

INITIATIVE 810

I, Sam Reed, Secretary of State of the State of Washington and custodian of its seal, hereby certify that, according to the records on file in my office, the attached copy of Initiative Measure No. 810 to the People is a true and correct copy as it was received by this office.

1 AN ACT Relating to reestablishing effective state fiscal
2 discipline; amending RCW 43.135.010, 43.135.025, and 43.88.033; and
3 reenacting and amending RCW 43.135.035 and 43.135.045.

4 BE IT ENACTED BY THE PEOPLE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 43.135.010 and 1994 c 2 s 1 are each amended to read
6 as follows:

7 The people of the state of Washington hereby find and declare:

8 (1) The continuing increases in our state tax burden and the
9 corresponding growth of state government is contrary to the interest of
10 the people of the state of Washington.

11 (2) It is necessary to limit the rate of growth of state government
12 while assuring adequate funding of essential services, including basic
13 education as defined by the legislature.

14 (3) The current budgetary system in the state of Washington lacks
15 stability. The system encourages crisis budgeting and results in
16 cutbacks during lean years and overspending during surplus years.

17 (4) Failure to provide for and maintain a prudent reserve threatens
18 the ability of the state to maintain essential services during times of
19 economic distress.

1 (5) The primary purposes of an expenditure limit are to create a
2 mechanism for setting aside and maintaining a prudent reserve and to
3 prevent normal and customary state expenditures from exceeding the
4 ability of the state to sustain spending levels for essential services
5 during times of economic distress.

6 (6) It is therefore the intent of this chapter to:

7 (a) Establish a limit on state expenditures that will assure that
8 the growth rate of state expenditures does not exceed the growth rate
9 of inflation and state population;

10 (b) Assure that local governments are provided funds adequate to
11 render those services deemed essential by their citizens;

12 (c) Assure that the state does not impose responsibility on local
13 governments for new programs or increased levels of service under
14 existing programs unless the costs thereof are paid by the state;

15 (d) Provide for adjustment of the limit when costs of a program are
16 transferred between the state and another political entity;

17 (e) Establish a procedure for exceeding this limit in emergency
18 situations;

19 (f) Provide for voter approval of tax increases; and

20 (g) Avoid overfunding and underfunding state programs by providing
21 stability, consistency, and long-range planning.

22 It is further the intent of this act to strengthen provisions for
23 setting aside and maintaining a prudent reserve to protect the ability
24 of the state to maintain essential services during times of economic
25 distress.

26 **Sec. 2.** RCW 43.135.025 and 2000 2nd sp.s. c 2 s 1 are each amended
27 to read as follows:

28 ~~((1) The state shall not expend from the general fund during any~~
29 ~~fiscal year state moneys in excess of the state expenditure limit~~
30 ~~established under this chapter.~~

31 ~~(2) Except pursuant to a declaration of emergency under RCW~~
32 ~~43.135.035 or pursuant to an appropriation under RCW 43.135.045(4)(b),~~
33 ~~the state treasurer shall not issue or redeem any check, warrant, or~~
34 ~~voucher that will result in a state general fund expenditure for any~~
35 ~~fiscal year in excess of the state expenditure limit established under~~
36 ~~this chapter. A violation of this subsection constitutes a violation~~
37 ~~of RCW 43.88.290 and shall subject the state treasurer to the penalties~~
38 ~~provided in RCW 43.88.300.~~

1 ~~(3) The state expenditure limit for any fiscal year shall be the~~
2 ~~previous fiscal year's state expenditure limit increased by a~~
3 ~~percentage rate that equals the fiscal growth factor.~~

4 ~~(4) For purposes of computing the state expenditure limit for the~~
5 ~~fiscal year beginning July 1, 1995, the phrase "the previous fiscal~~
6 ~~year's state expenditure limit" means the total state expenditures from~~
7 ~~the state general fund, not including federal funds, for the fiscal~~
8 ~~year beginning July 1, 1989, plus the fiscal growth factor. This~~
9 ~~calculation is then computed for the state expenditure limit for fiscal~~
10 ~~years 1992, 1993, 1994, and 1995, and as required under RCW~~
11 ~~43.135.035(4).~~

12 ~~(5) A state expenditure limit committee is established for the~~
13 ~~purpose of determining and adjusting the state expenditure limit as~~
14 ~~provided in this chapter. The members of the state expenditure limit~~
15 ~~committee are the director of financial management, the attorney~~
16 ~~general or the attorney general's designee, and the chairs of the~~
17 ~~senate committee on ways and means and the house of representatives~~
18 ~~committee on appropriations. All actions of the state expenditure~~
19 ~~limit committee taken pursuant to this chapter require an affirmative~~
20 ~~vote of at least three members.~~

21 ~~(6) Each November, the state expenditure limit committee shall~~
22 ~~adjust the expenditure limit for the preceding fiscal year based on~~
23 ~~actual expenditures and known changes in the fiscal growth factor and~~
24 ~~then project an expenditure limit for the next two fiscal years. If,~~
25 ~~by November 30th, the state expenditure limit committee has not adopted~~
26 ~~the expenditure limit adjustment and projected expenditure limit as~~
27 ~~provided in subsection (5) of this section, the attorney general or his~~
28 ~~or her designee shall adjust or project the expenditure limit, as~~
29 ~~necessary.~~

30 ~~(7) "Fiscal growth factor" means the average of the sum of~~
31 ~~inflation and population change for each of the prior three fiscal~~
32 ~~years.~~

33 ~~(8) "Inflation" means the percentage change in the implicit price~~
34 ~~deflator for the United States for each fiscal year as published by the~~
35 ~~federal bureau of labor statistics.~~

36 ~~(9) "Population change" means the percentage change in state~~
37 ~~population for each fiscal year as reported by the office of financial~~
38 ~~management.))~~ (1) The state shall not expend from the general fund

1 during any fiscal year state moneys in excess of the state expenditure
2 limit established under this chapter.

3 (2) Except pursuant to a declaration of emergency under RCW
4 43.135.035 or pursuant to an appropriation under RCW 43.135.045(4)(b),
5 the state treasurer shall not issue or redeem any check, warrant, or
6 voucher that will result in a state general fund expenditure for any
7 fiscal year in excess of the state expenditure limit established under
8 this chapter. A violation of this subsection constitutes a violation
9 of RCW 43.88.290 and shall subject the state treasurer to the penalties
10 provided in RCW 43.88.300.

11 (3) The state expenditure limit for any fiscal year shall be the
12 previous fiscal year's state expenditure limit increased by a
13 percentage rate that equals the fiscal growth factor.

14 (4) For purposes of computing the state expenditure limit for the
15 fiscal year beginning July 1, 2005, the phrase "the previous fiscal
16 year's state expenditure limit" means the total state expenditures from
17 the state general fund, not including federal funds, for the fiscal
18 year beginning July 1, 1999, plus the fiscal growth factor. This
19 calculation is then computed for the state expenditure limit for fiscal
20 years 2000, 2001, 2002, 2003, and 2004, and as required under RCW
21 43.135.035(4).

22 (5) A state expenditure limit committee is established for the
23 purpose of determining and adjusting the state expenditure limit as
24 provided in this chapter. The members of the state expenditure limit
25 committee are the director of financial management, the state treasurer
26 or the state treasurer's designee, and the chairs and ranking minority
27 members of the senate committee on ways and means and the house of
28 representatives committee on appropriations. All actions of the state
29 expenditure limit committee taken pursuant to this chapter require an
30 affirmative vote of at least four members.

31 (6) Each November, the state expenditure limit committee shall
32 adjust the expenditure limit for the preceding fiscal year based on
33 actual expenditures and known changes in the fiscal growth factor and
34 then project an expenditure limit for the next two fiscal years. If,
35 by November 30th, the state expenditure limit committee has not adopted
36 the expenditure limit adjustment and projected expenditure limit as
37 provided in subsection (5) of this section, the state treasurer or his
38 or her designee shall adjust or project the expenditure limit, as
39 necessary.

1 (7) "Fiscal growth factor" means the average of the sum of
2 inflation and population change for each of the prior three fiscal
3 years.

4 (8) "Inflation" means the percentage change in the implicit price
5 deflator for the United States for each fiscal year as published by the
6 federal bureau of labor statistics.

7 (9) "Population change" means the percentage change in state
8 population for each fiscal year as reported by the office of financial
9 management.

10 **Sec. 3.** RCW 43.135.035 and 2001 c 3 s 8 and 2000 2nd sp.s. c 2 s
11 2 are each reenacted and amended to read as follows:

12 (1) After July 1, 1995, any action or combination of actions by the
13 legislature that raises state revenue or requires revenue-neutral tax
14 shifts may be taken only if approved by a two-thirds vote of each
15 house, and then only if state expenditures in any fiscal year,
16 including the new revenue, will not exceed the state expenditure limits
17 established under this chapter.

18 (2)(a) If the legislative action under subsection (1) of this
19 section will result in expenditures in excess of the state expenditure
20 limit, then the action of the legislature shall not take effect until
21 approved by a vote of the people at a November general election. The
22 office of financial management shall adjust the state expenditure limit
23 by the amount of additional revenue approved by the voters under this
24 section. This adjustment shall not exceed the amount of revenue
25 generated by the legislative action during the first full fiscal year
26 in which it is in effect. The state expenditure limit shall be
27 adjusted downward upon expiration or repeal of the legislative action.

28 (b) The ballot title for any vote of the people required under this
29 section shall be substantially as follows:

30 "Shall taxes be imposed on in order to allow a
31 spending increase above last year's authorized spending adjusted for
32 inflation and population increases?"

33 ~~(3)(a) ((The state expenditure limit may be exceeded upon~~
34 ~~declaration of an emergency for a period not to exceed twenty-four~~
35 ~~months by a law approved by a two-thirds vote of each house of the~~
36 ~~legislature and signed by the governor. The law shall set forth the~~
37 ~~nature of the emergency, which is limited to natural disasters that~~

1 ~~require immediate government action to alleviate human suffering and~~
2 ~~provide humanitarian assistance. The state expenditure limit may be~~
3 ~~exceeded for no more than twenty four months following the declaration~~
4 ~~of the emergency and only for the purposes contained in the emergency~~
5 ~~declaration.))~~ The state expenditure limit may be exceeded upon
6 declaration of an emergency for a period not to exceed twenty-four
7 months by a law approved by a two-thirds vote of each house of the
8 legislature and signed by the governor. The law shall set forth the
9 nature of the emergency, which is limited to natural disasters that
10 require immediate government action to alleviate human suffering and
11 provide humanitarian assistance. The state expenditure limit may be
12 exceeded for no more than twenty-four months following the declaration
13 of the emergency and only for the purposes contained in the emergency
14 declaration.

15 (b) Additional taxes required for an emergency under this section
16 may be imposed only until thirty days following the next general
17 election, unless an extension is approved at that general election.
18 The additional taxes shall expire upon expiration of the declaration of
19 emergency. The legislature shall not impose additional taxes for
20 emergency purposes under this subsection unless funds in the education
21 construction fund have been exhausted.

22 (c) The state or any political subdivision of the state shall not
23 impose any tax on intangible property listed in RCW 84.36.070 as that
24 statute exists on January 1, 1993.

25 (4) ~~((If the cost of any state program or function is shifted from~~
26 ~~the state general fund on or after January 1, 1993, to another source~~
27 ~~of funding, or if moneys are transferred from the state general fund to~~
28 ~~another fund or account, the state expenditure limit committee, acting~~
29 ~~pursuant to RCW 43.135.025(5), shall lower the state expenditure limit~~
30 ~~to reflect the shift. For the purposes of this section, a transfer of~~
31 ~~money from the state general fund to another fund or account includes~~
32 ~~any state legislative action taken after July 1, 2000, that has the~~
33 ~~effect of reducing revenues from a particular source, where such~~
34 ~~revenues would otherwise be deposited into the state general fund,~~
35 ~~while increasing the revenues from that particular source to another~~
36 ~~state or local government account. This subsection does not apply to~~
37 ~~the dedication or use of lottery revenues under RCW 67.70.240(3) or~~
38 ~~property taxes under RCW 84.52.068, in support of education or~~
39 ~~education expenditures.~~

1 ~~(5) If the cost of any state program or function is shifted to the~~
2 ~~state general fund on or after January 1, 2000, from another source of~~
3 ~~funding, or if moneys are transferred to the state general fund from~~
4 ~~another fund or account, the state expenditure limit committee, acting~~
5 ~~pursuant to RCW 43.135.025(5), shall increase the state expenditure~~
6 ~~limit to reflect the shift.))~~ If the cost of any state program or
7 function is shifted from the state general fund on or after January 1,
8 1993, to another source of funding, or if moneys are transferred from
9 the state general fund to another fund or account, the state
10 expenditure limit committee, acting pursuant to RCW 43.135.025(5),
11 shall lower the state expenditure limit to reflect the shift. For the
12 purposes of this section, a transfer of money from the state general
13 fund to another fund or account includes any state legislative action
14 taken after July 1, 2000, that has the effect of reducing revenues from
15 a particular source, where such revenues would otherwise be deposited
16 into the state general fund, while increasing the revenues from that
17 particular source to another state or local government account. This
18 subsection does not apply to the dedication or use of lottery revenues
19 under RCW 67.70.240(3) or, prior to January 1, 2004, of property taxes
20 under RCW 84.52.068(2)(a), in support of education or education
21 expenditures.

22 (5) If the cost of any state program or function is shifted to the
23 state general fund on or after January 1, 2000, from another source of
24 funding, and equivalent revenues for the support of the state program
25 or function are permanently transferred to the state general fund from
26 another fund or account, the state expenditure limit committee, acting
27 pursuant to RCW 43.135.025(5), shall increase the state expenditure
28 limit to reflect the shift.

29 **Sec. 4.** RCW 43.135.045 and 2001 c 3 s 9, 2000 2nd sp.s. c 5 s 1,
30 and 2000 2nd sp.s. c 2 s 3 are each reenacted and amended to read as
31 follows:

32 ~~((1) The emergency reserve fund is established in the state~~
33 ~~treasury. During each fiscal year, the state treasurer shall deposit~~
34 ~~in the emergency reserve fund all general fund state revenues in~~
35 ~~excess of the state expenditure limit for that fiscal year. Deposits~~
36 ~~shall be made at the end of each fiscal quarter based on projections of~~
37 ~~state revenues and the state expenditure limit. The treasurer shall~~
38 ~~make transfers between these accounts as necessary to reconcile actual~~

1 annual revenues and the expenditure limit for fiscal year 2000 and
2 thereafter.

3 (2) The legislature may appropriate moneys from the emergency
4 reserve fund only with approval of at least two thirds of the members
5 of each house of the legislature, and then only if the appropriation
6 does not cause total expenditures to exceed the state expenditure limit
7 under this chapter.

8 (3) The emergency reserve fund balance shall not exceed five
9 percent of annual general fund state revenues as projected by the
10 official state revenue forecast. Any balance in excess of five percent
11 shall be transferred on a quarterly basis by the state treasurer as
12 follows: Seventy five percent to the student achievement fund hereby
13 created in the state treasury and twenty five percent to the general
14 fund balance. The treasurer shall make transfers between these
15 accounts as necessary to reconcile actual annual revenues for fiscal
16 year 2000 and thereafter. When per student state funding for the
17 maintenance and operation of K-12 education meets a level of no less
18 than ninety percent of the national average of total funding from all
19 sources per student as determined by the most recent published data
20 from the national center for education statistics of the United States
21 department of education, as calculated by the office of financial
22 management, further deposits to the student achievement fund shall be
23 required only to the extent necessary to maintain the ninety percent
24 level. Remaining funds are part of the general fund balance and these
25 funds are subject to the expenditure limits of this chapter.

26 (4) The education construction fund is hereby created in the state
27 treasury.

28 (a) Funds may be appropriated from the education construction fund
29 exclusively for common school construction or higher education
30 construction.

31 (b) Funds may be appropriated for any other purpose only if
32 approved by a two thirds vote of each house of the legislature and if
33 approved by a vote of the people at the next general election. An
34 appropriation approved by the people under this subsection shall result
35 in an adjustment to the state expenditure limit only for the fiscal
36 period for which the appropriation is made and shall not affect any
37 subsequent fiscal period.

38 (5) Funds from the student achievement fund shall be appropriated
39 to the superintendent of public instruction strictly for distribution

1 to school districts to meet the provisions set out in the student
2 achievement act. Allocations shall be made on an equal per full-time
3 equivalent student basis to each school district.

4 (6) Earnings of the emergency reserve fund under RCW
5 43.84.092(4)(a) shall be transferred quarterly to the multimodal
6 transportation account, except for those earnings that are in excess of
7 thirty-five million dollars each fiscal year. Within thirty days
8 following any fiscal year in which earnings transferred to the
9 multimodal transportation account under this subsection did not total
10 thirty-five million dollars, the state treasurer shall transfer from
11 the emergency reserve fund an amount necessary to bring the total
12 deposited in the multimodal transportation account under this
13 subsection to thirty-five million dollars. The revenues to the
14 multimodal transportation account reflected in this subsection provide
15 ongoing support for the transportation programs of the state. However,
16 it is the intent of the legislature that any new long-term financial
17 support that may be subsequently provided for transportation programs
18 will be used to replace and supplant the revenues reflected in this
19 subsection, thereby allowing those revenues to be returned to the
20 purposes to which they were previously dedicated.) (1) The emergency

21 reserve fund is established in the state treasury. During each fiscal
22 year, the state treasurer shall deposit in the emergency reserve fund
23 all general fund--state revenues in excess of the state expenditure
24 limit for that fiscal year. Deposits shall be made at the end of each
25 fiscal quarter based on projections of state revenues and the state
26 expenditure limit. The treasurer shall make transfers between these
27 accounts as necessary to reconcile actual annual revenues and the
28 expenditure limit for fiscal year 2000 and thereafter.

29 (2) The legislature may appropriate moneys from the emergency
30 reserve fund only with approval of at least two-thirds of the members
31 of each house of the legislature, and then only if the appropriation
32 does not cause total expenditures to exceed the state expenditure limit
33 under this chapter.

34 (3) The emergency reserve fund balance shall not exceed five
35 percent of biennial general fund--state revenues as projected by the
36 official state revenue forecast. Any balance in excess of five percent
37 shall be transferred on a quarterly basis by the state treasurer to the
38 education construction fund hereby created in the state treasury.

1 (4)(a) Funds may be appropriated from the education construction
2 fund exclusively for common school construction or higher education
3 construction.

4 (b) Funds may be appropriated for any other purpose only if
5 approved by a two-thirds vote of each house of the legislature and if
6 approved by a vote of the people at the next general election. An
7 appropriation approved by the people under this subsection shall result
8 in an adjustment to the state expenditure limit only for the fiscal
9 period for which the appropriation is made and shall not affect any
10 subsequent fiscal period.

11 **Sec. 5.** RCW 43.88.033 and 1994 c 2 s 7 are each amended to read as
12 follows:

13 ~~((The budget document submitted by the governor to the legislature~~
14 ~~under RCW 43.88.030 shall reflect the state expenditure limit~~
15 ~~established under chapter 43.135 RCW and shall not propose expenditures~~
16 ~~in excess of that limit.))~~ The budget document submitted by the
17 governor to the legislature under RCW 43.88.030 shall reflect the state
18 expenditure limit established under chapter 43.135 RCW and shall not
19 propose expenditures in excess of that limit.

20 NEW SECTION. **Sec. 6.** If any provision of this act or its
21 application to any person or circumstance is held invalid, the
22 remainder of the act or the application of the provision to other
23 persons or circumstances is not affected.

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