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INITIATIVE 374

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

AN ACT Relating to increases in taxes, fees, and revenues enacted by state government; amending RCW 43.135.035 and 43.135.055; adding new sections to chapter 43.135 RCW; creating new sections; and providing an effective date.

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

INTENT

NEW SECTION. **Sec. 1.** Washington has a long history of public interest in tax increases. The people have clearly and consistently illustrated their ongoing and passionate desire to ensure that taxpayers are protected. The people find that even without raising taxes, the government consistently receives revenue growth many times higher than the rate of inflation every year. With this measure, the people intend to protect taxpayers by creating a series of accountability procedures to ensure greater legislative transparency, broader public participation, and wider agreement before state government takes more of the people's money. This measure protects taxpayers and relates to increases in taxes, fees, and revenues, as defined, imposed by state government. This measure would require

publication of cost projections and legislators' sponsorship and voting records on bills increasing taxes and fees, allow two-thirds legislative approval or voter approval on tax and fee increases, and require advisory votes on tax increases imposed without voter approval. The people want taxpayers protected by ensuring greater transparency and better access to information regarding bills increasing taxes and fees. Elected officials need to know the costs to the taxpayers for their tax and fee increases and to provide citizens with the opportunity to ask questions and give input. The people want taxpayers protected by providing a user-friendly method to track the progress of bills increasing taxes and fees, finding that transparency and openness leads to more public involvement and better understanding. The people want to know about legislators' sponsorship and voting records on bills that increase taxes and fees and want easy access to contact information of legislators so the people's voice can be heard.

**PROTECTING TAXPAYERS BY REQUIRING PUBLICATION OF
COST PROJECTIONS AND LEGISLATORS' SPONSORSHIP AND VOTING RECORDS
ON BILLS INCREASING TAXES, FEES, OR OTHER REVENUE.**

NEW SECTION. **Sec. 2.** A new section is added to chapter 43.135 RCW and reads as follows:

(1) For any bill introduced in either the house of representatives or the senate that raises taxes and other revenue under section 4 or section 5 of this act or increases fees under sections 11 or 12 of this act, the Office of Financial Management must expeditiously determine its cost to the taxpayers over its first ten years of imposition, must promptly report the results of its analysis by public press release to each member of the house of representatives, each member of the senate, the media, and the voters, and must post and maintain these releases on its website. Any ten-year cost projection must include a year-by-year breakdown. For any bill containing more than one revenue source, a ten-year cost projection for each revenue source will be included along with the bill's total ten-year cost projection. The press release shall include the names of the legislators, and their contact information, who are sponsors and co-sponsors of the bill so they can provide information to, and answer questions from, the public.

(4) Each time a bill that raises taxes or other revenue under section 4 or section 5 of this act or increases fees under sections 11

or 12 of this act is approved by any legislative committee or by at least a simple majority in either the house of representatives or the senate, the Office of Financial Management must expeditiously re-examine and re-determine its ten-year cost analysis due to amendment or other changes during the legislative process, must promptly report the results of its most up-to-date analysis by public press release to each member of the house of representatives, each member of the senate, the media, and the voters, and must post and maintain these releases on its website. Any ten-year cost projection must include a year-by-year breakdown. For any bill containing more than one revenue source, a ten-year cost projection for each revenue source will be included along with the bill's total ten-year cost projection. The press release shall include the names of the legislators, and their contact information, who voted for and against the bill so they can provide information to, and answer questions from, the public.

(5) For the purposes of this section, "names of legislators, and their contact information" includes each legislator's position (Sen. or Rep.), first name, last name, party affiliation (R or D), major city represented, office phone number, and office email address.

THE PEOPLE'S INTENT RELATING TO SECTION 2 OF THIS ACT

NEW SECTION. **Sec. 3.** A new section is added to chapter 43.135 RCW and reads as follows:

The intent of section 2 of this act: The people want a thorough, independent analysis of any proposed increase in taxes and fees. The people find that legislators too often do not know the costs to the taxpayers for their tax and fee increases and this fiscal analysis by the Office of Financial Management will provide better, more accessible information. The people want a user-friendly method to track the progress of proposals to increase taxes and fees, finding that transparency and openness leads to more public involvement and better understanding. The people want to know about legislators' sponsorship and voting records on bills that increase taxes and fees and want easy access to contact information of legislators so the people's voice can be heard.

PROTECTING TAXPAYERS BY ALLOWING TWO-THIRDS LEGISLATIVE APPROVAL OR VOTER APPROVAL ON TAX OR OTHER REVENUE INCREASES

Sec. 4. RCW 43.135.035 and 2005 c 72 s 5 are each amended to read as follows:

(1) After July 1, 1995, any action or combination of actions by the legislature that (~~((raises state revenue or requires revenue-neutral tax shifts))~~) raises taxes or other revenue may be taken only if approved by a (~~((two-thirds))~~) two-thirds vote of each house of the legislature, and then only if state expenditures in any fiscal year, including the new revenue, will not exceed the state expenditure limits established under this chapter. Pursuant to the referendum power set forth in article I, section 1(b) of the Washington constitution, increases in taxes or other revenue approved by a majority vote of each house of the legislature may be referred to the voters for their approval or rejection at an election.

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

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

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

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

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

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

(4) If the cost of any state program or function is shifted from the state general fund or a related fund to another source of funding, or if moneys are transferred from the state general fund or a related fund to another fund or account, the state expenditure limit committee, acting pursuant to RCW 43.135.025(5), shall lower the state expenditure limit to reflect the shift. For the purposes of this section, a transfer of money from the state general fund or a related fund to another fund or account includes any state legislative action taken that has the effect of reducing revenues from a particular source, where such revenues would otherwise be deposited into the state general fund or a related fund, while increasing the revenues from that particular source to another state or local government account. This subsection does not apply to the dedication or use of lottery revenues under RCW 67.70.240(3) or property taxes under RCW 84.52.068, in support of education or education expenditures.

(5) If the cost of any state program or function and the ongoing revenue necessary to fund the program or function are shifted to the state general fund or a related fund on or after January 1, 2007, the state expenditure limit committee, acting pursuant to RCW 43.135.025(5), shall increase the state expenditure limit to reflect the shift.

(6) For the purposes of this section, "raises taxes or other revenue" includes enacting or imposing any new tax, expanding the base of any tax, increasing the monetary amount of any tax, increasing the rate of any tax, and extending any expiring tax.

NEW SECTION. **Sec. 5.** A new section is added to chapter 43.135 RCW and reads as follows:

(1) Any action or combination of actions by the legislature that raises taxes or other revenue, within the general fund or outside the general fund, may be taken only if approved by a two-thirds vote of each house of the legislature.

(2) Pursuant to the referendum power set forth in article I, section 1(b) of the Washington constitution, increases in taxes or other revenue approved by a majority vote of each house of the legislature may be referred to the voters for their approval or rejection at an election.

(3) For the purposes of this section, "raises taxes or other revenue" includes enacting or imposing any new tax, expanding the base of any tax, increasing the monetary amount of any tax, increasing the rate of any tax, and extending any expiring tax.

THE PEOPLE'S INTENT RELATING TO SECTIONS 4 AND 5 OF THIS ACT

NEW SECTION. **Sec. 6.** A new section is added to chapter 43.135 RCW and reads as follows:

The intent of section 4 and section 5 of this act: The two-thirds requirement for tax increases has been on the books since 1993 and the people find that this policy has provided the legislature with a much stronger incentive to use existing revenues more cost effectively rather than reflexively raising taxes. The people want this policy continued and want to include tax increases inside and outside the general fund. If the legislature cannot receive a two-thirds vote in the house and senate for a tax increase, the constitution provides the legislature with the option of referring the tax increase to the voters for their approval or rejection at an election using a referendum bill. The people have consistently supported public votes on tax increases.

PROTECTING TAXPAYERS BY REQUIRING AN ADVISORY VOTE OF THE PEOPLE FOR TAX OR OTHER REVENUE INCREASES IMPOSED WITHOUT VOTER APPROVAL

NEW SECTION. **Sec. 7.** A new section is added to chapter 43.135 RCW and reads as follows:

(1) If the legislative action increasing a tax or other revenue under section 4 or section 5 of this act is not submitted to the people by a legislative referendum bill or people's referendum, an advisory vote of the people shall be placed on the next general election ballot,

be printed on election ballots, be included in the voters pamphlet as required by subsection 3 of this section, and votes for and against be officially tabulated and reported by the Secretary of State.

(a) If the legislative action increasing a tax or other revenue under section 4 or section 5 of this act involves more than one revenue source, each revenue source shall receive a separate advisory vote of the people under the requirements of this act.

(2) After an advisory vote of the people under this section is numbered by the Secretary of State and transmitted to the attorney general under section 8 of this act, the attorney general shall draft a short description, not exceeding 33 words and not subject to appeal, of each tax or other revenue increase. The description must be drafted and displayed on the ballot substantially as follows:

"The legislature imposed (description of tax or other revenue increase, including its ten-year cost projection) to pay for (description of government program). The people recommend this tax increase be:

Repealed . . . []
Maintained . . . []"

(3) Two pages shall be provided in the general election voters pamphlet for each advisory vote of the people and shall consist of the number assigned by the Secretary of State under section 8 of this act, the short description required by subsection 2 of this section, the most up-to-date ten-year cost projection of the tax or other revenue increase by the Office of Financial Management, and the names of the legislators, and their contact information, who voted for and against the increase upon final passage so they can provide information to, and answer questions from, the public.

(4) For the purposes of this section, "names of legislators, and their contact information" includes each legislator's position (Sen. or Rep.), first name, last name, party affiliation (R or D), major city represented, office phone number, and office email address.

Sec. 8. RCW 29A.72.040 and 2003 c 111 s 1805 are each amended to read as follows:

The secretary of state shall give a serial number to each initiative, referendum bill, (~~or~~) referendum measure, or advisory vote of the people, using a separate series for initiatives to the legislature, initiatives to the people, referendum bills, (~~and~~)

referendum measures, and advisory votes of the people and forthwith transmit one copy of the measure proposed bearing its serial number to the attorney general. Thereafter a measure shall be known and designated on all petitions, ballots, and proceedings as "Initiative Measure No.," "Referendum Bill No.," ((or)) "Referendum Measure No.," or "Advisory Vote No."

Sec. 9. RCW 29A.72.290 and 2003 c 111 s 1829 are each amended to read as follows:

The county auditor of each county shall print on the official ballots for the election at which initiative and referendum measures are to be submitted to the people for their approval or rejection, the serial numbers and ballot titles certified by the secretary of state and the serial numbers and short descriptions of advisory votes of the people. They must appear under separate headings in the order of the serial numbers as follows:

(1) Measures proposed for submission to the people by initiative petition will be under the heading, "Proposed by Initiative Petition";

(2) Bills passed by the legislature and ordered referred to the people by referendum petition will be under the heading, "Passed by the Legislature and Ordered Referred by Petition";

(3) Bills passed and referred to the people by the legislature will be under the heading, "Proposed to the People by the Legislature";

(4) Measures proposed to the legislature and rejected or not acted upon will be under the heading, "Proposed to the Legislature and Referred to the People";

(5) Measures proposed to the legislature and alternative measures passed by the legislature in lieu thereof will be under the heading, "Initiated by Petition and Alternative by Legislature."

(6) Advisory votes of the people under section 7 of this act will be under the heading, "Advisory Vote of the People."

THE PEOPLE'S INTENT RELATING TO SECTIONS 7, 8, AND 9 OF THIS ACT

NEW SECTION. **Sec. 10.** A new section is added to chapter 43.135 RCW and reads as follows:

The intent of sections 7, 8, and 9 of this act: The people find that the legislature has too often thwarted the people's constitutional right to referendum by excessive use of the emergency clause which prevents a referendum, delayed bill signings and time-consuming litigation to shorten the time for citizens to gather signatures, bonding or contractually obligating tax increases which prevents a referendum, legislative sabotage of the signature gathering process, and other obstructionist tactics. The people want their voices heard on the critical issue of tax increases. The people find tax or other revenue increases unilaterally imposed by the legislature decrease the voters trust in their elected representatives. The people find that tax or other revenue increases that are voted on by the people receive a broader discussion and better understanding with the election outcome more widely accepted.

**PROTECTING TAXPAYERS BY ALLOWING TWO-THIRDS LEGISLATIVE
APPROVAL OR VOTER APPROVAL ON FEE INCREASES**

Sec. 11. RCW 43.135.055 and 2001 c 314 s 19 are each amended to read as follows:

(1) No fee may increase in any fiscal year (~~((by a percentage in excess of the fiscal growth factor for that fiscal year))~~) without prior legislative approval.

(a) Fee increases must be approved by a two-thirds vote of each house of the legislature. Pursuant to the referendum power set forth in article I, section 1(b) of the Washington constitution, fee increases approved by a majority vote of each house of the legislature may be referred to the voters for their approval or rejection at an election.

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

NEW SECTION. **Sec. 12.** A new section is added to chapter 43.135 RCW and reads as follows:

(1) For any fee not part of the state general fund, no fee may increase in any fiscal year without prior legislative approval.

(a) Fee increases must be approved by a two-thirds vote of each house of the legislature. Pursuant to the referendum power set forth in article I, section 1(b) of the Washington constitution, fee increases approved by a majority vote of each house of the legislature may be referred to the voters for their approval or rejection at an election.

THE PEOPLE'S INTENT RELATING TO SECTIONS 11 AND 12 OF THIS ACT

NEW SECTION. **Sec. 13.** A new section is added to chapter 43.135 RCW and reads as follows:

(1) The intent of section 11, subsection 1 and section 12, subsection 1 of this act: The people want to return the authority to impose fee increases from unelected officials at state agencies to the duly elected representatives of the legislature or to the people. The people find that fee increases should be debated openly and transparently and up-or-down votes taken by our elected representatives so the people are given the opportunity to hold them accountable at the next election.

(2) The intent of section 11, subsection 1(a) and section 12, subsection 1(a) of this act: The two-thirds requirement for tax increases has been on the books since 1993 and the people find that this policy has provided the legislature with a much stronger incentive to use existing revenues more cost effectively rather than reflexively raising taxes. The people want this policy continued and want fee increases included. If the legislature cannot receive a two-thirds vote in the house and senate for a fee increase, the constitution provides the legislature with the option of referring the fee increase to the voters for their approval or rejection at an election using a referendum bill. The people have consistently supported public votes on tax and fee increases.

CONSTRUCTION CLAUSE

NEW SECTION. **Sec. 14.** The provisions of this act are to be liberally construed to effectuate the intent, policies, and purposes of this act.

SEVERABILITY CLAUSE

NEW SECTION. **Sec. 15.** If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

MISCELLANEOUS

NEW SECTION. **Sec. 16.** Subheadings and part headings used in this act are not part of the law.

NEW SECTION. **Sec. 17.** This act shall be known and cited as the Taxpayer Protection Act.

NEW SECTION. **Sec. 18.** This act takes effect December 6, 2007.

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