

AN ACT Relating to increasing the cigarette tax and liquor tax to restore cuts to health care and child care: amending sections; repealing sections; adding new sections; and providing an effective date.

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

PART I

Findings & Intent

NEW SECTION. **Sec. 101.** (1) The current financial crisis has resulted in significant cuts to critical health care and child care services. Since 2009, over 60,000 slots in the State's Basic Health Plan have been eliminated. Hours of in-home care services have been slashed to an average of 14% below what has been found to be medically-necessary, threatening to force thousands of vulnerable elderly and disabled Washingtonians into institutionalized nursing home care. Significant cuts have been imposed on mental health services and the working connections child care program.

(2) The people through this initiative intend to increase the tax on cigarettes and hard liquor to restore cuts made to health care and child care programs since June 30, 2009. The taxpayers' investment into these critical services will be protected by holding revenues in trust to be dedicated solely to restoring cuts made to health care and child care programs since June 30, 2009. Further fiscal accountability will be provided by audits, increased fraud detection, and by strictly limiting the percentage of funds that can be used for administrative expenses.

PART II

ESTABLISHING THE HEALTH CARE AND CHILD CARE TRUST ACCOUNT.

NEW SECTION. **Sec. 201** The people require that funding provided through this act be held in trust and devoted solely to restoring cuts made to health care and child care programs since June 30, 2009.

NEW SECTION. **Sec. 202** (1) The health care and child care trust account is hereby created in the custody of the state treasurer. Amounts held by the health care and child care trust account must be used solely to fund the costs of restore cuts made to health care and child care programs, as follows: 40% of revenue shall be devoted to restoring cuts made to the Basic Health Program since June 30, 2009; 40% of revenue shall be devoted to restoring cuts made since June 30, 2009 to long-term in-home care services; 10% of revenue shall be devoted to restoring cuts to mental health services made since June 30, 2009; and 10% of revenue shall be devoted to restoring cuts made to the working connections child care program since June 30, 2009.

(2) The treasurer shall take steps to account for additional revenue collected through the provisions of this act each month and shall transfer such amount to the health care and child care trust account by the 15th of the following month.

NEW SECTION. **Sec. 203.** The State is directed to use all funds raised by this act to restore cuts made to health care and child care made since June 30, 2009. No moneys shall be collected under this act beyond that amount which is necessary to restore such cuts.

PART III

PROTECTING TAXPAYERS BY REQUIRING ANNUAL INDEPENDENT AUDITS, INCREASING FRAUD INVESTIGATION, AND CAPPING ADMINISTRATIVE EXPENSES

NEW SECTION. **Sec. 301.** The state auditor shall provide for annual independent audits of the health care and child care trust and the implementation of this act and shall report on the results publicly and to the Legislature on an annual basis.

NEW SECTION. **Sec. 302.** The state shall spend at least ninety percent of the funding passing through the health care and child care trust account on direct care.

NEW SECTION. **Sec. 303.** Within ninety days of the effective date of this section, the State shall hire five additional fraud investigators to ensure that clients receiving health care or child care at taxpayers' expense are medically and financially qualified to receive such benefit and are actually receiving such benefit.

PART IV

RESTORING FUNDING FOR HEALTH CARE AND CHILD CARE BY INCREASING THE TAX ON CIGARETTES AND HARD LIQUOR.

NEW SECTION. **Sec. 401** A new section is added to chapter 82.24 RCW to read as follows:

Beginning February 1, 2012, in addition to other existing taxes, there is imposed an additional tax on cigarettes at the rate of one dollar per pack of cigarettes. All revenues collected during any month from this additional tax must be deposited in the long-term care trust account created in section 203 of this act by the twenty-fifth day of the following month, and used to restore cuts to long-term in-home care services.

NEW SECTION. **Sec. 402.** A new section is added to chapter 82.08 RCW to read as follows:

(1) Beginning February 1, 2012, in addition to other existing taxes, there is levied and shall be collected a tax upon each retail sale of hard liquor, as defined herein, in the original package at the rate of one dollar per liter. The tax imposed in this subsection shall apply to all such sales including sales by the Washington state liquor stores and agencies, but excluding sales to spirits, beer, and wine restaurant licensees.

(2) For the purposes of this tax, "hard liquor" means any beverage which contains alcohol exceeding twenty-four percent of alcohol by volume.

PART V

Miscellaneous

NEW SECTION. **Sec. 501** The provisions of this act are to be liberally construed to effectuate the intent, policies, and purposes of this act.

NEW SECTION. **Sec. 502** 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.

NEW SECTION. **Sec. 503** This act takes effect sixty days after the election date on which it is approved.