

California Constitutional Law: Interpreting Restrictions on the Initiative Power

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In this report, Carrillo and Shanske review the California Supreme Court's *City of Upland* decision and argue that it is better understood as a correct application of a longstanding rule that California courts interpret ambiguous provisions of the law to preserve the right of the people to govern themselves by initiative.

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In the *City of Upland* decision, the California Supreme Court held that a rule about the timing of elections that applies when a local government imposes a tax does not apply when the local electorate uses its initiative power to tax itself. If the election timing rule does not apply to taxes put on the ballot by initiative, then there is a strong argument that taxes put on the ballot by initiative are also not subject to another rule, namely that certain local taxes must be approved by supermajority vote. Some prominent commentators have therefore argued that the *City of Upland* decision is an example of the California courts undermining tax limitation efforts. In this essay, we argue that the *City of Upland* decision is better understood as a straightforward and correct application of a longstanding rule that California courts interpret ambiguous provisions of the law so as to preserve the right of the people to govern themselves by initiative.

Overview

On August 28, 2017, the California Supreme Court decided *California Cannabis Coalition v. City of Upland*.¹ Justice Cuéllar wrote the opinion, joined by the Chief Justice and Justices Werdegar, Chin, and Corrigan. Justice Kruger wrote separately to concur in part and dissent in part; Justice Liu joined that opinion. The basic facts of the case are these.² A local initiative in the city of Upland proposed to require marijuana dispensaries to pay a city fee. The proponents wanted voters to consider the initiative at a special election. The city concluded that the fee would exceed the actual costs, so it constituted a general tax. To the city, this meant that the initiative could not be voted on during a special election; instead, under article XIII C, section 2 of the California constitution, the measure had to be submitted to the voters at the next general election. This provision of the constitution requires that all (general) tax increases imposed by a local government be submitted to the voters at a general election.³ So if a city council (like Upland's) proposes a tax increase, then it must follow the Proposition 218 rule and wait for the next general election. The question posed by this case was whether this rule also applies to general tax measures the *voters* put on the ballot. The

¹ *Cal. Cannabis Coal. v. City of Upland*, 401 P.3d 49 (Cal. 2017).

² For additional facts of this case, see also Darien Shanske, *Argument Preview: California Cannabis Coalition et al. v. City of Upland*, SCOCABLOG (May 26, 2017), <http://scocablog.com/argument-preview-california-cannabis-coalition-et-al-v-city-ofupland/> (previewing the legal arguments presented).

³ CAL. CONST. art. XIII C, § 2(b) ("No local government may impose, extend, or increase any general tax unless and until that tax is submitted to the electorate and approved by a majority vote. . . . The election required by this subdivision shall be consolidated with a regularly scheduled general election for members of the governing body of the local government, except in cases of emergency declared by a unanimous vote of the governing body.").

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California Supreme Court decided that this provision does *not* restrain voter initiatives. Therefore, if the voters propose the increase of a general tax, then a vote on the tax can occur at a special election.

Debating the Definition of "Government" Is Unproductive

The key question confronting the court was whether the phrase “no local government may impose” also served to impose a limit on the voters of a local government acting through the initiative process.⁴ The majority thought that this phrase did not include the electorate; the dissent thought that it did. Though both sides made reasonable points, we think that the arguments based on the language of the provision are so evenly balanced that the heavy lifting is done by the majority’s presumption in favor of liberally construing the initiative power. The majority candidly says as much.⁵ Indeed, the majority explains that when it comes to limiting the electorate’s initiative power, it will apply a “clear statement rule.”⁶ That is, unless the voters clearly intend to limit the initiative power, the court will not find that they did.

There Is a Strong Case for This Clear Statement Rule

The dissent cogently asks what the majority’s basis is for applying a clear statement rule and making it a rule for future cases.⁷ After all, a judicially crafted clear statement rule hamstrings a legislative body and hands power to judges to decide what is “clear enough.” A clear statement rule is particularly troublesome to the extent the drafters of legislation did not know their work would be evaluated on that standard.

The majority responds that a presumption in favor of the initiative power is not new. Indeed, in 1991 the court applied that principle in a case involving article XIII A, section 3 (added by

Proposition 13), which at the time provided that “any changes in State taxes enacted for the purpose of increasing revenues . . . must be imposed by an Act passed by not less than two-thirds of all members elected to each of the two houses of the Legislature” The court applied the presumption and found it did not apply to the electorate.⁸

Only five years later, Proposition 218 aimed to clarify the interpretation of another section in the same article: article XIII A, section 4 (added by Proposition 13), which reads, “Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district, except ad valorem taxes on real property or a transaction tax or sales tax on the sale of real property within such City, County or special district.” It should be unsurprising that here the court again applied the presumption in favor of the initiative in interpreting Proposition 218’s clarification of article XIII A, section 4.⁹ Given that the same proponent amended sections 3 and 4,¹⁰ it is especially apt to charge them with knowledge of the law,¹¹ including of this presumption. But this argument only goes so far if the whole presumption in favor of the initiative power is misguided. Consider the United States Supreme Court’s widely-criticized federal preemption clear statement rule.¹² That rule is a restriction on federal power, imposed on federalism grounds. If Congress does not clearly preempt a state law, then the state law stands. Yet there is a good argument that after the Fourteenth Amendment’s adoption there is no good ground for tipping the scale in favor of state versus federal power. Another criticism is that federalism values, appealing as they are, should not receive special

⁴ *Cal. Cannabis*, 401 P.3d at 57.

⁵ *See id.* at 65 (“Our analysis in those decisions consistently begins with the presumption that the initiative power is not constrained, then searches for clear evidence suggesting that electors could reasonably be understood to have imposed restrictions upon their constitutional power.”).

⁶ *Id.* at 64.

⁷ *See id.* at 73 (Kruger, J., dissenting in part).

⁸ *Kennedy Wholesale, Inc. v. State Bd. of Equalization*, 806 P.2d 1360, 1364 (Cal. 1991) (holding that article XIII A does not limit voters’ “power to raise taxes by statutory initiative”).

⁹ *See Cal. Cannabis*, 401 P.3d at 53.

¹⁰ The Howard Jarvis Taxpayers Association sponsored both Propositions 13 and 218. *The History of HJTA*, HOWARD JARVIS TAXPAYERS ASSOCIATION, <https://www.hjta.org/about-hjta/the-history-of-hjta/> (last visited Oct. 2, 2017).

¹¹ *See, e.g., In re Harris*, 775 P.2d 1057, 1060 (Cal. 1989) (“[T]he voters who enact [an initiative] may be deemed to be aware of the judicial construction of the law that served as its source.”).

¹² *See Gregory v. Ashcroft*, 501 U.S. 452, 452 (1991) (holding that “Congress must make its intention [to preempt state statute] ‘unmistakably clear in the language of the statute’” (citation omitted)).

judicial solace at the cost of protecting individual rights, as often ends up being the case.¹³ The fact that the federal clear statement rule is long established and fairly applied is no response to such points.¹⁴

We thus considered whether a deeper justification exists for a presumption in favor of broadly construing the initiative power as a matter of California constitutional law. We think there is such an argument, as follows.

An initiative constitutional amendment that purported to prevent future electorates from undoing a past act, or otherwise placed substantive limits on the future electorate's legislative power, would be invalid as a revision. The California electorate's initiative power is a structural part of the state's constitutional system. California's constitution can be changed, of course, but structural changes are labeled "revisions" which cannot be accomplished by means of the ordinary voter initiative. A revision requires a supermajority of the legislature and a majority vote of the electorate.¹⁵ Consider also the fact that the initiative was created via the revision process. How the power of initiative got into the constitution is not determinative, but it is suggestive.¹⁶ If altering the state government to add the initiative was a revision, and if the litmus test for a revision is whether it changes the nature of the state government, then reducing or removing the initiative power is also a revision. As an extreme example, if the electorate by initiative constitutional amendment attempted to assume all taxing power, or claimed to renounce any taxing power, either act would be an invalid revision. Thus, if Proposition 218 significantly impaired the electorate's right of initiative, then it

¹³ See, e.g., William N. Eskridge, Jr. & Philip P. Frickey, *Quasi-Constitutional Law: Clear Statement Rules as Constitutional Lawmaking*, 45 VAND. L. REV. 593, 643-44 (1992).

¹⁴ See *Brown v. Merlo*, 506 P.2d 212, 221-22 (Cal. 1973) ("One of the most basic, and familiar, tenets of the common law is that '(w)hen the reason of a rule ceases, so should the rule itself.'" (citing CAL. CIV. CODE § 3510 (1978))).

¹⁵ Or a constitutional convention; see CAL. CONST. art. XVIII, § 2.

¹⁶ See *Amador Valley Joint Union High Sch. Dist. v. State Bd. of Equalization*, 583 P.2d 1281, 1285 (Cal. 1978) ("We think it significant that prior to 1962 a constitutional revision could be accomplished Only by the elaborate procedure of the convening of, and action by, a constitutional convention (art. XVIII, s 2). This fact suggests that the term 'revision' in section XVIII originally was intended to refer to a substantial alteration of the entire Constitution, rather than to a less extensive change in one or more of its provisions.").

should be invalid to that extent because the initiative power can only be substantively curtailed by a revision. The court has justified this rule on the principle that, although the constitution is binding on future legislatures and electorates alike, the electorate cannot restrict its own future initiative power through the initiative process.¹⁷ Only the legislature plus the electorate could do that with a revision.¹⁸

An initiative constitutional amendment that purported to prevent future electorates from undoing a past act, or otherwise placed substantive limits on the future electorate's legislative power, would also be invalid as a separation of powers violation. Using the above example again, if the electorate by initiative constitutional amendment attempted to assume all taxing power, or claimed to forfeit any taxing power, either act would violate the separation of powers because the initiative is a core electorate legislative power, which cannot be substantively limited or reassigned.¹⁹ The electorate cannot self-harm, just as the legislature cannot over-delegate, reduce, or give away its core powers.²⁰

How does one know if a change is structural enough to become a revision, or a material enough impairment? Key questions include: Does it change the frame of government?²¹ Does it substantively reduce the electorate's

¹⁷ *Rossi v. Brown*, 889 P.2d 557, 574 (Cal. 1995) ("[T]hrough exercise of the initiative power the people may bind future legislative bodies other than the people themselves.").

¹⁸ David A. Carrillo, Stephen M. Duvernay & Brandon V. Stracener, *California Constitutional Law: Popular Sovereignty*, 68 HASTINGS L.J. 731, 744 (2017); see CAL. CONST. art. XVIII, §§ 1, 4; see also *Cty. of Los Angeles v. State*, 729 P.2d 202, 209 n.9 (Cal. 1987) ("Whether a constitutional provision which requires a supermajority vote to enact substantive legislation, as opposed to funding the program, may be validly enacted as a Constitutional amendment rather than through revision of the Constitution is an open question.").

¹⁹ Cf. *Amador Valley*, 583 P.2d at 1286. (posing as a hypothetical example of an invalid revision an initiative constitutional amendment vesting all judicial power in legislature). For an explanation of the idea that a separation of powers analysis applies to electorate legislative acts, see Carrillo, *supra* note 18, at 751-64.

²⁰ For background on the unique features of the California separation of powers doctrine, see David A. Carrillo & Danny Y. Chou, *California Constitutional Law: Separation of Powers*, 45 U.S.F. L. REV. 655, 665-81 (2011).

²¹ See *Amador Valley*, 583 P.2d at 1286 (noting that even simple enactments can "accomplish such far reaching changes in the nature of our basic governmental plan as to amount to a revision"); see also *Prof'l Eng'rs in Cal. Gov't v. Kempton*, 155 P.3d 226, 245 (2007).

legislative power?²² Obviously the electorate by initiative constitutional amendment can prescribe substantive and procedural limits on the other branches of California government.²³ But the present electorate cannot by initiative constitutional amendment reduce the amount of legislative power held by the future electorate. This does not mean that the initiative cannot be used to constrain future initiative acts at all. Proposition 13 itself is an example of setting limits on future electorates, and absent any other action the future electorate is indeed constrained by the past electorate's action. Yet the future *state* electorate can always use its initiative power to undo the past electorate's act and change the rules. Remember that the provision in question here is a restriction placed on the local initiative power by the *state* electorate. The dissent argued that this fact indicates that *Kennedy Wholesale* was not really about the protection of the initiative power because the state voters could always change the provision.²⁴ Leaving to one side whether this is the best reading of *Kennedy Wholesale* (and the majority has a potent counter), we think that this point makes the argument for applying the clear statement rule stronger in this case.

As to the state electorate, their power of initiative would arguably not have been overly restricted by a two-thirds rule because a majority of the state electorate could change the rule. But that is not the case for the local electorate and the local initiative power. The local initiative power is also constitutionally derived.²⁵ Based on the argument above, it is not at all clear to us if the state electorate could constrain the use of the local initiative power absent a constitutional revision. It is at least a very difficult constitutional question.

Consequently, it is certainly sensible to apply a clear statement rule to avoid that question. In

this context, the clear statement rule functions more like a canon of constitutional avoidance.²⁶

And we should be clear that the majority opinion did not rely on the argument we just outlined in its defense of the clear statement rule. But we believe that it did gesture to it at various points in its opinion, most particularly when the court explained that: "As Ulysses once tied himself to the mast so he could resist the Sirens' tempting song (Homer, *The Odyssey*, Book XII), voters too can *conceivably* make the clear and important choice to bind themselves by making it more difficult to enact initiatives in the future."²⁷ We think this comment shows that the court sees that self-binding in this way poses a hard question.

The Elephant in the Room

This case is about article XIII C, section 2(b) of the California constitution. The celebrity of the case has to do with section 2(d), which reads: "No local government may impose, extend, or increase any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote. A special tax shall not be deemed to have been increased if it is imposed at a rate not higher than the maximum rate so approved."

The language concerning the election rules construed in this decision ("No local government may impose, extend, or increase any general tax unless")²⁸ is identical to the language concerning the required supermajority for special tax measures ("No local government may impose, extend, or increase any special tax unless").²⁹ This identity strongly suggests that the local voters can, by initiative, increase special taxes by a simple majority because the supermajority limitation does not apply to initiatives any more than the general election requirement applies to initiatives. The majority does not comment on this implication, which is appropriate, as that issue

²² Carrillo, *supra* note 18, at 745-46.

²³ See *Rossi v. Brown*, 889 P.2d 557, 574 (Cal. 1995); Carrillo, *supra* note 18, at 753.

²⁴ *Cal. Cannabis Coal. v. City of Upland*, 401 P.3d 49, 73 (Cal. 2017) (Kruger, J., dissenting in part).

²⁵ See CAL. CONST. art. II, § 11(a) ("Initiative and referendum powers may be exercised by the electors of each city or county under procedures that the Legislature shall provide. Except as provided in subdivisions (b) and (c), this section does not affect a city having a charter.").

²⁶ See *Briggs v. Brown*, 400 P.3d 29, 72 (Cal. 2017) ("We require a clear statement that such regulation was contemplated. This particular clear statement rule is one closely related to the constitutional avoidance canon, which requires courts to avoid, where possible, interpreting a statute in a way that might render it unconstitutional." (citation omitted)).

²⁷ *Cal. Cannabis*, 401 P.3d at 53 (emphasis added).

²⁸ CAL. CONST. art. XIII C, § 2(b).

²⁹ CAL. CONST. art. XIII C, § 2(d).

was not before the court. Perhaps some grounds for distinction between the two provisions might be found. Indeed, there is language in the majority opinion that suggests there might be such a distinction:

That the voters explicitly imposed a procedural two-thirds vote requirement on themselves in article XIII C, section 2, subdivision (d) is evidence that they did not implicitly impose a procedural timing requirement in subdivision (b).³⁰

This language can be read to suggest that there is some difference between the election timing provision and the vote threshold provision. We do not actually think that this is what this passage means. Rather, it is part of an argument in favor of the majority's interpretation of section 2(b), and the majority makes a (minor) point that the electorate knows how to refer to itself.³¹

Nevertheless, the implication remains and was brought up by the dissent in a footnote:

The majority opinion contains language that could be read to suggest that article XIII C, section 2(d) should be interpreted differently from section 2(b). (See maj. opn., ante, 222 Cal.Rptr.3d at 225, 401 P.3d at 62 [noting that the enactors of Prop. 218 "explicitly imposed a procedural . . . requirement on themselves in" art. XIII C, § 2(d), which "is evidence that they did not implicitly" do so in § 2(b)].) I see no basis for construing the two provisions differently. Sections 2(b) and 2(d) are, in all pertinent respects, indistinguishable.³²

If we are correct that the majority did not wish to introduce a difficult to understand distinction in this offhand way, then why did the majority not change the language or respond to the dissent in some other way? Perhaps the majority thought its implication was clear enough and that there had to be some end to the back and forth. Perhaps the

majority was not displeased with the implication that the tax threshold question was arguably open for the lower courts to consider.

Implications

The public response to this decision — both pro and con — suggests that the decision changes the possibilities of local government finance significantly.³³ Again, the focus has been on the decision's supposed impact on the voting threshold for special taxes. We are skeptical that the impact would be so great even if this decision does ultimately result in the supermajority rule not applying to special taxes placed on the ballot by the voters themselves.

As a matter of political economy, we do not think there is a reservoir of pent up demand for tax measures. As noted in the May 26, 2017 SCOCAblog article previewing this case,³⁴ cities and counties can already subject general taxes to a majority vote — along with a nonbinding advisory measure on how any revenue collected is to be spent.³⁵ Thus, it is not clear how important this change will be for cities and counties. School districts, for example, have already been able to fund infrastructure with a fifty-five percent voter threshold, assuming certain conditions are met.³⁶ So we would predict that operational school district taxes passed by a majority vote will be the main source of demand for this kind of voter initiative, were it possible.

Even assuming that the court's reasoning means that the two-thirds threshold does not apply to local special tax initiatives, how this area of the law develops from here is unclear. The initiative power extends to taxation,³⁷ but it is also the case that the initiative power is generally

³⁰ See, e.g., Ben Christopher, *Here We Go Again: California Does the Taxes Two-Step*, CALMATTERS (Aug. 30, 2017), <https://calmatters.org/articles/california-taxes-two-step> ("The ruling 'isn't just a small crack in the protections that voters across the state have relied on — it is a sledgehammer,' said [Assembly Member] Baker at a press conference."). And, in fact, Republican members of the Assembly have introduced a constitutional amendment (ACA 19) to overturn the holding of this case. ACA-19, 2017-2018 Leg., Reg. Sess. (Cal. 2017), http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180ACA19.

³¹ Shanske, *supra* note 2.

³² See *Coleman v. Cty. of Santa Clara*, 64 Cal.App.4th 662, 665, 668 (1998).

³³ CAL. CONST. art. XIII A, § 1(b)(3).

³⁴ *Rossi v. Brown*, 889 P.2d 557, 563 (Cal. 1995).

³⁰ *Cal. Cannabis*, 401 P.3d at 62.

³¹ *Id.* The opening sentence of the paragraph says as much: "Indeed, as we observed in *Kennedy Wholesale*, 53 Cal.3d at page 252, [] when an initiative's intended purpose includes imposing requirements on voters, evidence of such a purpose is clear." *Id.*

³² *Id.* at 71 n.7.

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interpreted to be as broad as the legislative power of the underlying local government.³⁸ Charter cities have the inherent power to tax and therefore, presumably, their citizens have that right as well.³⁹ But general law cities and counties do not have the inherent power to tax.⁴⁰ Does that mean the legislature must explicitly permit local tax initiatives in these governments?⁴¹ School districts have no initiative power at all — at least not one granted by the constitution.⁴² Thus, if school districts wanted to use this ruling, must the legislature grant the school district electorates the power to impose taxes by initiative? These are hard questions.⁴³ We note them here not to answer them, but to indicate that many thorny legal and political questions remain whatever this decision's applicability to the tax threshold provision.

Conclusion

The majority describes the conflict in this case as between two constitutional provisions: sections 8 and 11 of article II (the initiative power), and article XIII C (limiting local governments' ability to impose, extend, or increase general taxes).⁴⁴

Because the latter provision was created by the former, we think that the court found that this is not a clash of two equally-matched California constitutional doctrines. Thus, in keeping with its past practice and sound doctrinal considerations, the electorate's initiative power prevailed. ■

³⁸ See *DeVita v. Cty. of Napa*, 889 P.2d 1019, 1026 (Cal. 1995).

³⁹ See *Cal. Fed. Savings & Loan Assn. v. Los Angeles*, 812 P.2d 916, 921-22 (Cal. 1991).

⁴⁰ See *Santa Clara Cty. Local Transp. Auth. v. Guardino*, 902 P.2d 225, 247-48 (Cal. 1995).

⁴¹ Before one assumes the answer is yes, it must be remembered that, as the majority in this case explained, "we have held that the people's power to propose and adopt initiatives is at least as broad as the legislative power wielded by the Legislature and local governments." *Cal. Cannabis Coal. v. City of Upland*, 401 P.3d 49, 56 (Cal. 2017) (citing cases). If the power of initiatives is broader, then perhaps explicit permission to place a tax measure on the ballot by initiative is not necessary.

⁴² But, again, perhaps the power of initiative is so broad that this power could be found to have been reserved by the people, it being explicitly granted to the electorate of a school district.

⁴³ Another twist. Proposition 62, approved by the voters in 1986, placed limits on the local government taxing power very similar to that of Proposition 218 into California statutory law. Compare CAL. GOVT CODE § 53722 (2017) (Proposition 62, "No local government or district may impose any special tax unless and until such special tax is submitted to the electorate of the local government, or district and approved by a two-thirds vote of the voters voting in an election on the issue."), with CAL. CONST. art. XIII C, § 2(d) (Proposition 218, "No local government may impose, extend, or increase any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote."). The Legislature cannot simply repeal a statute passed by initiative. See CAL CONST. art. II, § 10(c); CAL. GOVT CODE § 53729 (2017). Presumably Proposition 62 does not bar local tax initiatives any more than Proposition 218 does, but this is another issue that will need to be litigated.

⁴⁴ *Cal. Cannabis*, 401 P.3d at 53.