

SENATE BILL REPORT

SB 6843

As Reported by Senate Committee On:
Ways & Means, February 8, 2010

Title: An act relating to preserving essential public services by temporarily suspending the two-thirds vote requirement for tax increases and permanently modifying provisions of Initiative Measure No. 960 for improved efficiency and consistency with state budgeting

Brief Description: Preserving essential public services by temporarily suspending the two-thirds vote requirement for tax increases and permanently modifying provisions of Initiative Measure No. 960 for improved efficiency and consistency with state budgeting.

Sponsors: Senators Prentice, Murray, Kohl-Welles, Regala, Fairley, Ranker, McDermott, Kline and Keiser.

Brief History:

Committee Activity: Ways & Means: 2/04/10, 2/08/10 [DP, DNP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Tom, Vice Chair, Operating Budget; Fairley, Keiser, Kline, Kohl-Welles, McDermott, Murray, Oemig, Pridemore, Regala and Rockefeller.

Minority Report: Do not pass.

Signed by Senators Zarelli, Ranking Minority Member; Brandland, Carrell, Honeyford, Parlette and Schoesler.

Staff: Dianne Criswell (786-7433)

Background: Initiative 960 (I-960), adopted by the voters in 2007, established by statute certain requirements related to any action of the Legislature which raises taxes or fees.

Cost Projections, Notice of Public Hearings, and Information on Bill Sponsorship. The Office of Financial Management (OFM) must determine the ten-year cost to the taxpayers of any bill raising taxes or fees. The results must be distributed by public press release and emailed to legislators, the media, and the public. The press release for any bill raising taxes or fees must be published upon bill introduction, any public hearing scheduled on such a bill,

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committee approval, and approval by the Senate or the House. The initial press release upon bill introduction must include contact information for legislators who are sponsors or co-sponsors of the bill. The press release for scheduled hearing must include the contact information for the legislative committee members. The press release for committee approval or approval by the Senate or House must include the names of legislators, their contact information, and how they voted.

Legislative Approval by Two-Thirds or Voter-Approval of Tax Increases. Legislation raising taxes must receive a two-thirds vote of the members of the Senate and the House. Tax increases may be referred to the voters for their approval or rejection.

Raises taxes is defined by I-960 as any action or combination of actions by the Legislature that increases state tax revenue deposited in any fund, budget, or account, regardless of whether the revenues are deposited into the General Fund.

Advisory Vote of the People on Tax Increases. If a legislative bill raising taxes is blocked from a public vote or is not referred to the voters, a measure for an advisory vote by the people is required and must be placed on the next general election ballot. Blocked from a public vote is defined by I-960 as including adding an emergency clause to a bill increasing taxes, bonding or contractually obligating taxes, or otherwise preventing a referendum on a bill increasing taxes. If the bill involves more than one revenue source, each tax being increased must be subject to a separate advisory vote of the people. The voter pamphlet entry for advisory votes on a tax increase must be two pages long and must include a ten-year projection of the fiscal impact of the tax on the taxpayers and a description of how each member of the Legislature voted on the tax increase.

Legislative Approval of Fee Increases. No fee may be imposed or increased by a state agency without prior legislative approval.

Summary of Bill: It is the Legislature's intent to:

- provide a temporary means to stabilize revenue collections in order to preserve funding for education, public safety, health care, and safety net services for elderly, disabled, and vulnerable people during the unprecedented economic crisis in the 2009-2011 fiscal biennium;
- provide a means for the Legislature to raise new revenue to fund voter-approved initiatives so existing education, public safety, health care, and safety net services for elderly, disabled, and vulnerable people may be preserved; and
- maintain fairness and to advance economic prosperity and serve the public interest by enabling current and future legislatures to modify tax preferences with a simple majority vote.

A recognition is made that it may be necessary to clarify the intent of legislation when questions arise over the scope of a law.

The following changes to the I-960 tax or fee notice provisions are made:

- removes the notice upon introduction of a bill;
- requires notices upon first scheduled public hearing and thereafter; and

- changes the ten year cost projection to a five to six year cost projection (similar period as fiscal notes).

The requirement that tax increases requires approval by two-thirds vote of each house of the Legislature is suspended. Until July 1, 2011, any action or combination of actions by the Legislature that increases taxes may be taken with the approval of a majority of members elected to each house of the Legislature.

Any action or combination of actions by the Legislature that raises taxes may be taken with the approval of a majority of members elected to each house of the Legislature if the revenue is for the purpose of funding a voter-approved initiative.

It is clarified that referring a tax proposal to voters requires a simple majority.

The phrase raises taxes is changed to increases taxes.

The following are permanently excluded from the definition of increases taxes:

- modification or repeal of tax preferences;
- curative and remedial clarifications of legislative intent;
- transfers of funds between state accounts; or
- changes to the use of existing revenues.

The advisory vote is repealed, the advisory vote short description statutes are repealed, and statutory references to the advisory vote in other portions of the chapter are deleted.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony: PRO: These are tough times. The budgeting process is full of tough decisions. The Legislature already enacted a biennial budget for 2009-2011 which was \$9 billion less than expected. Last year's cuts were devastating to communities. This supplemental budget session, there is a \$2.6 billion shortfall. There are no more cuts to make; no more fraud, waste, or abuse to address. However, without more revenue, there is no ability to do other than additional cuts. However, it is irresponsible to address the supplemental budgets only with further budget reductions. Last year's cuts impacted hundreds of thousands of Washington citizens, from children to the elderly. Those cuts and any additional cuts will lead to increased public safety issues, because it sends more people out on the street. A temporary suspension of the two-thirds majority requirement is reasonable in tough times. We need a balanced approach to this crisis. We have studied these issues long and hard, and have concluded that flexibility is a necessary response to these changing times and needs. As a representative government, citizens have elected you to make these tough decisions. We need revenue to protect children. Washington has been a place for kids to learn, live, and thrive; however, it is a cruel consequence of the recession

that, when they need more services, there is less revenue available to help. We cannot cut our way out of this revenue crisis. This is not a spending crisis, it is a revenue crisis. Enacting this proposal will help protect children and families. Many public programs address problems early, saving the public even greater costs without this early assistance. People get caught in a cycle, and human services programs can help prevent the cycle or can get people out of it. Many services have been cut in the Governor's Book 1, as well as Book 2, budget. The temporary suspension of the I-960 supermajority is a tool to help make smart decisions in difficult times. There have been substantial changes in the economy which require changes to our laws, even those enacted by initiative. There has been such a substantial change, in our economy, and a temporary suspension is a good response. I-960 was adopted during a good economy and during times when the government was expanding services. Now, we are not only cutting those new services, but reducing basic services of government. We do not envy the choices that the Legislature must make. Many cuts are false economies by shifting costs which only escalate. Problems do not go away, they become more expensive. The state needs a combination of tools to address this situation. Cuts have hit us all and we have been told that all areas of government must share the pain; however, the taxpayers need to be part of the solution. This will be the first generation which is less educated than their parents. The cuts mean that many students will not go to college. Tuition increases have priced some low and even middle income families out of higher education. All of these actions, tuition increases, cutting awards and work study, means less access to higher ed. We need a combination of approaches. The Legislature has this responsibility and needs the ability to balance these choices. Needy citizens should not be held hostage by special interests. Students protest the disinvestment in public education. Work study benefits students' education, as well as many businesses in the state. Cuts have meant it is more difficult to get the classes necessary to graduate. Any proposal to punish students who do not graduate on time would make the situation worse. The fire chiefs recognize that we have archaic emergency medical response systems. We need to be prepared for EMS responses; but, we are not prepared for responses to hazardous materials emergencies or terrorist attacks.

CON: The people have spoken and we must listen. I-960 was intended to make raising taxes difficult. However, governing is never easy. The legislative process is a mystery. A lot of the information people receive is from lobbyists or activists, rather than direct information about the legislative process. The provisions of I-960 removed the mystery out of these processes and made it user friendly. I am proud to have contributed to this initiative. It has enhanced transparency. Why does public knowledge frighten anyone? Allow the public to weigh in. This proposal alienates the people from government. This bill would disenfranchise people. Our judgment does not supersede those we represent. Notices upon introduction of a bill can help inform a member on what to hear. The public has a right to know. I-960 notices are especially important to parts of the state that are outside the Washington news media area. Although I-960 was approved by a state-wide rate of 52 percent, parts of the state, like my district, approved it more strongly. This proposal will lead to job losses, will hurt small businesses, and impact family wage jobs. You have a choice to change I-960 or to make genuine changes. It is not the job of the citizens to write the state budget. I-900 gave the Legislature the tools to make smart decisions; you missed this opportunity. There are areas where you could cut, such as the Maple Valley, getting the state out of the business of selling liquor, and closing facilities for the developmentally disabled where demand is low. Citizens are watching the arrogant Legislature. This proposal would

exempt the Legislature from following the law; citizens have to follow the law. Three times in a row, voters have placed restrictions on raising taxes; you will hear this a fourth time. Raising taxes is meant to be a last resort. This side-steps the law, the constitution, and the public's right to know. This takes a hatchet to the sunshine provisions. The Legislature is elected to represent, not rule. This is not the solution to the budget gap. The real problem is increased spending. By the time a bill is scheduled for hearing, it is too late for citizens to be involved. Increasing taxes will lead to job losses. The Legislature has increased workers' compensation taxes already. This will hurt families and slow economic recovery. Citizens have had to make difficult adjustments during these times; the state should have to do the same. Individuals need to meet their own needs. There are still areas of government which could be cut. The voters approved I-960 and the Legislature is stepping on us. We do not want an income tax. Instead, the state should make things easier for businesses, which would encourage activity, and increase taxes thereby. Raising taxes leads to business failure and fewer taxes. This usurps the will of the people. Why not take proposals to the citizens? The Legislature has the power to increase revenue; it is just difficult. We are opposed to the portion of the bill that allows modifications to tax preferences without a supermajority; it is a tax increase. Growth in government is high. The Legislature should use other approaches, like privatization, to provide essential services. We suggest solutions, like reenacting the original I-601 fiscal growth factor. The fiscal note process only looks at the costs, not the benefits. We think that the benefits to the state of tax benefits are evident; and a supermajority requirement for an enactment would not change that. Small businesses are job creators. During this bad economy, small businesses are keeping their doors open and making payroll by spending their reserves.

Persons Testifying: PRO: Jerry Reilly, Eldercare Alliance; Nick Federici, Rebuilding Economic Future; Kim Abel, League of Women Voters; Teresa Mosqueda, Children's Alliance; Seth Dawsom, National Alliance on Mental Illness; Mike Bogatoy, Washington Student Association; Marcus Sweetser, Bellevue College Association Student Government; Mike Brown, Washington Fire Chiefs.

CON: Senator Benton; Senator Roach; Mike Dunmire, I-1053; Tim Eyman, Save the 2/3's; Bob Williams, Evergreen Freedom Foundation; Scott Dahlman, Washington Farm Bureau; Amber Carter, Association of Washington Business; Gary Smith, Individual Business Association; Jim Copeland, Judy Nichols, Paul W. Locke, citizens.