Many of the successful initiatives in the late 1970s were aimed at state spending as well.13

Another factor behind the new interest in tax limits was the unintended consequences of assessment reform. Local assessment practices had long been assailed for their deficiencies. Assessments on many properties were decades old, and as a result, much lower than those for new, comparable properties. Different classes of property were often assessed at different rates despite the passage of laws requiring equal assessment. Because most assessments were done at the local level, similar properties in different cities and counties were often assessed unequally. In the 1960s and 1970s many states moved to improve assessing administration and required reassessment at full value of all property. Reassessments were done annually or biannually instead of once a decade. As a result, in many places the property tax burden shifted from commercial property owners, traditionally overassessed,
to residential property owners, traditionally underassessed. This trend was exacerbated when inflation, speculation, and increased demand caused residential property values to rise faster than those for commercial property. Thus, by the late 1970s in many states, a homeowner would have found his tax bill was increasing even if local expenditures and tax rates had not increased.14

Finally, economics plays a large part in the taxpayers revolt. By the end of the decade, high inflation had become a frighteningly permanent part of the nation's economy. For the first time in many decades, real, after-tax income levelled off and declined. Inflation pushed taxpayers into higher marginal income tax brackets even though they had no real increase in income. Ballot initiatives to reduce or limit taxing and spending offered the voter a chance to control at least one of his spiralling costs.15

This review of taxing and spending limits helps to put Proposition 2½ into perspective. It is part of the national taxpayers revolt of the late 1970s. Like its counterparts in other states, Proposition 2½ was a grass-roots, citizens initiative to control taxes and spending. However, unlike other initiatives, Proposition 2½ was one of the few laws to reduce property taxes that voters approved. In many ways Proposition 2½ was a unique taxpayers revolt that can only be explained by the history of taxes and tax reform in Massachusetts.
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10. Lucier, p. 373.
11. Lucier, pp. 373-374; State Government News, p. 5; Kuttner, p. 82.


CHAPTER THREE

Property taxes have been a problem in Massachusetts as early as 1900. They really became a problem, however, after World War II. According to the legislature's 1945 Special Commission on Real Estate Taxation, the state was in poor economic health and property taxes were contributing to its economic decline. The commission concluded that real estate was "grossly, even dangerously, overtaxed," and that without relief several cities and towns were likely to "collapse." As a solution it recommended both tax levy and expenditure limits. Almost 20 years later demands for tax relief still echoed across the state. Frank J. Zeo, director of the Massachusetts Taxpayers Foundation, told a Boston Herald reporter about taxpayers' woes in 1963. "The local tax burden is the state's biggest single policy problem," he said, adding that "It would take $300,000,000 to reduce the 1963 local tax total to the national average." The drive for property tax relief had been a "30 years war." If the legislature failed to provide more school aid that year it could touch off a "general taxpayers revolt," an event Zeo described as "a grassroots fire that would singe the coat-tails of the legislature." In 1978 when the campaign for Proposition 2½ began, the property tax problem had not been resolved. The origins and the success of the initiative are related to two aspects of the Massachusetts tax system: property taxes have long been high, and the legislature has consistently failed to enact property tax reform.

Massachusetts taxes are among the highest in the nation. In 1977,
per capita state and local taxes were $1002 -- the fifth highest and 25 percent higher than the national average of $813. State and local taxes represented 15.1 percent of the state's personal income, almost 20 percent more than the national proportion of 12.8 percent. In only five other states did taxes consume a higher proportion of personal income. Two years later, per capita state and local taxes in Massachusetts were up to $1176, while the national average was only $934. Only Alaska, New York, and Hawaii had higher per capita property taxes. And Massachusetts taxes had increased at a faster rate -- 17.3 percent -- than the national average of 14.8 percent.²

Within this burdensome tax system, the property tax is relied on heavily. In 1977 property taxes represented 49.1 percent of all state and local taxes in Massachusetts; nationwide the proportion was only 35.6 percent. Only Alaska relied more heavily on property taxes but it taxed oil, gas, and minerals as property in addition to real estate. Massachusetts cities and towns received 99.4 percent of their "own source" tax revenues, which excludes state and federal aid as well as user fees and charges, from property taxes. The national average was only 80.6 percent. This overuse of the property tax led to high property tax rates and burdens. In 1978, the average effective tax rate on a single-family home with a FHA-insured mortgage was 3.6 percent in Massachusetts; across the country it was only two-fifths this rate. Per capita property taxes were $491 in 1977, almost 70 percent above the national average of $289 and second only to Alaska's. Property tax burdens were also regressive. In 1978, a central city homeowner with an income of $10,500 a year paid 11.6 percent of it in
property taxes, while a person earning $27,000 paid only 5.5 percent. In the suburbs, the figures were 8.9 percent and 4.8 percent respectively. ³

These high tax figures were not an aberration. Massachusetts taxes have been among the highest in the country for decades. In 1953 per capita state and local taxes were $167, 25 percent higher than the national average of $132 and the fourth highest. Since then, the state has always been among the top five states in terms of per capita taxes. In addition, state and local taxes have placed an increasingly heavy burden on personal income. In 1953 state and local taxes represented 8.8 percent of personal income in Massachusetts; fifteen states had higher tax burdens. In 1977 taxes were 15.1 percent of personal income, the sixth highest. ⁴

Property taxes have also been high over time. In 1942, 67.2 percent of state and local taxes in Massachusetts were property taxes; the national average was 53.2 percent. Thirty years later the Massachusetts proportion had fallen to 51.2 percent but the national average had fallen to 39.1 percent. Although property taxes represented a smaller proportion of total state and local revenue over time, they also became the only "own source" tax for local governments in the state. In 1942, property taxes were 95.9 percent of local taxes in Massachusetts and 92.4 percent nationwide. Thirty years later the national average had fallen to 83.7 percent but the Massachusetts proportion had risen to 99.4 percent. Not surprisingly, in 1942 per capita property taxes were 61.7 percent higher than the national average; by 1977 they were 69.8 percent higher. ⁵

These figures suggest two important points about Massachusetts
property taxes. First, taxes have always been higher than the national average. Second, while other states have moved away from the property tax as a source of local government revenues, it has become a more important source in Massachusetts. By the late 1970s, Massachusetts' state and local tax system was skewed. Half of its revenue was raised by the property tax and it ranked 42nd among the states in terms of a balanced use of income, sales, and property taxes. The state's flat rate income tax has a $2000 exemption that is eroded by inflation. The sales tax almost exempts more than it taxes. Similar to the property tax, state income taxes were 68 percent above the national average in 1979. But sales tax collections were low, only one-half the national average. In terms of sales taxes per $1000 income, Massachusetts ranks 45th. And user fees and charges were the second lowest in the country. Shortly before the Proposition 2½ election, liberal journalist Robert Kuttner wrote in the Boston Globe that Massachusetts voters would be likely to vote for Proposition 2½, "not by the level of our taxes,... but by the way in which we collect them."^6

There have been numerous attempts to reform or limit property taxes in Massachusetts. Property tax limits have long been advocated as a means to lower property taxes and control expenditures. In 1895, the legislature established a property tax rate limit of $12.00, or 1.2 percent of value. The limit was abolished for all cities except Boston in 1913. Boston's limit was removed in 1936. During the Depression, a group of realtors and businessmen organized as the "People's 25 Dollar Tax Limit Committee, Inc." In 1936 the circulated an initiative for a constitutional amendment to reduce property taxes
20 percent by limiting them to "2 1/2 percent of the fair cash value."

When the amendment was submitted to the General Court in 1936 the legislators challenged it in the courts. The Supreme Judicial Court found it defective and the proposal died. The 1945 Special Commission on Real Estate Taxation also advocated tax limits. In 1974, the Greater Boston Real Estate Board proposed a 4 percent property tax rate limit to the legislature. It was designed to put "an end to the Commonwealth's excessive reliance on the property tax." Between 1932 and 1980, 126 proposals were put before the legislature to limit property taxes or local spending. Although it has always been widely acknowledged that Massachusetts relied too heavily on the property tax, none of these proposals was enacted.7

In addition to the unsuccessful property tax limitation efforts, several attempts have been made to provide property tax relief in the last few decades. In 1957 Governor Foster Furcolo first proposed the adoption of a state sales tax to increase local aid and to lower property taxes. Under his proposal, property tax levies would be reduced by 75 percent of the amount of the new state aid. Property tax limits would also be set with 1957 as the base year. The bill was not approved in 1957. It was refiled 14 times without success between 1957 and 1964 by Governor Furcolo and 9 legislators. In 1965, Governor John A. Volpe introduced a new sales tax bill that placed limits on local expenditures. The 3 percent sales tax was adopted in 1966 when the expenditure controls were deleted from the bill. The bill was passed with the understanding that a portion of the new revenues would be used to reduce property taxes but there was no
requirement to this effect. At the same time, the state took over welfare administration from the cities and towns in order to lower local costs. In 1966 there was virtually no statewide increase in property taxes. Later, the sales tax was increased to five percent and a state lottery was established. Both were intended in part to reduce property taxes. But despite these tax changes property taxes continued to rise. 8

The last overall attempt by the legislature to reform the skewed Massachusetts tax structure began in 1968. After 3 years of study, the Special Commission to Develop a Master Tax Plan recommended in 1971 that the state's excessive reliance on the property tax be reduced. It recommended that sales and income taxes be raised and property taxes be lowered. The Commission further proposed that the state increase aid from 20 percent of local budgets to 80 percent. Local aid would be based on school enrollments and population. To garner sufficient state revenue to pay for the plan, it proposed that most local property taxes be replaced with a statewide property tax. The drastic changes proposed by the commission were never adopted. 9

Two Governors have also attempted to relieve property taxes in the last few years. In 1978 Governor Michael S. Dukakis pushed a sharply increased state aid bill through the General Court as an answer to voter demands for property tax relief. His generous state aid package was, in Robert Kuttner's words, "pure carrot and no stick." It did not require cities and towns to lower property taxes. The $300 million in new state aid was expected to reduce property taxes by ten percent. However, many mayors and selectmen said it was barely enough to keep
up with inflation, labor agreements, and META and MDC assessments. Although property taxes did not rise sharply in 1978, few localities lowered their tax levies. Kuttner has another explanation for why taxes were not reduced, each "mayor suddenly had a lot of new money for pet projects and a mysterious grin on his face."¹⁰

Dukakis was beaten in the gubernatorial primary by conservative Democrat Edward J. King who ran on a platform of property tax relief. During the campaign King pledged to enact a "zero cap" on property taxes. When he took office in 1979, King faithfully proposed his zero cap legislation to the General Court. The bill applied to cities, towns, counties and districts. 1979 was to be the base expenditure year and there would be no allowance for inflation. The bill was revised extensively by the legislature's Committee on Taxation. The approved bill was only effective for two years, allowed a 4 percent annual increase in expenditures, and permitted local legislative override of the limit. Although the tax cap successfully held down tax rates in 1979, in 1980 they took their first big jump in three years -- just weeks before the Proposition 2½ election.¹¹

Massachusetts found itself with an uneven tax system in the 1970s because the state legislature consistently failed to vote for property tax reform or relief. The few bills that were passed were done so largely through the work of Governors whom the legislators only went along with grudgingly. The gubernatorial bills tended to be piecemeal solutions that were not effective at controlling or reducing property taxes. The new taxes that were passed to reduce property taxes did not do so. No strong controls on local spending or taxing were enacted. Comprehensive
proposals to revamp the state's lopsided tax system were seldom proposed, and when proposed they were rejected. Representative Andrew S. Natsios, a Republican who helped write Proposition 2½ in 1978, believes that voters no longer trust the legislature to pass new taxes that will lower the property tax. Experience with the sales tax and the lottery has shown that new taxes lead to higher overall taxes, not lower property taxes. This belief has contributed to the three defeats by voters in recent years of graduated income tax proposals. There is now a built-in resistance to change that makes it difficult to propose property tax relief through a broadened sales tax or a progressive income tax.¹²

There are at least three explanations for why the legislature fails to deal with tax reform. One is that it is not possible to build a constituency for tax reform. No single group or class benefits enough from tax reform; reduced property taxes combined with higher sales and income taxes distribute the costs and benefits of reform too thinly. Michael Capuano, legislative aide to Committee on Taxation Chairman Gerald D. Cohen, remarks that he could write a "perfect" tax reform bill, but asks, "how many votes would it get on the floor?" A second view is that voters no longer trust their legislators to reform the tax system. After the sales tax, lottery, and Dukakis state aid fiascos people are fearful of new taxes that are supposed to lower property taxes. The most critical explanation is that the Democratic Leadership in the legislature -- House Speaker Thomas W. McGee, Senate President William Bulger, and former Ways and Means Committee Chairman John Finnegan -- do not want to reform taxes. Just before the Proposition 2½ election McGee commented on the property tax problem, "We have not voted tax reform in
the 18 years I've been here, and I don't believe we'll vote tax reform in the next 18 years." Representative Natsios maintains that the leadership is too "ignorant" and "short-sighted" to reform the property tax. Their goal is to maintain the status quo and to protect members for re-election. Most of the leaders have been in office so long that they feel secure and are "out-of-touch" with their constituents. On any matter, they respond only to crises.  

This history of Massachusetts taxes and tax reform sets the stage for Proposition 2\(\frac{1}{2}\). For decades property taxes had been way above the national average and the legislature could not or would not enact tax reform. Because the tax system remained skewed and remedies had failed, there were several obstacles to property tax reform by the late 1970s. Most people acknowledged the need for tax reform but few knew a solution. It is within this "intolerable" context that the Citizens for Limited Taxation designed Proposition 2\(\frac{1}{2}\).
REFERENCES


5. Advisory Commission on Intergovernmental Relations, tables 38, 39, 42.


8. Legislative Research Council, pp. 337-9; Greater Boston Real Estate Board; Massachusetts Taxpayers Foundation, p. 4.


12. Interview with Representative Andrew S. Natsios, Massachusetts State Legislature, March 27, 1981.

When California voters approved Proposition 13 in June 1978 a new movement to limit Massachusetts property taxes began. Within days of the election the Boston Globe reported that "A conservative tide is running in the nation and the ripples have already been felt in Massachusetts." The Boston Herald-American asked its readers to respond to several alternative tax limitation proposals. Almost all of the 14,000 respondents wanted a property tax limit. Slightly more than half supported the idea of a 2.5 percent property tax rate limit; only 15 asked to "count me out of the tax revolt. A Boston Globe poll of Massachusetts voters found that three out of four favored a 45 percent tax cut, two out of three favored the cut even if public services were cut, and one-half favored it even if "social unrest" were a result.¹

Three days after Proposition 13 was approved, Representatives Royall H. Switzler from Wellesley, Nils L. Nordberg from Reading, Andrew S. Natsios from Holliston, and Robert C. Buell from Boxford introduced "An Act Reducing Local Property Taxes" into the General Court. Hoping to "take advantage of the tidal wave of public protest, the Republican legislators introduced a Massachusetts version of Proposition 13. Because there was only one month left in the legislature's 1978 session, they combined several small property tax reform bills that had been defeated in the past and added a 2.5 percent tax rate limit. Given the high effective property tax rates in Massachusetts cities and towns -- they averaged over 4.5 percent -- the legislators chose 2.5 percent as a "fairer" tax rate limit than the 1 percent limit of Proposition 13.²
The bill filed by Switzler and the other Republicans was only loosely based on Proposition 13. It went much further in defining the state's role in local finances. It required the legislature to fully fund all existing and future programs they mandated local governments to provide. State aid for education was to be automatically given to cities and towns, there would be no discretionary annual appropriation from the legislature. The bill also proposed changes in local budget practices. Binding arbitration for MBTA employees, policemen, and firemen would be repealed. School committees would lose their fiscal autonomy. All debt service payments were excluded from the tax rate limit, but debt issued after the bill became law would require local voter approval. The legislation was intended to reform the state-local tax structure in three ways. First, the state's excessive reliance on the property tax was to be reduced. Second, local governments were to be given more authority to limit or reduce their costs. And third, the state was to become, in the words of Representative Natsios, "more responsible" in its fiscal relations with cities and towns. 3

Before the legislature could take any action on the Republican's Proposition 2 1/2, the Senate and the House of Representatives each had to agree to admit the late-filed bill for consideration. In the wake of Proposition 13 there was considerable public pressure to admit the bill. The House agreed to admit the bill on June 14 and the Senate concurred on June 19. Nonetheless the outlook for its passage was not encouraging. The Boston Globe reported that many legislators "suggested privately" that the bill would be "studied to death." Others admitted that the bill was "politically impossible to oppose in an election year," but
predicted it "would not get beyond the public hearing stage." One legislator, Representative H. Thomas Colo of Athol criticized the House vote as "phony." Because the bill was likely to die at the end of the session he felt the vote deceived voters who hoped the legislature would cut property taxes.  

Soon after Proposition 2\(\frac{1}{2}\) was filed the Republican legislators met and began to work with Donald Feder, the head of a small grassroots taxpayers organization called the Citizens for Limited Taxation. Edward F. King, a conservative West Roxbury businessman, had organized CLT in 1973 to, in his words, "change the debate from which taxes to raise to balance the state budget, to one emphasizing the control and limitation of taxing and spending." King and two other co-founders wanted to reduce state and local taxes; they considered equitable tax reform a secondary issue. CLT functioned as a lobbyist for the taxpayer, who they defined as "someone who earns and then has some of his earnings confiscated by the government." Their goal was to protect the taxpayer from special interest groups who get "that which the taxpayer gave."

The leaders of CLT worked to "keep as much of the taxpayer's check" in his own pocket as possible. CLT's view on taxation is best summarized by their motto: "The only alternative to tax limitation is unlimited taxation."  

By 1978 CLT had some tax limitation successes to boast of. In 1976 an initiative to amend the state constitution to permit a graduated state income tax appeared on the ballot. It was defeated by a three-to-one margin; CLT led the campaign against the amendment. Because the November 1976 defeat was the third rejection of the graduated income tax
in fifteen years, many observers of Beacon Hill felt that it would never again be proposed. 6

After the defeat of what CLT saw as another tax increase -- the graduated income tax -- they decided to use the initiative process to achieve their goal of tax limitation. In 1977 King, Feder, and a group of eight businessmen and legislators wrote an initiative for an amendment to limit state spending and revenue collection. Known as the "King Amendment, it placed a "limitation ratio" on the state budget. In any year, the ratio of total state expenditures to personal income could not exceed the average ratio for the past three years. The amendment also required the state to return surplus revenues to taxpayers, and prevented the legislature from requiring cities and towns to adopt new programs without providing state money to pay for them. 7

CLT had to collect signatures from 56,000 registered voters to place the "King Amendment" on the ballot. Their signature drive, which lasted from September to December 1977, attracted national attention. The drive began with a fund-raising luncheon at the Boston Park Plaza Hotel in mid-September. The guest speaker was Nobel laureate Milton Friedman who remarked that tax limits, like the King Amendment, were "our only hope." In the middle of October, Barron's reported on the progress of the signature drive and commented: "Few states have lived so brazenly beyond their means as Massachusetts, and few have so little to show for their profligacy." And when the CLT volunteers had collected 120,000 signatures and certified 87,000 -- 31,000 more than required -- by the filing deadline, the Wall Street Journal asked, "Will Massachusetts be the first state to set tax limits?" The newspaper emphasized the significance of the
initiative: "most political observers say Washington would look up and listen if the plan succeeded in Massachusetts, a liberal, populous, Eastern-establishment state with lots of political coverage." 8

Massachusetts has an indirect initiative process. Once the required signatures are collected an initiative is submitted to the legislature. An initiative for a constitutional amendment must be approved by one-fourth of the members of the General Court in two successive joint sessions known as Constitutional Conventions. Thus, in 1978, 70 legislators had to vote in favor of the King Amendment to keep it alive. It would also have to be approved by the next General Court, in either 1979 or 1980, in order to appear on the November 1980 ballot. 9

In early May of 1978, the joint Committee on Taxation recommended that the King Amendment "ought not to pass." They specified two strong objections to the initiative. First, the Committee felt the wording was vague and would not limit further substantial increases in state taxes. Second, the Committee stated that the King Amendment did "nothing to resolve the Commonwealth's most critical tax problem -- the need to reduce the burden of the local property tax." Despite the adverse Committee report, Feder told the Wall Street Journal in early June that he had 74 firm votes in favor of CLT's initiative. The Constitutional Convention was not scheduled until later in the month and he hoped to have more votes by then. Therefore, on the morning of the Proposition 13 vote, the Wall Street Journal wrote that "the next battleground may well be Massachusetts." 10

It is at this point that CLT and the Republican legislators began
to work together. While pushing his initiative towards approval, Feder also advocated the Republican's Proposition 2$\frac{1}{2}$. With the passage of Proposition 13 there was considerable public pressure on the legislators to address tax limitation before the session ended. On June 23, the legislature approved the King Amendment by a vote of 222 to 23. However, as Boston Globe columnist David B. Wilson later wrote about the legislators, "profiles in courage they are not." The representatives and senators voted against future tax increases when they approved the King Amendment. They did not have to address current levels of spending or taxing. There was no guarantee that the King Amendment would ever become law. It was a symbolic, politically useful vote on the heels of Proposition 13. But it was not a message, as Donald Feder hoped, that the state could no longer spend "taxpayer's money as though we had given it a blank check."

At the same time the legislature approved the King Amendment they sidetracked Proposition 2$\frac{1}{2}$. Representative Vincent J. Piro, chairman of the Committee on Taxation, accused the bill's sponsors of intimidating the Committee and exploiting Proposition 13. In early July, the Committee recommended that the bill be turned down. The same day, the bill was referred to the Ways and Means Committee. Representative Royall H. Switzler attempted on three separate days to have the bill discharged from the Ways and Means Committee. Each time his motion was narrowly defeated. On July 12 the legislature adjourned and the first Proposition 2$\frac{1}{2}$ died in Committee.

There are several possible explanations for why the legislature did not want to deal with the issues brought up by Proposition 2$\frac{1}{2}$. First, the King Amendment allowed them to vote for tax limits without
addressing property taxes. Second, many of the bill's opponents felt that its sponsors knew it was flawed and did not really try to push it through the legislature. Third, the House of Representatives was being reduced from 240 to 160 seats and many representatives faced tough elections in the fall. As a result, there was bitter infighting among colleagues and the legislature was unable to address a difficult issue like property tax limitation. Finally, in the view of Representative Natsios, the Democratic leadership of the House did not want to address the issue. It was therefore impossible to bring the bill to the floor for a vote.\footnote{13}

Advocates of property tax limits did not give up when the legislature left Proposition 2\(\frac{1}{2}\) to die in committee. The legislators adjourned and "went home to campaign" on July 12. The following day, Feder announced that CLT and Representatives Natsios, Switzler, Buell and Nordberg planned to write and circulate an initiative to cut property taxes. In the next few weeks, through a "long series of emotional meetings," CLT members and the representatives drafted a 30-page initiative for submission to the Attorney General. The initiative was based on the earlier bill but was more detailed. In addition to the provisions of its predecessor, it allowed cities and towns to rescind their acceptance of over 200 state programs, transferred county budget approval from the legislature to local officials, required that a fixed percentage of state revenues be distributed automatically to cities and towns, and prevented user charges from exceeding the cost of services.\footnote{14}

CLT and the Republican representatives were first brought together at the suggestion of Warren T. Brookes, the conservative Boston Herald-American columnist. The alliance seemed to make sense. The representatives
offered CLT a much broader coalition to support their tax cutting efforts. In turn, CLT could provide the legislators with the volunteers they needed to collect signatures. But the alliance between Feder and the representatives was uneasy at best. Although both groups were conservative they differed in degree. The representatives felt that Feder and other CLT members were unbending "ideologues" interested only in large tax cuts, not reform or continued public services. CLT was inexperienced, in their view, and unfamiliar with local government and the "mess" likely to result from their initiative. CLT, on the other hand, felt that it was compromising too much and losing sight of its tax reduction goal.\(^\text{15}\)

Despite their differences, the coalition persevered and submitted an initiative petition to the Attorney General in early August. They were not the only group to do so. Four others had filed initiatives that proposed property tax rate limits of from 1 to 2.5 percent. While the Attorney General reviewed the proposals for consistency with the state's constitution, CLT continued to keep the tax reduction issue alive. After filing the initiative, CLT announced its signature drive. In late August, Howard Jarvis came to Boston as part of a national tour to promote property tax limits. Speaking to a small audience at Fanieul Hall, well attended by CLT members, Jarvis praised Proposition 2\(\frac{1}{2}\) as "an idea that is overdue in Taxachusetts."\(^\text{16}\)

In September, Attorney General Francis X. Bellotti dealt a fatal blow to the initiative. He refused to allow it to be circulated, saying that it violated the constitution by treating some cities and counties differently than others. This finding angered CLT and the Republicans. The disputed provisions were special provisions for Boston and Suffolk
County that they had included in the initiative because existing laws treated them differently from other cities and counties. They felt the Attorney General had disqualified their initiative on minor technicalities that could have been resolved in enough time to circulate the petitions. Representative Natsios believes the Attorney General made the finding under pressure from public employee unions whose members feared they would lose their jobs.17

The Attorney General's finding brought an end to the CLT-Republican coalition. In October, CLT announced it had abandoned the signature drive. In its place they would submit a tax cut package for consideration in the 1979 legislative session. This time CLT decided it "go it alone" with its own small coalition and "do what we wanted." In December CLT filed bills for yet another version of Proposition 2\(\frac{1}{2}\) that was more stringent than earlier proposals. The new bill did not exempt debt service from the tax rate limits, it froze tax rates for cities and towns whose taxes were less than 2.5 percent of full and value, and it required two-thirds voter approval for new tax increases. Representatives Natsios and Switzler filed a bill identical to the disqualified initiative.18

There was yet another movement to enact property tax limits in 1978. Two South Shore realtors, Jack Conway and Margaret Carlson, formed the Committee for Guaranteed Property Tax Relief. They circulated petitions to place a nonbinding advisory question on the November ballot. The petitions directed the Senator from each district to vote in favor of legislation to reduce property taxes, increase state aid, and limit future state and local tax increases. The question did not specify what form the legislation would take, it only asked voters if they were
in favor. More than three out of four voters indicated that they favored such legislation. Although nonbinding, the vote was a clear sign that voters wanted property tax relief . . . and it was up to the legislature to provide it. 19

1978 set the stage for property tax limitation in Massachusetts. Although there were no real successes, there were many attempts to limit property taxes. And four important signs of what was to come were evident by the end of the year. First, the legislature displayed its dislike for this issue. Faced with considerable public pressure to limit property taxes, they instead approved a constitutional amendment that might limit state tax increases. They avoided the property tax question. Second, the uneasy alliance of two conservative groups -- CLT and the four Republican representatives -- demonstrated that property tax limitation was a divisive issue. There is no one correct way to limit or reduce property taxes; each group is likely to have its own solution. Third, Massachusetts residents wanted something done about their high property taxes. They indicated this desire in polls and at the polls. Fourth, by the close of 1978, there was no strong, organized opposition to property tax limitation. The next likely step was the formulation of alternatives to CLT's conservative Proposition 2 1/2. And alternatives from liberals, legislators, and the business community were proposed throughout the following year.
REFERENCES


2. Interview with Andrew S. Natsios, Massachusetts State Legislature, Boston, March 27, 1981.


15. Interview with Barbara Anderson, March 27, 1981; Interview with Representative Andrew S. Natsios, March 27, 1981.


CHAPTER FIVE

When the General Court convened in January 1979, several bills were pending to limit or reduce state or local taxes and spending. Four bills were considered to be of major importance: CLT's Proposition 2\(\frac{1}{2}\), the Republican's Proposition 2\(\frac{3}{2}\), the Massachusetts Taxpayers Foundation's bill to limit state and local taxes to their current share of personal income, and newly-elected Governor Edward J. King's local tax cap. By the end of the session only one bill had been enacted, the Governor's tax cap. It required cities and towns, for the next two fiscal years, to limit property tax increases to 4 percent of the previous year's levy. The cap excluded school budgets and permitted local override. As a tax limit it was a stopgap measure at best.\(^1\)

Despite the legislature's lack of interest in limiting property taxes, the issue remained alive. Unlike the previous year, in 1979 several groups proposed property tax limits. In August, 9 initiatives to limit taxes were filed with the Attorney General. In addition to CLT, initiatives were proposed by the Associated Industries of Massachusetts (AIM) and the Massachusetts High Technology Council (MHTC), the Massachusetts Taxpayers Foundation (MTF), a bipartisan group of state legislators, a coalition of public employee unions and neighborhood organizations, the Massachusetts Teachers Association, and the Republican leadership in the legislature. In the end only one of these alternatives was enacted -- Proposition 2\(\frac{1}{2}\). A review of the history of the other alternatives adds to an understanding of why Massachusetts voters approved the most conservative tax limit law in the nation.\(^2\)
By the summer of 1979, it was clear to each of the groups listed above that it wanted a property tax rate limit in Massachusetts. If they could work together on an initiative they would have the greatest chance of success. Early in the summer, several Republican and Democratic state legislators met with representatives of CLT, AIM, MHTC, and MTF to write and file an initiative. The coalition did not last long. Warren Brookes condemned their meeting in his Boston Herald-American column on the morning it was to occur. CLT quickly withdrew to pursue its own program, Proposition 2½. The others could not agree about the design of a tax limit. The business community split between the "old money" -- the Boston banks, insurance companies, and downtown retailers represented by MTF -- and the "new money" -- the high technology companies represented by MHTC. Both sides wanted reduced property taxes. But the downtown businessmen were particularly concerned that Boston remain solvent and creditworthy, while the high tech companies wanted to ensure that suburban locations were attractive to employees and employers. The traditional Massachusetts manufacturers, represented by AIM, found themselves in the middle. The business community split on the issue. MTF joined the legislators and formed the "Committee for the Responsible Limit." AIM and MHTC joined forces and wrote their own initiatives.3

The Citizens for Limited Taxation continued their program from the year before -- working to enact Proposition 2½. When the legislature defeated the bills they had filed in December 1978, they once again turned to the initiative process. For a short time, though, it appeared that CLT's proposals might be too extreme to be successful. In May, executive director Donald Feder held a press conference and gave his views
on government spending. He advocated the elimination of most public services, including schools, libraries, and fire departments. In his view, the only services governments should provide were an army, police, and courts. "The fat is not just the overpaid public officials," he said, "but in government doing things that don't have to be done."

Opponents hoped that these remarks would label Feder and CLT as extremist, and discredit them with moderates who had heretofore supported them.4

Charges of extremism did not daunt CLT. On August 1, they filed two initiatives with the Attorney General. One was Proposition 2\(\frac{1}{2}\), in the form described in Chapter One. The other was a constitutional amendment similar to the proposed statute. It had the same property tax rate and levy limits as Proposition 2\(\frac{1}{2}\), as well as the same restrictions on state mandates. But it did not repeal binding arbitration and school committee fiscal autonomy, nor did it provide a renters credit. CLT preferred a limit in the form of constitutional amendments, but it had several limitations. It could not appear on the ballot until at least 1982, and only if it was approved by one-fourth of the members of two successive legislatures. The legislature could modify it before granting approval. And the more complex implementation measures included in Proposition 2\(\frac{1}{2}\) were inappropriate for a constitutional amendment. Proposition 2\(\frac{1}{2}\) was intended as a temporary limit to be in place until the constitutional amendment would be effective. CLT hoped to have a complete state and local tax "package" on the 1980 ballot if the legislature approved the King Amendment for the second time.5

Before CLT began to collect signatures it combined forces with AIM and MHTC which had jointly filed two initiatives to limit state and
local taxes. The two business groups were concerned that high taxes were hurting the state's ability to attract business and employees. One petition would have held the ratio of state and local taxes to personal income in Massachusetts to the national average. It also placed a per parcel property tax limit of 2.5 percent of full value. The other initiative was identical, but put in the form on a constitutional amendment. These proposals were simpler versions of CLT's package of the King Amendment and Proposition 2\(\frac{3}{4}\). CLT was not concerned that the business groups would only want to reduce the tax burden on commercial property. They felt that they represented business taxpayers as well as residential taxpayers. Each group also had something the other wanted. CLT, which could not count on its small membership for much financial support, needed the additional resources which the business groups could provide. In addition, AIM and MHTC gave the CLT effort added credibility and status. CLT in turn, provided the well-heeled businessmen with the one resource they lacked -- a small army of volunteers willing to collect enough signatures to put the initiatives on the ballot. 6

From September to December 1979, CLT circulated two petitions: the AIM-MHTC constitutional amendment and their own law, Proposition 2\(\frac{3}{4}\). Once again, CLT held a fund raising luncheon to kick off the signature drive. In mid October, William Simon, former Secretary of the Treasury, spoke in favor of the CLT and AIM-MHTC proposals. Stressing the importance of the initiatives, Simon said "The tax limitation movement may be our only means of saving our political freedom, including economic freedom." The signature drive went well. CLT collected more than 60,000 signatures for Proposition 2\(\frac{3}{4}\) and more than 59,000 for the constitutional amendment.
This was just 1,000 to 2,000 more than required, but would ensure that the initiatives were put on the ballot. Having succeeded in qualifying their initiatives for the ballot, CLT, AIM, and MMTC now had to make plans for the 1980 legislative session -- both measures had to be considered by the legislature -- and the general election in November.7

The only group that succeeded in qualifying an alternative property tax limit law for the November 1980 ballot was the Massachusetts Teachers Association. Their proposed statute limits property tax levies, in the years 1981 to 1984, to the previous year's levy plus an increase proportional to the growth in the state's personal income. There were several exclusions from the limit, including special education costs. The limit applied only to cities and towns whose tax rate exceeded 3.5 percent of equalized assessed value. It contained a similar limit for state taxes. It also required the state, if the legislature appropriated the money, to increase school aid so that by 1984 it paid one-half of all school costs. MTA decided to write the initiative, dubbed Proposition 50-50 by some, in the spring of 1979 as part of its campaign against Proposition 2½. It staged a successful petition drive, collecting 130,000 signatures, more than twice the number required. However by the end of 1979, many people working for or against Proposition 2½ wondered why the teachers wrote the initiative at all. It was not a "real" alternative to Proposition 2½. It was temporary, would not reduce property taxes, and required legislative appropriations to be implemented. The thinly-disguised attempt to save education -- or teachers' jobs in the eyes of many -- angered many of MTA's natural allies who were also working to develop an alternative to Proposition 2½.8
The Massachusetts Teachers Association was not the only public employee organization that attempted to put together an alternative to Proposition 2 1/2. By mid 1979, several public employee unions realized that voters were likely to approve the initiative if there were no acceptable alternative on the ballot. MTA had already written its initiative, but as noted above, most people did not consider it a real alternative to Proposition 2 1/2. At first the public employee unions associated with the AFL-CIO worked together to draw up an alternative. These unions included the American Federation of State, County and Municipal Employees (AFSCME), the American Federation of Teachers (AFT), the International Federation of Firefighters (IFF), and the Service Employees International Union (SEIU). Soon they realized that they needed a broader coalition to overcome criticism that they were only trying to save their own jobs. They began to contact and bring in church, civic, and neighborhood groups that feared the service cuts associated with Proposition 2 1/2.9

At the same time, Massachusetts Fair Share, a collection of working class neighborhood groups founded in 1973, was determined to present a liberal alternative to Proposition 2 1/2 on the November 1980 ballot. Fair Share had worked successfully with the AFL-CIO affiliates in 1978 to get the "classification amendment" adopted. The measure allowed cities and towns to tax commercial property at a higher rate than residential property. It was designed to prevent the shift of the property tax burden onto homeowners that was expected to occur when court-ordered reassessments at 100 percent valuation were completed. The amendment was approved by two out of every three voters. Its success suggested to Fair Share and the AFL-CIO that it was possible to organize a liberal coalition for
property tax reform.10

The coalition proved tenuous, however, when the issue at hand was reducing property taxes rather than shifting property taxes. The problem facing the coalition was that the public employees depended on the property tax for their livelihood. Fair Share members, on the other hand, were often hard-pressed to pay their tax bills; although they depended on city services, they needed property tax relief. All the coalition members knew they needed an alternative to Proposition 2 1/2, they just could not agree on what they wanted. There were fights not only over the substance of the initiative, but over responsibility, ideology, ego, and finances.11

In August, Fair Share filed 12 initiatives to limit or reduce state and local taxes with the Attorney General. Fair Share filed them to meet the August 1 deadline; they had not yet selected a compromise proposal. The initiatives represented a range of proposals that Fair Share filed on behalf of the unions. At the time they were filed many union members had not even seen them. A Fair Share representative, Barry Margolin, likened them to "internal working papers." Eventually the coalition agreed to a modified version of a Fair Share bill defeated by the legislature earlier in the year. Known as the "Taxbraker," it proposed cutting property tax by 20 percent. The lost revenue was to be replaced with new excise taxes on law, accounting, real estate, insurance, stocks, data processing, and other professional services that currently paid no taxes. Fair Share rewrote the bill as an initiative and called it the "Tax Justice Act." They added a limit on state taxes, required the pass-through of property tax relief to tenants, and prohibited unfunded state mandates. Fair Share hoped the measure, clearly designed to tax
the "rich and powerful" in order to lower property taxes, would attract the same working-class constituency their classification amendment had. They did not heed arguments that the proposal would face stiff opposition from the powerful professional groups it proposed to tax.12

Despite misgivings and disagreements, the Fair Share - AFL-CIO coalition decided to circulate the "Tax Justice Act" initiative. AFSCME, the largest public employee union in the state, agreed to collect 20,000 to 30,000 signatures from its membership. But AFSCME decided the proposal did not make sense politically and collected only 1500 signatures. Fair Share and SEIU had been able to collect about 50,000 signatures. The total was more than 5,000 signatures short of the number required to put the initiative on the ballot. The desertion of AFSCME from the coalition's most important project -- putting an alternative to Proposition 2½ on the November 1980 ballot -- was harmful. The "rag-tag" coalition that was left spent much of its time bickering about how to campaign against Proposition 2½. But due to the difficulty of agreeing on tax cuts, they lack the most effective weapon: an alternative.13

The only group still able to propose an alternative to Proposition 2½ was the legislature. The Democratic leadership was unwilling to address the issue. However, a maverick, bipartisan group of legislators and the Massachusetts Taxpayers Foundation organized as the Committee for the Responsible Limit (CRL). They hoped to successfully argue for a compromise tax limit that would diffuse support for Proposition 2½. They decided against an initiative. The only group still able to propose an alternative to Proposition 2½ was the legislature. The Democratic leadership was unwilling to address the issue. However, a maverick, bipartisan group of legislators and the Massachusetts Taxpayers Foundation organized as the Committee for the Responsible Limit (CRL). They hoped to successfully argue for a compromise tax limit that would diffuse support for Proposition 2½. They decided against an initiative. MTF had already abandoned their plans to circulate the two initiatives it had filed in August. The representatives hoped they could introduce their proposal into the 1980 legislative session
and have it adopted as an alternative to Proposition 2½. Ironically, the Republican co-chairman of the committee was Representative Andrew S. Natsios, one of the original sponsors of Proposition 2½. Two of the other original sponsors, Royall Switzler and Robertwell also joined the CRL.¹⁴

The CRL felt that the initiatives filed by MTA, CLT, AIM, and MHTC would "force legislative action in response to citizens' calls for tax relief." None of the initiatives, in their view, offered "realistic solutions to the problems of burdensome taxes and unbridled government spending." CRL felt its proposed legislation would provide a responsible limit on taxes and spending, in contrast to the "rigid," "severe," "unworkable," and "incomplete" initiatives. They hoped the legislature would adopt their proposals in order to prevent voters from approving Proposition 2½ the following November. It was designed as a legislative substitute to be placed on the ballot as an alternative to CLT's initiative.¹⁵

CRL proposed a two-part limit consisting of both an act and a constitutional amendment. They proposed a limit on both state and local taxes. Tax levies would be limited to the previous year's levy plus one-half the percentage increase in the state's personal income. Pensions and debt service would be exempt from the limit. The state would be prohibited from mandating any new local programs without paying their full cost. Local governments could override the limit with voter or legislative approval depending on their tax rate. School committees would lose some of their fiscal autonomy. The approval of county budgets would be transferred from the state to mayors and selectmen. "Management rights" would be strengthened under collective bargaining. The META
budget would be subject to the same growth limits as the state, cities, and towns. The proposed law contained all the provisions; the constitutional amendment only the taxing and spending limits. CRL filed their legislation in December 1979. By that time, it was the only "real" alternative to Proposition 2 1/2.16

At the end of 1978, several groups hoped to develop a less conservative property tax limit law. They knew such an alternative was crucial to defeat CLT's initiative. But the logistics of developing an alternative proved to be more overwhelming than originally thought. The teachers quickly drafted a proposal to protect the schools that proved too weak to attract support. The business community split down the middle. AIM and MHTC joined forces with CLT, while MTF decided to work with the legislature. The liberal coalition that had supported the classification amendment fell apart. By the end of 1979, it was clear that it was up to the legislature to devise an alternative to Proposition 2 1/2. It was too late for another initiative; only the legislature could put their own substitute on the ballot. In 1980, the issue of property tax limits would be in the hands of the legislature. They had to vote on Proposition 2 1/2, the teacher's initiative, the King Amendment, the CRL proposal, and any other alternative they could devise on their own.
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2. Secretary of the Commonwealth, "Initiative Petitions Filed September, 1979," undated list.

3. Interview with Representative Andrew S. Natsios, Massachusetts State Legislature, March 27, 1981; Interview with Robert Kuttner, March 26, 1981.


6. Interview with Barbara Anderson, March 27, 1981; Initiative petitions on file with the Secretary of the Commonwealth.


11. Interview with Michael Vantresca, April 1, 1981; Interview with Robert Kuttner, March 27, 1981.


15. Interview with Representative Andrew S. Natsios, March 27, 1981; Letter from Representative Natsios to Legislators, February 1, 1981.

16. Letter from Representative Natsios to Legislators, February 1, 1981.
When the legislators convened in January 1980, it was clear they were going to have to address the tax limitation issue. The issue was incorporated in four initiatives that had to be considered by the legislators before they adjourned. The initiatives filed by CLT and the MTA had to be approved by the House and the Senate in order to become law. If they were not passed, each group could force its initiative on the November ballot by collecting 10,000 additional signatures. The legislators also had to cast their first vote on the AIM-MHTC initiative to amend the constitution. The King Amendment, CLT's state spending limit filed in 1977, had to be voted on a second time before the end of the session. In addition, several bills had been filed by senators and representatives to limit state or local taxes. The two-bill proposal of the Committee for the Responsible Limit was among this group. These bills did not have to be acted upon by the legislature, but the Committee on Taxation was required to hold hearings and to make recommendations on them. Given the number and variety of taxing and spending limit proposals before the legislature, it had ample opportunity to develop an alternative to Proposition 2½.

The legislature's action on the initiatives filed by CLT and MTA was swift and decisive. In early February, the Committee on Taxation held the required public hearings. As was the Committee's custom, the hearings were combined with those of 40 or so other related bills. Because the Secretary of the Commonwealth had not transmitted the initiatives to the legislature until a few days before the hearing was scheduled, they were
not included in the bills listed for consideration at the hearing. Consequently, there was little testimony given on them. Most speakers that day discussed the proposals of the Committee for the Responsible Limit, and proposed changes in the tax treatment of school energy facilities.¹

Despite the paucity of public testimony on either bill, the Committee on Taxation never had much trouble reaching agreement on its recommendations. According to Michael Capuano, an aide of co-Chairman Gerald D. Cohen, a majority of the members was already opposed to the idea of a rigid tax limit. On May 5, the Committee recommended that Proposition 2² "ought not to pass." Its written report to the House was critical of the CLT initiative. The Committee was concerned that Proposition 2² would place "severe financial restrictions" on most cities and towns, and force "drastic cuts" in services. The report did not present any figures to substantiate its findings. The property tax cuts would pose a particular problem for the state, because the Commonwealth would be expected to make up for local revenue losses with increased aid. However, in the Committee's view, the state did not have, and could not expect to have, the resources to increase local aid. While acknowledging that the property tax burden "remains the most important problem facing the General Court," the Committee stated that Proposition 2² was too "simplistic." The Committee also criticized several other provisions as unclear, suggesting that many conflicted with existing laws. In closing, it recommended that the General Court develop an alternative that would limit future increases in state and local spending. The next day, the House held a roll-call vote of Proposition 2² and rejected it by a vote of 146 to 5; only 9 representatives were absent. Similarly, it rejected
MTA's initiative, which the Committee on Taxation had also recommended "ought not to pass," by a vote of 147 to 2.²

Although the House rejected Proposition 2\(\frac{1}{2}\), the vote had not put an end to the tax limit issue. Under Massachusetts initiative law, CLT and MTA could each qualify its initiative for the ballot by collecting an additional 10,000 signatures. Each group was successful with its second signature drive. In addition, the legislature still had the option of developing an alternative to appear on the ballot with Proposition 2\(\frac{1}{2}\). The Committee on Taxation suggested this action in its report, but an alternative was a sensitive issue. According to Capuano, legislators were hesitant to pass an alternative that would appear on the ballot. Any compromise that would be acceptable to the legislature would be unlikely to offer the large, identifiable tax cuts of Proposition 2\(\frac{1}{2}\). Many legislators feared that a ballot alternative would anger voters and increase their likelihood of voting in favor of Proposition 2\(\frac{1}{2}\). It was also difficult to develop an alternative because the Democratic leadership was as unwilling to support an alternative as it had been to support tax reform in the past. But a legislative alternative to Proposition 2\(\frac{1}{2}\) would have made it more difficult for CLT to campaign for their initiative. Barbara Anderson, executive director of CLT, believes that if the legislature had passed an alternative, Proposition 2\(\frac{1}{2}\) would have been rejected by voters.³

The actions the legislature took on other other bills to limit state and local taxes illustrate how difficult it was for it to deal with the issue. The compromise proposal of the Committee for the Responsible Limit came up for a vote in the late spring. Supporters felt it was
well-drafted and promised orderly changes in the state-local tax structure. But the bill did not have the support of the Democratic leadership and was voted down by a 2-1 margin. The King Amendment was also voted down in May. When the legislature first approved it in 1978, they changed some of its wording; CLT challenged these changes in court. The court would not decide the case until the legislature voted a second time and CLT would not support the amended version.

The legislature had an even more difficult time with the AIM-MHTC constitutional amendment. On May 12, the Committee on Taxation recommended rejection of the amendment. At this time, AIM and MHTC knew there were at least 50 legislators who would vote in favor of the amendment, enough to have it brought before the General Court again in 1981 or 1982. The Democratic leadership also knew the votes were there. On May 14, the constitutional convention was to begin. It was postponed to May 28, then to June 11, June 18, June 25, and July 2. On July 5, the legislature adjourned; it had never taken a vote on the AIM-MHTC amendment.

This action angered AIM, MHTC, CLT, and many other groups and individuals. They stated that the legislature had adjourned illegally, as the constitution required them to vote on the initiative. The legislators felt that they had addressed the initiative by not voting on it, that no action was a "positive statement" of their views on the subject. Warren T. Brookes berated the Democratic leadership in his columns. Appeals were made to the Governor to call the legislature back.

In July, Richard Manley, head of the Massachusetts Taxpayers Foundation wrote to the Governor, "The Massachusetts legislature has sustained its perfect record on tax limitation. It refused all proposals to limit
taxes in Massachusetts -- thumbed its nose at the citizens and the constitution -- and went home to campaign for reelection.\textsuperscript{6}

While the legislature was struggling with the AIM-MHTC amendment, Representative Cohen proposed yet another tax limit. The Committee on Taxation had reviewed numerous tax limits and concluded, in Cohen's words, "that the ultimate goal of all responsible tax limitation advocates is parity with the states against which Massachusetts competes for business and jobs." Under his bill, known as the Cohen Amendment, the ratio of state and local taxes to personal income would be reduced over time until it was equal to the average rate for 17 "competing" industrial states. The bill was prepared by Representative Cohen's staff. They were aided by a group known as "Jobs for Massachusetts," a coalition of businessmen and union members.\textsuperscript{7}

The goal of the Cohen Amendment -- to make Massachusetts "more competitive" -- was very different from that of Proposition 2\textfrac{1}{2} -- to reduce property taxes -- and it was not intended only as an alternative to the CLT initiative. Nonetheless, if the bill passed with the endorsement of the business community it would take away much of the support for Proposition 2\textfrac{1}{2}. And for a while it looked as if the Cohen Amendment would become law.

The late-filed bill was admitted by both the House and the Senate in early June. On June 25, the House passed the bill; the Senate concurred on July 1. The following day, Representative Natsios moved that the bill be reconsidered. His motion passed, and the bill was put on the next day's calendar. But there was no next day for the legislature: they adjourned and the bill died. Natsios made the motion to reconsider the bill because he felt it was weak and would not limit taxes. Had the
Democratic leadership wanted the bill passed, there would have been another legislative day. 8

Despite their defeat of all tax limit laws, the "tabling" of the AIM-MHTC amendment, and their early adjournment, the legislators were to have once last chance to address tax limits before the November election. In the middle of September, Governor King called the legislature back into a constitutional convention. On September 18, the legislators voted on the AIM-MHTC amendment. They are allowed to amend an initiative for a constitutional amendment if they have the approval of the sponsors.

Representative Cohen moved to have his bill, the Cohen Amendment, substituted for the AIM-MHTC proposal. Before the vote could be taken, Representative Natsios moved that the Committee for the Responsible Limit's proposal be substituted; his motion was defeated. Representative Cohen's motion was approved by voice vote, and AIM and MHTC agreed to the change. The substitute amendment was approved by a vote of 172-9. If approved by the next General Court, the Cohen Amendment will appear on the November 1982 ballot. 9

The substitution of the Cohen Amendment for the AIM-MHTC proposal was to have important consequences for the Proposition 2½ campaign. It was unclear to what extent AIM and MHTC voluntarily agreed to the substitute. Warren Brookes charged in his Boston Herald-American column that Senate President William Bulger told AIM and MHTC the "door would be closed" if they did not agree to the substitution and withdraw their support from Proposition 2½. Representative Natsios agrees that the business community "capitulated to the leadership." By this time, he said, they needed something substantive to take back to their members,
and were unwilling to see their initiative completely defeated. But if the legislature thought the substitute would take business community support away from Proposition 2\(^{1/2}\), they were wrong. AIM took a neutral position on CLT's initiative, but MHTC announced its full support and backed it with $250,000. This support was crucial in helping CLT win their Proposition 2\(^{1/2}\) campaign.\(^{10}\)

Throughout the 1980 session, the Massachusetts legislature showed that it was unwilling or unable to deal with tax limits. This attitude was consistent with its poor record on tax reform. It did not want to address property tax reform in the past, it was not about to start in 1980. There was also a sentiment among the legislators that if voters wanted to "play legislature" and pass Proposition 2\(^{1/2}\), they could live with the consequences. Some felt that the legislature did not know what to do about Proposition 2\(^{1/2}\), so it did nothing. Others feared that no alternative could compete with the large tax cuts of Proposition 2\(^{1/2}\). Because the legislature found it so difficult to address the tax limitation issue, it helped shape the Proposition 2\(^{1/2}\) campaign. It failed, as had other groups, to develop an alternative to Proposition 2\(^{1/2}\), the key to opposing the initiative. Its poor record on tax reform added to voter frustration and anger. And its action on the AIM-MHTC amendment led the MHTC to contribute heavily to the CLT campaign.
REFERENCES


4. Interview with Representative Andrew S. Natsios; Interview with Barbara Anderson; Tri-Town Transcript, October 22, 1980.


10. Boston Herald-American, October 2, 1980; Interview with Barbara Anderson; Interview with Representative Natsios.
In November 1980, Massachusetts voters were presented with two tax limit proposals on the general election ballot. Election Day marked the culmination of 3 years' work for CLT and the groups that opposed Proposition 2\(\frac{1}{2}\). Few voters were aware of the several alternatives to Proposition 2\(\frac{1}{2}\) that had been proposed and defeated. In fact, many voters did not know that the initiative would appear on the ballot until shortly before the election. A Boston Globe poll, conducted one month before the election, showed that almost one out of five voters had not heard of Proposition 2\(\frac{1}{2}\). Many others had heard of the initiative, but were unfamiliar with its provisions. The same poll showed that one out of five voters had not decided how they would vote on Proposition 2\(\frac{1}{2}\). Only one out of four said they would vote in favor. But when the initiative's provisions were explained, the proportion in favor rose to 44 percent. As many voters were unfamiliar with Proposition 2\(\frac{1}{2}\), and uncertain how they would vote, it is not surprising that the campaign was heated.

Before CLT could begin its campaign for Proposition 2\(\frac{1}{2}\) in earnest, it had one last challenge to overcome. The Massachusetts Teachers Association, in a final effort to keep the initiative off the ballot, challenged a number of the signatures CLT had collected. It was not necessary to have many signatures invalidated: CLT had gathered only 1417 more signatures than needed for Proposition 2\(\frac{1}{2}\), and only 330 more for the AIM-MHTC amendment. MTA felt it was worthwhile to undertake the expensive and arduous task of challenging the signatures. The union hired petition examiners, handwriting analysts and attorneys to examine
the petitions. The collected signatures were matched with those recorded with city and town clerks. MTA charged that a large number of the signatures were invalid because people had signed their nicknames rather than their full legal names. CLT disputed the charge. It held that city and town clerks had certified signatures as long as they recognized the individuals. According to CLT, courts had upheld this practice in earlier cases.

At first MTA's challenge met with some success. In early 1980, the Ballot Law Commission ruled that the AIM-MHTC amendment was invalid, but it ruled in favor of Proposition 2\textsuperscript{2}1\textsubscript{2}. CLT and MTA immediately appealed the decision each had lost to the Superior Court. On April 23, the Superior Court held that there had been "no intent" to defraud by CLT, and ruled that both initiatives had sufficient signatures. Once again, the teachers union appealed the decisions. On July 14, the Appeals Court upheld the Superior Court's decision.\textsuperscript{2} Proposition 2\textsuperscript{2}1\textsubscript{2} was permitted to appear on the ballot, and the AIM-MHTC amendment was sent to the legislature.

With the MTA challenge behind them, CLT began to campaign in earnest for Proposition 2\textsuperscript{2}1\textsubscript{2}. They had actually begun their campaign two years past when they initiated the first signature drive with the Republican representatives. And for more than a year before the election, CLT had been sending speakers across the state to talk about Proposition 2\textsuperscript{2}1\textsubscript{2} to anyone who would listen. In addition, CLT participated in a series of debates throughout the state with MTA and Representative Cohen. In these debates, CLT was to argue in favor of Proposition 2\textsuperscript{2}1\textsubscript{2}, MTA in favor of its initiative, and Cohen against both. Usually MTA chose not to talk about its initiative but instead used the debates as a forum to attack
Proposition 2½. This tactic angered many moderators and listeners. According to Barbara Anderson, much of the initial support for Proposition 2½ was generated by the image of the small, "grass-roots taxpayers group" being attacked by both the MTA and Cohen.

Despite the support CLT had gathered over the two previous years, by the summer of 1980 they had reached a low point. They depended on their small membership for financial support and were almost broke. Campaign contributions trickled in slowly and interest in the campaign was small. CLT also had a change in leadership. Greg Hyatt, who led CLT through the signature drive and the MTA challenge, left the organization. Barbara Anderson, who had joined CLT as a volunteer in 1978, took over as executive director. She was worried that the lack of public interest and financial resources doomed Proposition 2½ to failure. Seasoned campaigners reassured her it would pick up after Labor Day.

Her advisors were correct. Opposition to Proposition 2½ organized in August. By early fall, pro and con arguments were widely publicized. With increased attention, campaign contributions poured into CLT. Most were small amounts -- $25 to $75 -- from nonmembers. But in October, the MHTC donated $250,000 after the legislature killed their constitutional amendment. This donation allowed CLT to buy time on television and space in newspapers. CLT and their opponents agreed that MHTC's donation was crucial to Proposition 2½'s victory.

CLT's campaign emphasized two themes: Proposition 2½ was the best way to lower taxes and control spending, and their opponents arguments were wrong and misleading. After the election Anderson summed up their strategy, "We supporters were pushing the joy of sex," she said, "and the
opponents were trying to sell the fear of pregnancy." And CLT pushed its initiative hard. Using the same arguments they had since 1978, CLT proclaimed its message: Proposition 2½ was the only way taxpayers could reduce the property tax burden, lower government spending, and bring about tax reform. CLT cited Census Bureau statistics that property taxes were 70 percent above the national average to prove that government in Massachusetts "costs so much more than it should." They stressed the excessive burden that property taxes put on low- and fixed-income households. CLT said that most property tax cuts would accrue to homeowners as they paid three-fourths of all property taxes. Proposition 2½ would send a message to the legislature, CLT claimed. It was necessary for voters to pass the initiative because state and local legislators were not sensitive to taxpayers' interests. Without Proposition 2½, legislators would continue to write out "blank checks" to bureaucrats, public employees, and special interest advocates. The legislature's rejection earlier in the year of numerous tax limits, and its failure to enact an alternative, highlighted its inability to control taxes or spending. CLT also pointed out that Proposition 2½ was much more liberal than tax limits in other states, such as the 1 percent limit of Proposition 13. With a property tax rate of 2.5 percent, Massachusetts would still be far above the national average of 1.9 percent. Finally, CLT stated that Proposition 2½ benefitted renters too, since it gave them a new deduction from their state income tax. 4

It was difficult to argue that voters would not benefit from a forty percent tax cut, so opponents argued that Proposition 2½ would require drastic service cuts. In turn, CLT assured voters that service cutbacks would be small. CLT pointed out that other states provided "quality
public services with much lower taxes. Cities and towns would still be able to provide "essential services" under Proposition 2\(\frac{1}{2}\), CLT claimed. As proof, they cited the fact that almost half of the cities and towns already had tax rates lower than 2.5 percent. Further, cities and towns with tax rates above 2.5 percent would not have to make "overnight tax cuts," but could reduce tax collections gradually. And for those cities and towns that did not want to live within the limits, there was an override provision. CLT also stressed that Proposition 2\(\frac{1}{2}\) would strengthen the ability of city councils and town meetings to reduce costs, because it repealed school committee fiscal autonomy and police and fire binding arbitration, and prohibited unfunded state mandates. Local residents would also have more control over spending because proposals to raise or lower the tax rate required voter approval. Finally, CLT asserted that Proposition 2\(\frac{1}{2}\) did not "mandate" reductions in school, police, or fire budgets. Cities and towns could choose which services, if any, were to be cut. The tax limit would force cities and towns to use resources more efficiently, to establish priorities, and to eliminate unnecessary expenses.\(^5\)

CLT also protested the "tactics" of their opponents. They charged that opponents were breaking the law when they used public funds to campaign against the initiative. CLT was angered that "Stop Proposition 2\(\frac{1}{2}\)" bumper stickers appeared on school buses and government cars. They criticized school administrators who spoke over public address systems urging students to tell their parents to vote against the initiative. They decried the use of public funds to print letters and flyers that criticized Proposition 2\(\frac{3}{2}\) in the name of public information. They were upset that groups who opposed the initiative would hold meetings in public buildings. At one point, CLT
considered taking some cities and towns to court to prevent what they called "illegal activities 101." 

Organized opposition to Proposition 2\(\frac{1}{2}\) was slow to develop. The Fair Share -- public employee union coalition that circulated the "Tax Justice Act" initiative fell apart after their unsuccessful signature drive. The unions spent much of the next year bickering over the logistics of a "Stop 2\(\frac{1}{2}\)" campaign. By the summer of 1980, however, they knew that to successfully oppose Proposition 2\(\frac{1}{2}\) they needed a broad-based, statewide coalition. The "Ad Hoc Committee to Establish a Statewide Coalition Against Proposition 2\(\frac{1}{2}\) was formed in June. It included representatives of public employee unions, the Massachusetts Taxpayers Foundation, the Massachusetts Municipal Association, Fair Share, the League of Women Voters, the Mass Council on Churches, and several education groups. Throughout most of the summer they argued over organization and strategy.

The ad hoc committee had four large problems to overcome. First, the unions were to finance most of the campaign, giving them control over its structure and focus. They had to "remain in the background," however, to prevent adverse public opinion. Many of the nonunion groups, fearful of being used, were suspicious of the unions' motives and actions. Second, the committee was stuck in a circular argument over strategy. From elections in other states, it knew that "drastic service cuts" arguments were not enough to defeat Proposition 2\(\frac{1}{2}\); voters simply did not believe them. To be successful it needed an alternative to promote in 2\(\frac{1}{2}\)'s stead. But they had no alternative, neither could they find another strong argument. Third, members disagreed over whether to have a single statewide coalition or several small, local coalitions. Finally, the groups disagreed over the
importance of defeating the initiative, whether the ultimate goals was to protect public services or the taxpayer. The same disagreement had stymied them a year earlier.\textsuperscript{8}

In August, a statewide coalition was formed as the "Vote No on Question 2 Committee." It had lost most of the taxpayers groups but gained more public employee unions, social service organizations, and advocacy groups. It hired Michael Vantresca, who headed Senator Edward Kennedy's presidential campaign in New England, as director. Vantresca saw three critical factors in the campaign. First, initial polls indicated that Proposition 2\textsuperscript{1} would pass. Although people might not fully understand the initiative, the property tax cuts were sufficiently large to convince them to vote yes. Second, the strongest available argument against the initiative was that it would cut local services. Vantresca believed that voters were less happy with the state than local government. If it could be demonstrated that local services would be cut, but the state was not, public opinion might shift away from CLT. But the Committee had to present its arguments without appearing pro-union. Third, the support of local officials was essential. Voters tended to trust them more than state legislators. If the mayors, councilmen, and selectmen waffled in their opposition to the initiative, voters would be more likely to support it.\textsuperscript{9}

During the campaign, the Committee talked fervently about service cuts. Through flyers and newspaper ads they presented a doomsday scenario, where Proposition 2\textsuperscript{1} required drastic cuts in public services, hitting school, fire, police, and public works departments the hardest. It pointed out that since many municipal costs -- debt service, pension, and state and county assessments -- were fixed, "deep cuts will have to come in the
programs which made our communities decent places." It asserted that Proposition 2 1/2 would hurt most the groups that were defenseless -- the elderly and children.

Opponents to Proposition 2 1/2 also argued that the initiative would reduce local home rule. Cities and towns had been able to determine the level, mix, and costs of services they wanted. Proposition 2 1/2 was the "ultimate state mandate," because it told cities and towns how much revenue each could raise. And if the state increased local aid to make up for lost revenue, they would attach strings telling communities how to spend their money. If the state assumed responsibility for local services, they would be uniform across the state; people would have a smaller choice among public services. Finally, the local voter override provisions undermined the authority of town meetings and city councils.

In addition, opponents argued that Proposition 2 1/2 would not provide "real" tax relief or reform. Nothing in the initiative guaranteed that waste, rather than essential services, would be eliminated. It would give "great tax breaks for big business," while homeowners would only receive a small proportion of the tax cuts. As there was no restriction on new taxes the revenue loss would be made up by "higher taxes from ordinary working people." New state taxes would be particularly unfair to renters who were unlikely to benefit from the tax cuts. The initiative let the "pols completely off the hook," because it "orders the state to do nothing." The cities and towns who would have to make the largest cuts in services, such as Boston and Chelsea, could least afford to do so.

Finally, the opponents argued that many of the provisions in the initiative were unworkable or unfair. The levy limits meant that growing
communities would be hard pressed to provide new public services. Municipal credit ratings would fall because debt and interest payments were not excluded from the limits. Cities and towns with tax rates below 2.5 percent were penalized by having their tax rates frozen at their 1979 level. Binding arbitration is necessary to prevent dangerous strikes by police and firefighters. School committees needed fiscal autonomy to ensure that schools remained free of political interference.

In essence, the campaign centered on the tax cut and its effects. CLT and their supporters argued that it would not hurt local services and that homeowners would get most of the benefits. Opponents disputed these statements. The campaign was characterized by a lack of facts. The debate was muddled because no one was quite sure how much taxes would be cut, how each city or town would be affected, and whether business or homeowners would get the biggest break. In October, the Department of Revenue released its estimates of Proposition 2 1/2's impacts. It predicted that property taxes would be cut $1.5 million, more than 40 percent, in the next few years. Local governments would lose $190 million more from reduced auto excise taxes. The state would lose $47 million in income taxes from the renters' credit. Earlier in the year, however, the Committee on Taxation estimated a property tax loss of $793 million, an auto excise tax loss of $176 million, and an income tax loss of $29 million. The Department of Education, the Massachusetts Taxpayers Foundation, and the Executive Office of Communities and Development also released estimates; none agreed with another. The estimates varied because each organization relied on different assumptions about assessed values, inflation, and the size of local budgets. Similarly, it was difficult to estimate how
the tax cuts would affect commercial and residential property owners; no one knew how classification and 100 percent valuation would distribute the tax burden. Because there was little factual information about Proposition 2 1/2's impacts, voters had to rely on campaign rhetoric as well as their own experience with taxes and governments to decide how to vote.11

One source that provides insight into how voters felt about taxes, governments, and Proposition 2 1/2 is opinion polls. Several were conducted on the behalf of proponents, opponents, newspapers, and universities to measure support for the initiative. The most basic conclusion from the polls is that a plurality of Massachusetts voters had favored a property tax cut since the initiative was first proposed in 1978. In March 1978, the Public Affairs Research Center at Clark University questioned voters about taxes. Of those polled, 52 percent chose the property tax as the "most unfair." When asked how Massachusetts taxes compared to those in other states, 82 percent said they paid more overall in state and local taxes than residents of other states; 74 percent said their property taxes were higher. The Center conducted another poll on property taxes shortly after the Proposition 13 election. At that time, 79 percent of those polled favored a large property tax reduction. A Boston Globe poll conducted at about the same time found that 73 percent of voters favored the idea of a 2.5 percent property tax rate ceiling.12

In April 1980, researchers at the University of Massachusetts, Boston asked voters about their positions on Proposition 2 1/2: 75 percent said they were in favor of the initiative. In June, opponents began polling voters to help plan their campaign. In their sample, 56 percent were in favor, 18 percent were opposed, and 26 percent were undecided.
By September the proportions had changed: 48 percent were in favor, 29 percent were opposed, and 23 percent were undecided. An October poll found 45 percent in favor, 38 percent opposed, and 17 percent undecided. One week before the election, the Boston Globe again polled voters and found 47 percent in favor, 44 percent opposed, and only 6 percent undecided. Although the margin in favor of Proposition 2½ diminished over time, these polls show that there was always support for the initiative.13

Although a majority of voters favored lower property taxes, they were apprehensive about service cuts. In almost all the polls cited above, the proportion of voters in favor of the initiative dropped when they were told that the property tax cut might reduce local services. In June 1978, the Public Affairs Research Center found only 49 percent favored a large property tax reduction if it meant local services would be cut. In the April 1980 UMass poll, the proportion favoring Proposition 2½ fell from 75 percent to 36 percent when the interviewers explained that local services might be reduced. A Boston Globe poll conducted in early October found 31 percent of voters favored the initiative after hearing that cities and towns would lose forty percent of their revenues. Prior to hearing this argument, 42 percent supported the initiative.14

There is also evidence that voters were satisfied with local governments and their local officials. The September 1980 poll conducted by the opponents asked voters a number of questions about state and local government. Only 22 percent of those polled were "really angry" about "waste in local government," and only 9 percent felt that way about the services they received from their city or town. Among those in favor of Proposition 2½ the sentiments were similar: 26 percent and 10 percent, respectively,
were "really angry" about local government waste and services. On the other hand, 51 percent were "really angry" about waste in state government, and 49 percent felt the same about corruption in state government. In fact, only 8 percent of those polled agreed that "there is more waste in my own local government than there is in the state government."\(^{15}\)

Given their satisfaction with local government, and apprehension about service cuts, why did voters favor Proposition 2\(\frac{1}{2}\)? This apparent inconsistency is partially explained by the fact that many voters did not know of, or understand, all the provisions of the initiative. The significant drop in support for Proposition 2\(\frac{1}{2}\) after the possibility of service cuts was explained supports this conclusion. Also, it took a long time for people to become aware of the initiative. In April 1980, only 42 percent of those polled had heard of Proposition 2\(\frac{1}{2}\). In June, the proportion had increased to 49 percent, in September to 66 percent, and in October to 78 percent. One week before the election, 97 percent of those polled had heard of Proposition 2\(\frac{1}{2}\). As awareness of the initiative increased, support fell.\(^{16}\)

In addition, it is uncertain how well voters understood the implications of Proposition 2\(\frac{1}{2}\). The April 1980 UMass poll found that 42 percent of voters felt that property tax cuts would not result in service cuts. The September 1980 poll found that 54 percent of voters believed that property taxes could be cut as proposed by Proposition 2\(\frac{1}{2}\) without reducing the "important services our taxes pay for." At the same time, only 29 percent agreed that cities and towns could still maintain the same level of services such as schools, police, and fire protection after the tax cuts. And 60 percent agreed with the paired statement that there was "no way" the property tax cuts could be made without causing "serious
cutbacks in local services." As few voters felt that local governments were "wasteful," it is clear they were confused about the relationship between property tax cuts and the quality and quantity of local services.17

A second explanation for Proposition 2 1/2's support is that many people planned to vote in favor, not because they agreed with it, but to "send a message" to the legislature. The September 1980 poll found that voters were cynical about government spending and tax reform. When read the statement, "The politicians have promised property tax relief and never come through -- voters will have to do it themselves," 78 percent agreed. Another 68 percent agreed that the legislature will never "vote to lower our property taxes, whether Proposition 2 1/2 passes or not." And 59 percent agreed that "We should vote for 2 1/2 even if we don't agree with all of it, because it will send the politicians a message to stop spending our money." In fact, 73 percent of voters would have preferred a "more fair" tax system that collected the same amount of revenues, to one that reduced the total amount.18

These polls show that much of the support for Proposition 2 1/2 existed because voters felt property taxes were too high, not because they wanted smaller government or fewer services. Most people were happy with the quality and quantity of their local services. Many would have preferred a moderate alternative that restricted the growth of, or slightly lowered, property taxes. UMass researcher Padraig O'Malley concluded after their April poll that "If there is not an alternative, it will pass." In the Boston Globe's October poll, 5 out of 7 voters said they would prefer a limit on future tax increases and a gradual reduction in total taxes.19
The only alternative on the ballot was the MTA's initiative, and it would not limit or reduce taxes. Voters were thus given a choice between Proposition 2\(^{1/2}\)'s 40 percent property tax cut and the status quo. This probably led many to vote in favor of the initiative. In May, O'Malley concluded that "the benefits of the known -- the tax cut -- will outweigh the public's apprehensiveness about the unknown -- possible cuts in municipal services." A week before the election, a Boston Globe poll found that opposition to the initiative from union members and self-described liberals had fallen from its 5-2 margin the previous month. Union members now split evenly on the proposal, and liberals opposed it by less than a 3-2 margin. The Globe called this trend, "tax revolt chic": liberal voters did not like Proposition 2\(^{1/2}\), but planned to vote yes to "send a message" for tax reform to the legislature.\(^{20}\)

The Boston Globe, Boston Herald-American, and other papers also tried to interpret the campaign. Their comments were consistent with the "send them a message" findings of the polls. The newspapers concluded that Proposition 2\(^{1/2}\) was "born of frustration." In October, the Globe reported that supporters and opponents agreed the initiative was "a result of the Legislature's failure to deal decisively with the issue of taxation." It quoted Richard Manley, president of the Massachusetts Taxpayers Foundation, who said that property taxes were in a state of crisis and that "people are angry as hell about it."\(^{21}\)

Given the legislature's poor record on property tax reform, some reporters concluded that voters saw Proposition 2\(^{1/2}\) as their only chance to reduce property taxes. Warren Brookes wrote in the Herald-American that "If Proposition 2\(^{1/2}\) does not get an overwhelming vote at the polls
November 4 it will be business as usual and your total tax burden will rise even faster in the future than it has in the past." Even Ian Menzies, a liberal Globe columnist called Proposition 2½ "The first step toward equitable taxation." Because the legislature could amend the initiative and increase state aid, Menzies wrote that a yes-vote was "simply a message to the legislature to display a little backbone and finally get around to reforming the Massachusetts tax system." 22

One month before the election, the Department of Revenue began releasing new property tax rates, and tax bills were sent to property owners. By the end of October, 112 cities and towns had had their tax rates certified, with an average increase of 7.2 percent. Many populous municipalities had even larger tax rate increases. Property taxes went up by 24 percent in Cambridge, by 20 percent in Leominster, by 17 percent in Pittsfield, and by 15 percent in Lynn; Boston's taxes were expected to increase by 18 percent. The Globe called the increases, "the first significant rise in local property taxes in three years." There were several reasons why property taxes jumped. In 1979 most cities and towns stayed within Governor King's 4 percent tax cap, often deferring costs into the next year. In 1980, the combination of inflation, rising fuel costs, increased MBTA assessments, no new state aid, and deferred costs made it impossible for cities and towns to stay within the tax cap; most voted to override the limit. 23

The new property tax bills increased support for Proposition 2½. Robert Kuttner noted the similarity to the California election. There, the Los Angeles County Assessor sent out substantially increased property tax bills to one-third of the county's homeowners a few weeks before the
Proposition 13 election. This angered voters, many former opponents voted for the initiative. Kuttner believes that the October tax bills in Massachusetts were a "textbook case" of bad timing. Opponents and supporters of Proposition 2 1/2 were certain the bills would influence the election. "We're not pleased that people are getting a tax increase," said Barbara Anderson, "but it's all the more reason to vote themselves a tax cut on November 4. . . They couldn't have happened in a better year." Sheila Cheimets, legislative director for the Massachusetts Municipal Association, feared that voters would "turn out in droves" to vote yes after they received their tax bills. "We have to assume that sharp property tax increases...would tend to push people to vote for 2 1/2 out of anger and frustration," she said. The Vote No on Question 2 Committee had narrowed the margin in favor of Proposition 2 1/2 until the tax bills were sent out. "Three weeks before the election we were in a dead heat--40-40," says Michael Vantresca. Barbara Anderson believes that the tax bills added to taxpayers' anger, saying that "No one could say property taxes weren't too high." 24

On election day, CLT was sure its initiative would win, it was just a question of how large a margin it would receive. This margin was important to CLT because the more voters favored Proposition 2 1/2, the less likely the legislature would be to repeal it. When the polls closed, voters had indicated their support. Only 5 percent of the 2.5 million ballots cast were blank for Proposition 2 1/2, a low proportion. The remaining ballots favored Proposition 2 1/2 by 1,438,768 votes to 998,839 -- a margin of 3 to 2. The strongest support came from the Boston suburbs. In Essex and Plymouth Counties, two out of three voters approved
Proposition $2\frac{1}{2}$, and in Norfolk County three out of five voters did. But the vote was relatively consistent statewide. The initiative was approved by voters in 287 of the state's 351 cities and towns. The service cut argument put forth by the opposition did not appear to dissuade voters. The property tax cuts and service cutbacks would be the most severe in the state's largest cities and towns. In the 20 largest cities and towns, which represent almost two-fifths of the population, Proposition $2\frac{1}{2}$ was approved by 56 percent of the voters. In Boston, which would lose about 75 percent of its property taxes, 57 percent of the voters approved the initiative. Chelsea would lose the largest proportion of property taxes in the state; two-thirds of its voters approved Proposition $2\frac{1}{2}$.25

Given the widespread support for Proposition $2\frac{1}{2}$, it is interesting to look at the cities and towns where it was defeated. The most striking feature of the election results is that most of these 67 cities and towns are concentrated in two geographic regions: Cape Cod and western Massachusetts. Proposition $2\frac{1}{2}$ was rejected on Nantucket, Martha's Vineyard, and in 12 of the 15 cities and towns on Cape Cod. With the exception of Provincetown, all of these cities and towns had effective tax rates below 2.5 percent of full value. Many residents felt they would be unfairly penalized for their frugality by being forced to use 1979 tax rates. In addition, the Cape and the Islands had increased in population by 55,000 residents since 1970, an increase of one-half. The levy limit in Proposition $2\frac{1}{2}$ would make it difficult to build the roads, sewers, and schools need for new residents. Similarly, in Franklin County, voters in 21 of the 26 municipalities rejected the initiative. Again, most
of the cities and towns had low tax rates, and the county had had a 10 percent increase in population since 1970. The cities and towns had also waged a strong, joint campaign against Proposition $2\frac{1}{2}$.

Most of the remaining cities and towns where Proposition $2\frac{1}{2}$ was defeated were also in Western Massachusetts. In Hampshire County, which lies adjacent to Franklin County, the measure was defeated in slightly more than half of its 20 towns. Proposition $2\frac{1}{2}$ was also defeated in four metropolitan Boston municipalities: Lincoln, Newton, Cambridge, and Brookline. Lincoln is a small affluent suburb with taxes well within Proposition $2\frac{1}{2}$ limits. Cambridge, Brookline and Newton are large cities with high property taxes. These cities had waged strong campaigns against the initiative. After the election, each tried to exempt itself from its restrictions saying that its residents preferred to pay the taxes for the wide range of services they received. In general, it appeared that residents in the 67 cities and towns where Proposition $2\frac{1}{2}$ was rejected, voted against the initiative because they already felt they had control over local taxing and spending.

In many ways, the Proposition $2\frac{1}{2}$ election was anti-climactic. It was but one day in a 3-year effort by CLT to reduce and control property taxes. Polls had shown over time that voters were frustrated with property taxes, yet concerned about service cuts. The election revealed that frustration had triumped over apprehension, in large part because there was no alternative to Proposition $2\frac{1}{2}$.
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7. Interview with Robert Kuttner, March 26, 1981; Interview with Michael Vantresca; List of Members, Ad Hoc Committee to Establish a Statewide Coalition Against Proposition 2A.

8. Interview with Michael Vantresca; List of Members, Vote No on Question 2 Committee; Memo from Kennedy Shaw, Massachusetts Municipal Association, "Coalition to Defeat Proposition 2A -- To Join or Not to Join?" July 22, 1980.

9. Interview with Michael Vantresca; List of Members, Vote No on Question 2 Committee.

10. Massachusetts Taxpayers Foundation, pp. 2-3; Legislative Research Council, pp. 10-14; Vote No on Question 2 Committee advertisements.


24. Interview with Robert Kuttner; Boston Globe, October 9, 1980; Interview with Barbara Anderson; Interview with Michael Vantresca.

25. Election returns from the Secretary of the Commonwealth's office.

26. Election returns from the Secretary of the Commonwealth's office; Preliminary Census Bureau figures; Committee on Taxation public hearing, February 5, 1980, Gardner Auditorium, State House.

27. Election returns from the Secretary of the Commonwealth's office; Preliminary Census Bureau figures; Committee on Taxation public hearing, February 5, 1980, Gardner Auditorium, State House.
"Poorly drafted or not, it's all we have in the way of property tax relief offerings from any source. With it, we send a message to the state and local governments. If we win, that message will be -- the taxpayers have had enough. If we lose, the message will be -- give use more of the same; waste, inefficiency, less local aid, less home rule, more control by special interests, higher taxes. And they will." With these words, Barbara Anderson summarized in the summer of 1980 the essence of Proposition 2\(^1\). It was the only measure to reduce property taxes that had ever appeared on the ballot in Massachusetts. In three years, no one had been able to propose a viable alternative to Proposition 2\(^\frac{1}{2}\). Voters had to choose between it and the status quo... and many found present taxes intolerable.

Alternatives are the common thread among all the groups and individuals who opposed or supported Proposition 2\(^\frac{1}{2}\). Shortly before the election, Representative Andrew Natsios wrote his constituents to explain his intention to vote in favor of the initiative. In his letter he emphasized the importance of alternatives. He wrote: "... I am disturbed by the lack of support for a more moderate alternative from most of the groups now opposing the legislation. Where were all of these groups when alternatives to 2\(^\frac{1}{2}\) were being considered? The opponents of 2\(^\frac{1}{2}\) say that 2\(^\frac{1}{2}\) is simplistic, and a more comprehensive proposal is necessary. Where is the comprehensive alternative?" Barbara Anderson criticized the legislature for its failure to provide property tax relief in her comments responding to a legislative report on the initiative. "What
are the existing government's plans to 'provide for an orderly reduction etc.'? Where is a reasonable alternative to Proposition 2\(\frac{1}{2}\)? Where was it five years ago? Does the Taxation Committee promise, faithfully, that we will have it next year? Will Chairman Cohen apologize if we don't?" Michael vantresca admitted that the lack of a real alternative was the biggest obstacle in the Vote No on Question 2 Committee's campaign. People would tell them they agreed with the arguments against the initiative, and then ask: "But what's the alternative?" Poll after poll concluded that voters would prefer a moderate tax limit that controlled spending over Proposition 2\(\frac{1}{2}\)'s sharp property tax cuts.2

Alternatives, or the lack thereof, are the key to understanding Proposition 2\(\frac{1}{2}\). The central question of this thesis is why did Massachusetts voters approve Proposition 2\(\frac{1}{2}\)? In almost all other states where a similar "taxpayers revolt" has occurred, initiatives to significantly reduce property taxes have been defeated. Why was Massachusetts different? A study of the alternatives problem helps provide some answers. It was suggested in the introduction that Proposition 2\(\frac{1}{2}\)'s success might be an indication of increasing conservatism among Massachusetts voters. Perhaps tax revolt advocates like Don Feder, Barbara Anderson, and Howard Jarvis are correct. Maybe voters did approve Proposition 2\(\frac{1}{2}\) because they wanted lower taxes and smaller governments. After all, these were the objectives of Proposition 2\(\frac{1}{2}\) and CLT. Proposition 2\(\frac{1}{2}\) was approved by 3 out of 5 voters; it appears they agreed with these objectives.

But the evidence presented in this thesis makes it difficult to accept the "conservative swing" argument. Polls conducted before the election found that most voters were satisfied with the quality and
quantity of their municipal services. Local governments were not generally perceived as overly wasteful or corrupt. Many people were apprehensive about the service cuts that might result from the property tax reductions. If they agreed whole-heartedly with CLT, they would be undisturbed by the suggestion of service cuts.

At the same time, voters were unhappy with the level of Massachusetts property taxes. They had good reason to be upset. Massachusetts property taxes were the second highest in the nation. And the state's fiscal structure was lopsided, with a disproportionate share of local government revenues collected through property taxes. A vote for Proposition 2½ did not necessarily mean a vote for fewer taxes and smaller government. It could also be interpreted as a vote to change the way taxes are collected, a vote to make the state's fiscal structure more balanced. It was likely that voters would have preferred a milder version of the initiative. Polls conducted over several months showed that voters preferred a limit on future tax increases, with some gradual cutbacks, to the 40 percent tax cut of Proposition 2½. Several pollsters had concluded that voters wanted more control over taxing and spending, not necessarily fewer taxes or services. But that alternative was not on the ballot, and the initiative passed by a wide margin. Indeed, many liberals such as the Boston Globe's Ian Mexzies say Proposition 2½ should be seen "not as an isolated proposal, but as the first step in a program to achieve equitable tax reform."³

But if people had hoped to see "equitable tax reform," why vote for a measure designed to reduce, not reform, the property tax? Proposition 2½ was intended to significantly reduce property taxes without providing
new sources of local government revenue. Although CLT advocated increased state aid after the election, they originally asserted that Proposition 2\(\text{\textfrac{1}{2}}\) would give local governments all the revenue they needed to provide "essential services." Proposition 2\(\text{\textfrac{1}{2}}\) would lower property taxes, but it would not reform the state's lopsided fiscal structure. It addressed only one tax and one level of government. Its proponents were opposed to the two avenues of real tax reform: a progressive income tax and a broadened sales tax. This inconsistency suggests that voters did want to "send a message" to the legislature when they approved the initiative. Property taxes were unacceptably high and Proposition 2\(\text{\textfrac{1}{2}}\) was the first means available to voters that guaranteed they would be lowered. There was no alternative to Proposition 2\(\text{\textfrac{1}{2}}\) on the ballot or in the statutes that offered acceptable tax reform.

In addition, voters had good reason to suspect that they might never have another chance to lower property taxes. In the past, the legislature had shown a great reluctance to address the tax issue. House Speaker McGee bragged that he and his colleagues had not voted for tax reform in 18 years and would not do so in the future. The legislature avoided voting on tax limits throughout the 1978, 1979, and 1980 sessions. It refused to prepare an alternative. Most legislators were silent during the campaign, unwilling to speak out against Proposition 2\(\text{\textfrac{1}{2}}\) for fear of alienating their constituents. Ian Menzies was particularly critical of the legislature's inaction. "Some of us are tired," he wrote, "of listening to a succession of governors and legislatures talking about tax reform, instituting studies and doing nothing." 4

There were probably as many reasons for voting for or against
Proposition 2\(\frac{1}{2}\) as there were voters. Some people do want less government, others simply want their taxes reduced. Some may have been angry with public employee unions, others wanted tax reform. And some preferred the existing high taxes to an unknown future that was likely to include sharply diminished public services. No matter what the reason, the evidence in this thesis shows that the success of Proposition 2\(\frac{1}{2}\) at the polls was not a signal for less local government. If anything, it represented anger and frustration with excessively high property taxes and a recalcitrant legislature. For many voters, the certainty of a property tax cut overrode apprehension about possible service cuts.

Proposition 2\(\frac{1}{2}\) also underscores a weakness of the initiative process. Initiatives and referenda were established in Massachusetts in 1918. The coalition of progressive reformers and organized labor groups that fought for the process hoped that direct legislation would institute a new era of political, social, and economic reform. In addition, the reformers hoped initiatives and referenda would "veto much of the 'bad' legislation passed by the General Court at the behest of the 'interests'." However, it is unclear whether an initiatives is a desirable way to establish tax policies. Shortly after CLT and other groups had filed nine initiative petitions to limit property taxes in 1979, Massachusetts Director of Elections Marcia Molay labelled the process "risky" and "undesirable." She felt that "the Legislature may be in the best position to integrate the various political pressures on appropriations and to balance competing demands on the state treasury."

Despite its "riskiness," CLT had been forced to use the initiative process for Proposition 2\(\frac{1}{2}\) because the legislature had consistently failed
to enact tax reform or taxing and spending controls. A very complex issue -- the design and use of property tax limits -- was boiled down to a simple yes or no vote. Voters could not choose whether they wanted to reduce property taxes, or merely limit their growth. They could not indicate if they wanted limits on state taxes, or if they were willing to authorize new sources of local revenue. As discussed above, the absence of an alternative was the reason many people voted in favor, even if they did not agree with its provisions. The initiative process proved itself inadequate to handle the complexity of tax limits. Therefore, Massachusetts voters have given themselves a fiscal crisis because legislative failure forced them to resort to an inappropriate use of initiatives.

In 1918, opponents of initiative and referendum feared the "tyranny of the majority." The Proposition 2\(\frac{1}{2}\) election is an example of this problem. The benefits -- lower taxes -- of Proposition 2\(\frac{1}{2}\) would directly accrue to property owners. Aside from public employees who would lose their jobs, the costs of the initiative -- service cuts -- were largely unknown and likely to be dispersed. With an initiative, like Proposition 2\(\frac{1}{2}\), the majority can inflict the costs of its choice on the rest of the state; there is no representation of minority interests in an initiative law. Opponents can only fight the initiative in a campaign, they cannot incorporate their concerns into law. Tax cuts and tax reforms are more properly accomodated through the legislative process. There, negotiation, compromise, vetos, and stalemates allow representation of minority interests.6

In Massachusetts, the legislature is not inclined to negotiate,
compromise, or often, discuss tax reform or relief. Again, Proposition 2 1/2 illustrates how the initiative process failed. Massachusetts has an indirect initiative process. All initiatives are referred to the legislature before they appear on the ballot. If the legislature approves the initiative, and the Governor signs, it becomes law without ever appearing on the ballot. If the legislature rejects the initiative, it is then put on the ballot. The legislature may also put an alternative to the initiative on the ballot. This indirect process was established to remove the problem of a tyrannical majority; all initiatives are subject to legislative debate. However, in the case of Proposition 2 1/2, these safeguards failed. Despite three years of notice, the legislature failed to propose an alternative to the initiative. They had ample opportunity to do so as several tax limits were proposed in the legislature between 1978 and 1980. Of all the proposed initiatives and bills, Proposition 2 1/2 was the harshest and most conservative. By November 1980, it was the only real alternative open to voters.

Given its significance, it is important to ask why there were no alternatives to Proposition 2 1/2. Earlier in this thesis, several explanations for why the legislature did not pass an alternative were put forward. Some legislators feared that no compromise alternative could offer the same magnitude of direct tax cuts as Proposition 2 1/2. A compromise that was too weak might anger voters and increase their likelihood of voting in favor of the initiative. Another explanation is that the Democratic leadership would not deal with the issue since it was not yet a crisis. There was also resentment that voters might usurp the legislature's authority to set tax policy. If voters wanted
to approve a fiscal nightmare, the reasoning went, they could live with the consequences. There was also the problem of building a constituency for tax reform. There were so many small winners and losers that there was no strong support for a tax reform alternative.

But the legislature was not the only group that could propose alternatives to Proposition 2 1/2. In addition to CLT, the Massachusetts Taxpayers Foundation, public employee unions, Massachusetts Fair Share, the Massachusetts High Technology Council, and the Associated Industries of Massachusetts had all proposed property tax limits. Why were these alternatives unsuccessful? AIM and MHTC joined forces with CLT; their proposals were simpler versions of CLT's, not alternatives. MTF joined with the Committee for the Responsible Limit. Although their business constituency might have naturally allied with AIM and MHTC, MTF did not agree with the severity of Proposition 2 1/2. They were concerned that Boston would become insolvent if the initiative passed. With the legislative CRL, they hoped to push a moderate alternative to Proposition 2 1/2 through the legislature. Barbara Anderson admits, in retrospect, that if the legislature had adopted the CRL proposal, Proposition 2 1/2 would most likely have been defeated. CRL chose the legislative process to push their proposal because they did not have the resources for a signature drive. However, the legislature was as unwilling to act on their alternative as they were on any other.

What of the Fair Share - AFL-CIO coalition, why was it unsuccessful in putting together an alternative? Based on appearances they should have succeeded. They had experience. The two groups had successfully led the campaign for the classification amendment in 1978. They had
resources. Union members and Fair Share organizations could circulate petitions. The unions had sufficient financial resources to fund the signature drive and a campaign. They also had a constituency to vote for an alternative. In 1978 they had successfully organized working class groups and public employee unions around the rallying cry of property tax reform. They hoped to repeat this success in 1980.

They failed. The reasons they failed to put together an alternative illustrate another lesson on Proposition 2½: "cutback" politics differ sharply from the politics of the past, when fiscal resources were expanding, not shrinking. In 1978, the coalition had worked because they were shifting the tax burden from residential property owners to commercial property owners. The classification amendment was beneficial to all their members. Proposition 2½, on the other hand, proposed cutting property taxes; there was no obvious alternative that would benefit everyone. Although both sides agreed on the ends, defeating Proposition 2½, they fought over the means. Public employees depended on the property tax for their livelihood. Fair Share members benefitted from public services, but were also hurt by high, regressive property taxes. A real alternative to Proposition 2½ had to lower the property tax burden, otherwise people would not vote for it. Fair Share wanted such an alternative, the unions were frightened of it. In the end, AFSCME deserted the coalition and it fell apart. Cutback politics proved to be divisive; there was no liberal alternative to Proposition 2½. The process left some scars as well. The bitterness that remained between the unions and Fair Share colored their work as the "Vote No on Question 2 Committee." The lack of an alternative made it difficult to campaign against 2½.
A last issue brought up by Proposition 2\(\frac{1}{2}\) is the nature of the Citizens for Limited Taxation. CLT is a small taxpayers group run by conservative ideologues on a shoestring budget. It has three employees and ramshackle offices outside of the the financial district in Boston. It is not the type of group usually considered in urban politics as yielding much power. In the past, one would expect groups such as MTF, Fair Share, MHTC, AIM, and the public employee unions to lobby for property tax reform. MTF, in fact, had filled this role for years. Yet among these groups only CLT has successfully changed the property tax structure in Massachusetts. As a result, it now has gained in power and stature. CLT is currently writing its own version of the state budget to use in its lobbying. Does this mean that CLT is indicative of a new source of power in urban politics? I argue no. CLT was successful because everyone else failed. If the legislature was not recalcitrant, and if cut-back politics were not divisive, CLT would not have been successful. It is a single-issue group that was in the right place at the right time.

In summary, there are several conclusions to be drawn from this thesis. First, Proposition 2\(\frac{1}{2}\) does not represent a movement for fewer public services in Massachusetts. While this attitude may explain, in part, the success of the initiative, it is peripheral. Property taxes have always been high. The legislature has largely ignored appeals for reform. It is an old problem, exaggerated by inflation and new-found national conservatism. When a solution, and Proposition 2\(\frac{1}{2}\) was by no means a desired solution, was presented to voters they accepted it. Second, Proposition 2\(\frac{1}{2}\) illustrates several weaknesses in the Massachusetts
initiative process. In particular, tax policies are not addressed well through an initiative. They are too complex to treat as a simple yes-no vote. And the legislature does not have, or will not use, the leadership to take advantage of the indirect process and propose an alternative. Third, Proposition 2 1/2 illustrates the divisiveness of cutbacks politics. CLT's initiative was harsh, but it promised large property tax cuts. It was difficult, almost impossible, for other groups to propose reasonable alternative tax cuts that did not divide their coalitions. Finally, Proposition 2 1/2 is an important event in the history of the Massachusetts fiscal structure. It will change how taxes are collected and services are provided in the state. At the moment, though, it is too early to tell exactly what those changes will be.
REFERENCES


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