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INITIATIVE 807

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

Ballot Title: This measure would reestablish and clarify state spending limits, emergency reserve fund requirements, and require tax and fee increases to receive either two-thirds legislative approval or majority voter approval at an election.

**REESTABLISHING AND CLARIFYING VOTER-APPROVED INITIATIVE 601,
THE TAXPAYER PROTECTION ACT**

AN ACT Relating to ensuring greater governmental fiscal responsibility by reestablishing and clarifying voter-approved Initiative 601's policies; amending RCW 43.135.010, 43.135.025, 43.135.055, and 43.135.902; reenacting and amending RCW 43.135.035 and 43.135.045; and creating new sections.

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

POLICIES AND PURPOSES

NEW SECTION. **Sec. 1.** The people find that state government has recently faced unprecedented deficits because the Legislature and the Governor have not fully abided by the provisions and intent of voter-approved Initiative 601, the Taxpayer Protection Act. The people

further find that if the Legislature and the Governor had adhered to Initiative 601's budget mandates since 1993, state government would not be facing continuing financial challenges. Voters approved Initiative 601 to provide reasonable limits on spending and taxation for state government. It is intended that this measure reestablish and clarify state spending limits and emergency reserve fund requirements, and require tax and fee increases to receive either a two-thirds legislative approval or majority voter approval at an election. The people intend to return the authority to impose fee increases from unelected officials at state agencies to the duly elected officials of the Legislature or to the people through the initiative and referendum process.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**REESTABLISHING AND CLARIFYING THE STATE SPENDING LIMITS
PROVIDED BY VOTER-APPROVED INITIATIVE 601**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(6) Each November, the state expenditure limit committee shall adjust the expenditure limit for the preceding fiscal year based on actual expenditures and known changes in the fiscal growth factor and

then project an expenditure limit for the next two fiscal years. If, by November 30th, the state expenditure limit committee has not adopted the expenditure limit adjustment and projected expenditure limit as provided in subsection (5) of this section, the attorney general or his or her designee shall adjust or project the expenditure limit, as necessary.

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

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

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

**REESTABLISHING AND CLARIFYING THE REQUIREMENTS FOR REVENUE
INCREASES FROM TAXES PROVIDED BY VOTER-APPROVED INITIATIVE 601
(EITHER 2/3'S LEGISLATIVE APPROVAL OR MAJORITY VOTER APPROVAL)**

Sec. 4. RCW 43.135.035 and 2001 c 3 s 8 (Initiative Measure No. 728) and 2000 2nd sp.s. c 2 s 2 are each reenacted and 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))~~) may be taken only if approved by a (~~((two-thirds))~~) two-thirds vote of each house of the legislature except actions that raise state revenue that are referred to the voters as allowed by subsection (3) of this section, 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.

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

(3) State revenue increases may be referred to the voters for their approval or rejection at an election and shall require a majority 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.

(4) 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 office of financial management shall adjust the state expenditure limit by the amount of additional revenue approved by the voters under this subsection. 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))~~(5)(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))~~ 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))~~ (6) If the cost of any state program or function is shifted from the state general fund on or after January 1, 1993, to another

source of funding, or if moneys are transferred from the state general 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 to another fund or account includes any state legislative action taken after July 1, 2000, that has the effect of reducing revenues from a particular source, where such revenues would otherwise be deposited into the state general 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))~~ (7) If the cost of any state program or function ~~((is))~~ and the ongoing revenue necessary to fund the program or function are shifted to the general fund on or after January 1, ~~((2000, from another source of funding, or if moneys are transferred to the state general fund from another fund or account))~~ 2004, the state expenditure limit committee, acting pursuant to RCW 43.135.025(5), shall increase the state expenditure limit to reflect the shift.

**REESTABLISHING AND CLARIFYING THE EMERGENCY RESERVE FUND REQUIREMENTS
PROVIDED BY VOTER-APPROVED INITIATIVE 601**

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

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

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

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

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

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

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

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

(6) Earnings of the emergency reserve fund under RCW 43.84.092(4)(a) shall be (~~transferred quarterly to the multimodal transportation account, except for those earnings that are in excess of thirty-five million dollars each fiscal year. Within thirty days~~

~~following any fiscal year in which earnings transferred to the multimodal transportation account under this subsection did not total thirty five million dollars, the state treasurer shall transfer from the emergency reserve fund an amount necessary to bring the total deposited in the multimodal transportation account under this subsection to thirty five million dollars. The revenues to the multimodal transportation account reflected in this subsection provide ongoing support for the transportation programs of the state. However, it is the intent of the legislature that any new long term financial support that may be subsequently provided for transportation programs will be used to replace and supplant the revenues reflected in this subsection, thereby allowing those revenues to be returned to the purposes to which they were previously dedicated))~~ deposited and retained in the emergency reserve fund.

REESTABLISHING AND CLARIFYING THE REQUIREMENTS FOR REVENUE INCREASES FROM FEES PROVIDED BY VOTER-APPROVED INITIATIVE 601 (EITHER 2/3'S LEGISLATIVE APPROVAL OR MAJORITY VOTER APPROVAL)

Sec. 6. 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.))~~ No fee may increase in any fiscal year unless the increase is approved by a two-thirds vote of each house of the legislature, except increases referred to the voters for their approval or rejection at an election which shall require a majority vote of each house of the legislature.

(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.

REESTABLISHING THE TITLE OF VOTER-APPROVED INITIATIVE 601

Sec. 7. RCW 43.135.902 and 1994 c 2 s 10 are each amended to read as follows:

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

CONSTRUCTION CLAUSE

NEW SECTION. **Sec. 8.** 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. 9.** 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.

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