

INITIATIVE 275

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. 275 to the Legislature is a true and correct copy as it was received by this office.

1 AN ACT Relating to ensuring greater governmental fiscal
2 responsibility by reestablishing voter-approved Initiative 601's state
3 spending and taxation limits and repealing loopholes; amending RCW
4 43.135.010, 43.135.025, 43.135.035, 43.135.045, 43.135.055, 43.135.902,
5 and 43.135.903; creating a new section; repealing RCW 43.135.03901 and
6 43.135.080; repealing 2002 c 33 s 3 (uncodified); providing an
7 effective date; and declaring an emergency.

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

9 **POLICIES AND PURPOSES**

10 NEW SECTION. **Sec. 1.** State government faces a two billion dollar
11 deficit because of numerous loopholes put in voter-approved Initiative
12 601, the Taxpayer Protection Act, since 1993. If these loopholes had
13 not been imposed and exploited over the past decade, state government
14 would have adequate reserves to use during these tough economic times.
15 Voters approved Initiative 601 to provide reasonable limits on spending
16 and taxation for state government. This measure would reestablish
17 state spending limits and emergency reserve fund requirements and
18 require a legislative supermajority for tax and fee increases and to

1 access emergency reserve funds for general fund spending. This measure
2 repeals loopholes put in voter-approved Initiative 601 since 1993.

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

5 ~~((The people of the state of Washington hereby find and declare:~~

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

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

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

15 ~~(4) It is therefore the intent of this chapter to:~~

16 ~~(a) Establish a limit on state expenditures that will assure that
17 the growth rate of state expenditures does not exceed the growth rate
18 of inflation and state population;~~

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

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

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

26 ~~(e) Establish a procedure for exceeding this limit in emergency
27 situations;~~

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

29 ~~(g) Avoid overfunding and underfunding state programs by providing
30 stability, consistency, and long-range planning.)~~ The people of the
31 state of Washington hereby find and declare:

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

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

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

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6 the growth rate of state expenditures does not exceed the growth rate
7 of inflation and state population;

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9 render those services deemed essential by their citizens;

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11 governments for new programs or increased levels of service under
12 existing programs unless the costs thereof are paid by the state;

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

15 (e) Establish a procedure for exceeding this limit in emergency
16 situations;

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

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

20 **REESTABLISHING THE STATE SPENDING LIMITS**
21 **PROVIDED BY VOTER-APPROVED INITIATIVE 601**

22 **Sec. 3.** RCW 43.135.025 and 2000 2nd sp.s. c 2 s 1 are each amended
23 to read as follows:

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

27 ~~(2) Except pursuant to a declaration of emergency under RCW~~
28 ~~43.135.035 or pursuant to an appropriation under RCW 43.135.045(4)(b),~~
29 ~~the state treasurer shall not issue or redeem any check, warrant, or~~
30 ~~voucher that will result in a state general fund expenditure for any~~
31 ~~fiscal year in excess of the state expenditure limit established under~~
32 ~~this chapter. A violation of this subsection constitutes a violation~~
33 ~~of RCW 43.88.290 and shall subject the state treasurer to the penalties~~
34 ~~provided in RCW 43.88.300.~~

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

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

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

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

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

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

33 ~~(9) "Population change" means the percentage change in state~~
34 ~~population for each fiscal year as reported by the office of financial~~
35 ~~management.))~~ (1) The state shall not expend from the general fund
36 during any fiscal year state moneys in excess of the state expenditure
37 limit established under this chapter.

38 (2) Except pursuant to a declaration of emergency under RCW
39 43.135.035 or pursuant to an appropriation under RCW 43.135.045(4)(b),

1 the state treasurer shall not issue or redeem any check, warrant, or
2 voucher that will result in a state general fund expenditure for any
3 fiscal year in excess of the state expenditure limit established under
4 this chapter. A violation of this subsection constitutes a violation
5 of RCW 43.88.290 and shall subject the state treasurer to the penalties
6 provided in RCW 43.88.300.

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

10 (4) For purposes of computing the state expenditure limit for the
11 fiscal year beginning July 1, 1995, the phrase "the previous fiscal
12 year's state expenditure limit" means the total state expenditures from
13 the state general fund, not including federal funds, for the fiscal
14 year beginning July 1, 1989, plus the fiscal growth factor. This
15 calculation is then computed for the state expenditure limit for fiscal
16 years 1992, 1993, 1994, and 1995, and as required under RCW
17 43.135.035(5).

18 (5) Each November, the office of financial management shall adjust
19 the expenditure limit for the preceding fiscal year based on actual
20 expenditures and known changes in the fiscal growth factor and then
21 project an expenditure limit for the next two fiscal years. The office
22 of financial management shall notify the legislative fiscal committees
23 of all adjustments to the state expenditure limit and projections of
24 future expenditure limits.

25 (6) "Fiscal growth factor" means the average of the sum of
26 inflation and population change for each of the prior three fiscal
27 years.

28 (7) "Inflation" means the percentage change in the implicit price
29 deflator for the United States for each fiscal year as published by the
30 federal bureau of labor statistics.

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

34 **REESTABLISHING THE LIMITS ON TAX INCREASES**
35 **PROVIDED BY VOTER-APPROVED INITIATIVE 601**

36 **Sec. 4.** RCW 43.135.035 and 2002 c 33 s 1 are each amended to read
37 as follows:

1 ~~((1) After July 1, 1995, any action or combination of actions by~~
2 ~~the legislature that raises state revenue or requires revenue neutral~~
3 ~~tax shifts may be taken only if approved by a two-thirds vote of each~~
4 ~~house, and then only if state expenditures in any fiscal year,~~
5 ~~including the new revenue, will not exceed the state expenditure limits~~
6 ~~established under this chapter. However, during the 2001-2003~~
7 ~~biennium, any action or combination of actions by the legislature that~~
8 ~~raises state revenue or requires revenue neutral tax shifts may be~~
9 ~~taken only if approved by a majority vote of each house, and then only~~
10 ~~if state expenditures in any fiscal year, including the new revenue,~~
11 ~~will not exceed the state expenditure limits established under this~~
12 ~~chapter.~~

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

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

25 ~~"Shall taxes be imposed on in order to allow a~~
26 ~~spending increase above last year's authorized spending adjusted for~~
27 ~~inflation and population increases?"~~

28 ~~(3)(a) The state expenditure limit may be exceeded upon declaration~~
29 ~~of an emergency for a period not to exceed twenty-four months by a law~~
30 ~~approved by a two-thirds vote of each house of the legislature and~~
31 ~~signed by the governor. The law shall set forth the nature of the~~
32 ~~emergency, which is limited to natural disasters that require immediate~~
33 ~~government action to alleviate human suffering and provide humanitarian~~
34 ~~assistance. The state expenditure limit may be exceeded for no more~~
35 ~~than twenty-four months following the declaration of the emergency and~~
36 ~~only for the purposes contained in the emergency declaration.~~

37 ~~(b) Additional taxes required for an emergency under this section~~
38 ~~may be imposed only until thirty days following the next general~~

1 election, unless an extension is approved at that general election.
2 The additional taxes shall expire upon expiration of the declaration of
3 emergency. The legislature shall not impose additional taxes for
4 emergency purposes under this subsection unless funds in the education
5 construction fund have been exhausted.

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

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

24 (5) If the cost of any state program or function is shifted to the
25 state general fund on or after January 1, 2000, from another source of
26 funding, or if moneys are transferred to the state general fund from
27 another fund or account, the state expenditure limit committee, acting
28 pursuant to RCW 43.135.025(5), shall increase the state expenditure
29 limit to reflect the shift.)) (1) After July 1, 1995, any action or
30 combination of actions by the legislature that raises state revenue or
31 requires revenue-neutral tax shifts may be taken only if approved by a
32 three-fourths vote of each house, and then only if state expenditures
33 in any fiscal year, including the new revenue, will not exceed the
34 state expenditure limits established under this chapter.

35 (2) For the purposes of this section, "raises state revenue"
36 includes adding a new tax as authorized by law, expanding the base of
37 any tax, increasing the monetary amount of an existing tax, increasing
38 the rate of an existing tax, removing all or part of any exemption or
39 deduction from any tax, and extending an expiring tax.

1 (3)(a) If the legislative action under subsection (1) of this
2 section will result in expenditures in excess of the state expenditure
3 limit, then the action of the legislature shall not take effect until
4 approved by a vote of the people at a November general election. The
5 office of financial management shall adjust the state expenditure limit
6 by the amount of additional revenue approved by the voters under this
7 section. This adjustment shall not exceed the amount of revenue
8 generated by the legislative action during the first full fiscal year
9 in which it is in effect. The state expenditure limit shall be
10 adjusted downward upon expiration or repeal of the legislative action.

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

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

16 (4)(a) The state expenditure limit may be exceeded upon declaration
17 of an emergency for a period not to exceed twenty-four months by a law
18 approved by a three-fourths vote of each house of the legislature and
19 signed by the governor. The law shall set forth the nature of the
20 emergency, which is limited to natural disasters that require immediate
21 government action to alleviate human suffering and provide humanitarian
22 assistance. The state expenditure limit may be exceeded for no more
23 than twenty-four months following the declaration of the emergency and
24 only for the purposes contained in the emergency declaration.

25 (b) Additional taxes required for an emergency under this section
26 may be imposed only until thirty days following the next general
27 election, unless an extension is approved at that general election.
28 The additional taxes shall expire upon expiration of the declaration of
29 emergency. The legislature shall not impose additional taxes for
30 emergency purposes under this subsection unless funds in the education
31 construction fund have been exhausted.

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

35 (5) If the cost of any state program or function is shifted from
36 the state general fund on or after January 1, 1993, to another source
37 of funding, or if moneys are transferred from the state general fund to

1 another fund or account, the office of financial management shall lower
2 the state expenditure limit to reflect the shift.

3 **REESTABLISHING THE EMERGENCY RESERVE FUND REQUIREMENTS**
4 **PROVIDED BY VOTER-APPROVED INITIATIVE 601**

5 **Sec. 5.** RCW 43.135.045 and 2002 c 33 s 2 are each amended to read
6 as follows:

7 (1) The emergency reserve fund is established in the state
8 treasury. During each fiscal year, the state treasurer shall deposit
9 in the emergency reserve fund all general fund--state revenues in
10 excess of the state expenditure limit for that fiscal year. Deposits
11 shall be made at the end of each fiscal quarter based on projections of
12 state revenues and the state expenditure limit. The treasurer shall
13 make transfers between these accounts as necessary to reconcile actual
14 annual revenues and the expenditure limit for fiscal year 2000 and
15 thereafter.

16 (2) The legislature may appropriate moneys from the emergency
17 reserve fund for general fund spending only with approval of at least
18 ~~((two-thirds))~~ three-fourths of the members of each house of the
19 legislature, and then only if the appropriation does not cause total
20 expenditures to exceed the state expenditure limit under this chapter.
21 ~~((However, during the 2001-2003 biennium, the legislature may transfer~~
22 ~~moneys from the emergency reserve fund to the general fund only with~~
23 ~~approval of a majority of the members of each house of the legislature,~~
24 ~~and then only if the appropriation does not cause total expenditures to~~
25 ~~exceed the state expenditure limit under this chapter.))~~

26 (3) The emergency reserve fund balance shall not exceed ~~((five))~~
27 ten percent of ~~((annual))~~ biennial general fund--state revenues as
28 projected by the official state revenue forecast. Any balance in
29 excess of ~~((five))~~ ten percent shall be transferred on a quarterly
30 basis by the state treasurer as follows: Seventy-five percent to the
31 student achievement fund hereby created in the state treasury and
32 twenty-five percent to the general fund balance. The treasurer shall
33 make transfers between these accounts as necessary to reconcile actual
34 annual revenues for fiscal year 2000 and thereafter. When per-student
35 state funding for the maintenance and operation of K-12 education meets
36 a level of no less than ninety percent of the national average of total
37 funding from all sources per student as determined by the most recent

1 published data from the national center for education statistics of the
2 United States department of education, as calculated by the office of
3 financial management, further deposits to the student achievement fund
4 shall be required only to the extent necessary to maintain the ninety-
5 percent level. Remaining funds are part of the general fund balance
6 and these funds are subject to the expenditure limits of this chapter.

7 (4) The education construction fund is hereby created in the state
8 treasury.

9 (a) Funds may be appropriated from the education construction fund
10 exclusively for common school construction or higher education
11 construction.

12 (b) Funds may be appropriated for any other purpose only if
13 approved by a ~~((two-thirds))~~ three-fourths vote of each house of the
14 legislature and if approved by a vote of the people at the next general
15 election. An appropriation approved by the people under this
16 subsection shall result in an adjustment to the state expenditure limit
17 only for the fiscal period for which the appropriation is made and
18 shall not affect any subsequent fiscal period.

19 (5) Funds from the student achievement fund shall be appropriated
20 to the superintendent of public instruction strictly for distribution
21 to school districts to meet the provisions set out in the student
22 achievement act. Allocations shall be made on an equal per full-time
23 equivalent student basis to each school district.

24 (6) Earnings of the emergency reserve fund under RCW
25 43.84.092(4)(a) shall be ~~((transferred quarterly to the multimodal
26 transportation account, except for those earnings that are in excess of
27 thirty-five million dollars each fiscal year. Within thirty days
28 following any fiscal year in which earnings transferred to the
29 multimodal transportation account under this subsection did not total
30 thirty-five million dollars, the state treasurer shall transfer from
31 the emergency reserve fund an amount necessary to bring the total
32 deposited in the multimodal transportation account under this
33 subsection to thirty-five million dollars. The revenues to the
34 multimodal transportation account reflected in this subsection provide
35 ongoing support for the transportation programs of the state. However,
36 it is the intent of the legislature that any new long term financial
37 support that may be subsequently provided for transportation programs
38 will be used to replace and supplant the revenues reflected in this
39 subsection, thereby allowing those revenues to be returned to the~~

1 ~~purposes to which they were previously dedicated))~~ deposited and
2 retained in the emergency reserve fund.

3 **REESTABLISHING THE LIMITS ON FEE INCREASES**
4 **PROVIDED BY VOTER-APPROVED INITIATIVE 601**

5 **Sec. 6.** RCW 43.135.055 and 2001 c 314 s 19 are each amended to
6 read as follows:

7 (1) ~~((No fee may increase in any fiscal year by a percentage in~~
8 ~~excess of the fiscal growth factor for that fiscal year without prior~~
9 ~~legislative approval.))~~ No fee may increase in any fiscal year by a
10 percentage in excess of the fiscal growth factor for that fiscal year
11 unless the increase is approved by a three-fourths vote of each house
12 of the legislature.

13 (2) This section does not apply to an assessment made by an
14 agricultural commodity commission or board created by state statute or
15 created under a marketing agreement or order under chapter 15.65 or
16 15.66 RCW, or to the forest products commission, if the assessment is
17 approved by referendum in accordance with the provisions of the
18 statutes creating the commission or board or chapter 15.65 or 15.66 RCW
19 for approving such assessments.

20 **REPEALING LOOPHOLES PUT IN VOTER-APPROVED INITIATIVE 601 SINCE 1993**

21 NEW SECTION. **Sec. 7.** The following acts or parts of acts are each
22 repealed:

23 (1) RCW 43.135.03901 (Criminal justice treatment account, violence
24 reduction and drug enforcement account transfers) and 2002 c 290 s 5;

25 (2) RCW 43.135.080 (Reenactment and reaffirmation of Initiative
26 Measure No. 601--Continued limitations--Exceptions) and 1998 c 321 s 14
27 (Referendum Bill No. 49, approved November 3, 1998); and

28 (3) 2002 c 33 s 3 (uncodified).

29 **REESTABLISHING THE TITLE OF VOTER-APPROVED INITIATIVE 601**

30 **Sec. 8.** RCW 43.135.902 and 1994 c 2 s 10 are each amended to read
31 as follows:

1 (~~This chapter may be known and cited as the taxpayer protection~~
2 ~~act.~~) This chapter may be known and cited as the Taxpayer Protection
3 Act.

4 **REESTABLISHING THE SEVERABILITY CLAUSE OF VOTER-APPROVED**
5 **INITIATIVE 601**

6 **Sec. 9.** RCW 43.135.903 and 1994 c 2 s 12 are each amended to read
7 as follows:

8 (~~If any provision of this act or its application to any person or~~
9 ~~circumstance is held invalid, the remainder of the act or the~~
10 ~~application of the provision to other persons or circumstances is not~~
11 ~~affected.~~) If any provision of this act or its application to any
12 person or circumstance is held invalid, the remainder of the act or the
13 application of the provision to other persons or circumstances is not
14 affected.

15 **EMERGENCY CLAUSE**

16 NEW SECTION. **Sec. 10.** The provisions of this act are necessary
17 for the immediate preservation of the public peace, health, or safety,
18 or support of the state government and its existing public
19 institutions, and take effect retroactively to January 1, 2003.

--- END ---