

INITIATIVE 601

to the People

Chapter 2, Laws of 1994

State expenditure and taxation limits

Approved by the
People of the State of Washington
in the General Election on
November 2, 1993

ORIGINALLY FILED

March 5, 1993

**Secretary of State
State of Washington**

1 AN ACT Relating to greater governmental fiscal responsibility
2 through limitations on expenditures and taxation; amending RCW
3 43.135.010, 43.135.060, and 43.84.092; adding new sections to chapter
4 43.135 RCW; adding a new section to chapter 43.88 RCW; creating a new
5 section; repealing RCW 43.88.520, 43.88.525, 43.88.530, 43.88.535,
6 43.88.540, 43.135.020, 43.135.030, 43.135.040, 43.135.050, 43.135.070,
7 43.135.900, and 43.135.901; providing an effective date; and declaring
8 an emergency.

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

10 **Sec. 1.** RCW 43.135.010 and 1980 c 1 s 1 are each amended to read
11 as follows:

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

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

16 (2) It is necessary to limit the rate of growth of state government
17 while assuring adequate funding of essential services, including basic
18 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.

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

5 (a) Establish a limit (~~(which)~~) on state expenditures that will
6 assure that the growth rate of state (~~(tax revenue)~~) expenditures does
7 not exceed the growth rate of inflation and state (~~(personal income)~~)
8 population;

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

11 (c) Assure that the state does not impose(~~(, on any taxing~~
12 ~~district,)) responsibility on local governments for new programs or
13 increased levels of service under existing programs unless the costs
14 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; (~~and~~)

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 NEW SECTION. Sec. 2. (1) The state shall not expend from the
23 general fund during any fiscal year state moneys in excess of the state
24 expenditure limit established under this chapter.

25 (2) Except pursuant to a declaration of emergency under section 4
26 of this act or pursuant to an appropriation under section 3(4)(b) of
27 this act, the state treasurer shall not issue or redeem any check,
28 warrant, or voucher that will result in a state general fund
29 expenditure for any fiscal year in excess of the state expenditure
30 limit established under this chapter. A violation of this subsection
31 constitutes a violation of RCW 43.88.290 and shall subject the state
32 treasurer to the penalties provided in RCW 43.88.300.

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

36 (4) For purposes of computing the state expenditure limit for the
37 fiscal year beginning July 1, 1995, the phrase "the previous fiscal
38 year's state expenditure limit" means the total state expenditures from

1 the state general fund, not including federal funds, for the fiscal
2 year beginning July 1, 1989, plus the fiscal growth factor. This
3 calculation is then computed for the state expenditure limit for fiscal
4 years 1992, 1993, 1994, and 1995, and as required under section 4(4) of
5 this act.

6 (5) Each November, the office of financial management shall adjust
7 the expenditure limit for the preceding fiscal year based on actual
8 expenditures and known changes in the fiscal growth factor and then
9 project an expenditure limit for the next two fiscal years. The office
10 of financial management shall notify the legislative fiscal committees
11 of all adjustments to the state expenditure limit and projections of
12 future expenditure limits.

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

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

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

22 NEW SECTION. **Sec. 3.** (1) The emergency reserve fund is
23 established in the state treasury. During each fiscal year, the state
24 treasurer shall deposit in the emergency reserve fund all general
25 fund--state revenues in excess of the state expenditure limit for that
26 fiscal year. Deposits shall be made at the end of each fiscal quarter
27 based on projections of state revenues and the state expenditure limit.

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

33 (3) The emergency reserve fund balance shall not exceed five
34 percent of biennial general fund--state revenues as projected by the
35 official state revenue forecast. Any balance in excess of five percent
36 shall be transferred on a quarterly basis by the state treasurer to the
37 education construction fund hereby created in the 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 NEW SECTION. **Sec. 4.** (1) After July 1, 1995, any action or
12 combination of actions by the legislature that raises state revenue or
13 requires revenue-neutral tax shifts may be taken only if approved by a
14 two-thirds vote of each house, and then only if state expenditures in
15 any fiscal year, including the new revenue, will not exceed the state
16 expenditure limits established under this chapter.

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

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

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

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

1 government action to alleviate human suffering and provide humanitarian
2 assistance. The state expenditure limit may be exceeded for no more
3 than twenty-four months following the declaration of the emergency and
4 only for the purposes contained in the emergency declaration.

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

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

15 (4) If the cost of any state program or function is shifted from
16 the state general fund on or after January 1, 1993, to another source
17 of funding, or if moneys are transferred from the state general fund to
18 another fund or account, the office of financial management shall lower
19 the state expenditure limit to reflect the shift.

20 **Sec. 5.** RCW 43.135.060 and 1990 2nd ex.s. c 1 s 601 are each
21 amended to read as follows:

22 (1) After July 1, 1995, the legislature shall not impose
23 responsibility for new programs or increased levels of service under
24 existing programs on any ((taxing district)) political subdivision of
25 the state unless the ((districts are reimbursed for the costs thereof
26 by the state.

27 ~~(2) The amount of increased local revenue and state appropriations~~
28 ~~and distributions that are received or could be received by a taxing~~
29 ~~district as a result of legislative enactments after 1979 shall be~~
30 ~~included as reimbursement under this section. This subsection does not~~
31 ~~affect litigation pending on January 1, 1990.~~

32 ~~(3)) subdivision is fully reimbursed by specific appropriation by~~
33 ~~the state for the costs of the new programs or increases in service~~
34 ~~levels.~~

35 (2) If by order of any court, or legislative enactment, the costs
36 of a federal or ((taxing district)) local government program are
37 transferred to or from the state, the otherwise applicable state ((tax

1 revenue)) expenditure limit shall be increased or decreased, as the
2 case may be, by the dollar amount of the costs of the program.

3 ((+4)) (3) The legislature, in consultation with the office of
4 financial management or its successor agency, shall determine the costs
5 of any new programs or increased levels of service under existing
6 programs imposed on any ((~~taxing district~~)) political subdivision or
7 transferred to or from the state.

8 ((+5)) (4) Subsection (1) of this section does not apply to the
9 costs incurred for voting devices or machines under RCW 29.04.200.

10 **Sec. 6.** RCW 43.84.092 and 1992 c 235 s 4 are each amended to read
11 as follows:

12 (1) All earnings of investments of surplus balances in the state
13 treasury shall be deposited to the treasury income account, which
14 account is hereby established in the state treasury.

15 (2) Monthly, the state treasurer shall distribute the earnings
16 credited to the treasury income account. The state treasurer shall
17 credit the general fund with all the earnings credited to the treasury
18 income account except:

19 (a) The following accounts and funds shall receive their
20 proportionate share of earnings based upon each account's and fund's
21 average daily balance for the period: The capitol building
22 construction account, the Cedar River channel construction and
23 operation account, the Central Washington University capital projects
24 account, the charitable, educational, penal and reformatory
25 institutions account, the common school construction fund, the county
26 criminal justice assistance account, the county sales and use tax
27 equalization account, the data processing building construction
28 account, the deferred compensation administrative account, the deferred
29 compensation principal account, the department of retirement systems
30 expense account, the Eastern Washington University capital projects
31 account, the education construction fund, the emergency reserve fund,
32 the federal forest revolving account, the industrial insurance premium
33 refund account, the judges' retirement account, the judicial retirement
34 administrative account, the judicial retirement principal account, the
35 local leasehold excise tax account, the local sales and use tax
36 account, the medical aid account, the municipal criminal justice
37 assistance account, the municipal sales and use tax equalization
38 account, the natural resources deposit account, the perpetual

1 surveillance and maintenance account, the public employees' retirement
2 system plan I account, the public employees' retirement system plan II
3 account, the Puyallup tribal settlement account, the resource
4 management cost account, the site closure account, the special wildlife
5 account, the state employees' insurance account, the state employees'
6 insurance reserve account, the state investment board expense account,
7 the state investment board commingled trust fund accounts, the
8 supplemental pension account, the teachers' retirement system plan I
9 account, the teachers' retirement system plan II account, the
10 University of Washington bond retirement fund, the University of
11 Washington building account, the volunteer fire fighters' relief and
12 pension principal account, the volunteer fire fighters' relief and
13 pension administrative account, the Washington judicial retirement
14 system account, the Washington law enforcement officers' and fire
15 fighters' system plan I retirement account, the Washington law
16 enforcement officers' and fire fighters' system plan II retirement
17 account, the Washington state patrol retirement account, the Washington
18 State University building account, the Washington State University bond
19 retirement fund, and the Western Washington University capital projects
20 account. Earnings derived from investing balances of the agricultural
21 permanent fund, the normal school permanent fund, the permanent common
22 school fund, the scientific permanent fund, and the state university
23 permanent fund shall be allocated to their respective beneficiary
24 accounts. All earnings to be distributed under this subsection (2)(a)
25 shall first be reduced by the allocation to the state treasurer's
26 service fund pursuant to RCW 43.08.190.

27 (b) The following accounts and funds shall receive eighty percent
28 of their proportionate share of earnings based upon each account's or
29 fund's average daily balance for the period: The central Puget Sound
30 public transportation account, the city hardship assistance account,
31 the county arterial preservation account, the economic development
32 account, the essential rail assistance account, the essential rail
33 banking account, the ferry bond retirement fund, the grade crossing
34 protective fund, the high capacity transportation account, the highway
35 bond retirement fund, the highway construction stabilization account,
36 the highway safety account, the motor vehicle fund, the motorcycle
37 safety education account, the pilotage account, the public
38 transportation systems account, the Puget Sound capital construction
39 account, the Puget Sound ferry operations account, the recreational

1 vehicle account, the rural arterial trust account, the special category
2 C account, the state patrol highway account, the transfer relief
3 account, the transportation capital facilities account, the
4 transportation equipment fund, the transportation fund, the
5 transportation improvement account, and the urban arterial trust
6 account.

7 (3) In conformance with Article II, section 37 of the state
8 Constitution, no treasury accounts or funds shall be allocated earnings
9 without the specific affirmative directive of this section.

10 NEW SECTION. **Sec. 7.** A new section is added to chapter 43.88 RCW
11 to read as follows:

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

16 NEW SECTION. **Sec. 8.** No fee may increase in any fiscal year by a
17 percentage in excess of the fiscal growth factor for that fiscal year
18 without prior legislative approval.

19 NEW SECTION. **Sec. 9.** The following acts or parts of acts are each
20 repealed:

- 21 (1) RCW 43.88.520 and 1981 c 280 s 1;
- 22 (2) RCW 43.88.525 and 1991 sp.s. c 13 s 13, 1985 c 57 s 52, & 1981
23 c 280 s 2;
- 24 (3) RCW 43.88.530 and 1982 1st ex.s. c 36 s 2 & 1981 c 280 s 3;
- 25 (4) RCW 43.88.535 and 1982 1st ex.s. c 36 s 3 & 1981 c 280 s 4;
- 26 (5) RCW 43.88.540 and 1984 c 138 s 11 & 1981 c 280 s 5;
- 27 (6) RCW 43.135.020 and 1980 c 1 s 2;
- 28 (7) RCW 43.135.030 and 1980 c 1 s 3;
- 29 (8) RCW 43.135.040 and 1980 c 1 s 4;
- 30 (9) RCW 43.135.050 and 1980 c 1 s 5;
- 31 (10) RCW 43.135.070 and 1980 c 1 s 7;
- 32 (11) RCW 43.135.900 and 1980 c 1 s 8; and
- 33 (12) RCW 43.135.901 and 1980 c 1 s 9.

34 NEW SECTION. **Sec. 10.** This chapter may be known and cited as the
35 taxpayer protection act.

1 NEW SECTION. **Sec. 11.** Sections 2, 3, 4, 8, 9, and 10 of this act
2 are each added to chapter 43.135 RCW.

3 NEW SECTION. **Sec. 12.** If any provision of this act or its
4 application to any person or circumstance is held invalid, the
5 remainder of the act or the application of the provision to other
6 persons or circumstances is not affected.

7 NEW SECTION. **Sec. 13.** (1) After the effective date of this
8 section, the state may raise existing taxes, impose new taxes as
9 authorized by law, or make revenue-neutral tax shifts only with
10 approval of a majority of the voters at a November general election.
11 The requirement for a vote at a November general election is in
12 addition to any other requirements established by law.

13 (2) This section expires on July 1, 1995.

14 NEW SECTION. **Sec. 14.** (1) Sections 8 and 13 of this act are
15 necessary for the immediate preservation of the public peace, health,
16 or safety, or support of the state government and its existing public
17 institutions, and shall take effect immediately.

18 (2) Sections 1 through 7 and 9 through 12 of this act shall take
19 effect July 1, 1995.

Originally filed in Office of Secretary of State March 5, 1993.
Approved by the People of the State of Washington in the General
Election on November 2, 1993.