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INITIATIVE 276

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

REESTABLISHING VOTER-APPROVED INITIATIVE 601'S STATE TAXATION LIMITS

AN ACT Relating to ensuring greater governmental fiscal responsibility by reestablishing voter-approved Initiative 601's state taxation limits; amending RCW 43.135.035 and 43.135.055; amending 2002 c 33 s 3 (uncodified); creating new sections; providing an effective date; and declaring an emergency.

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

POLICIES AND PURPOSES

NEW SECTION. **Sec. 1.** State government faces a \$2 billion dollar deficit because of numerous loopholes put in voter-approved Initiative 601, the Taxpayer Protection Act, since 1993. If these loopholes had not been imposed and exploited over the past decade, state government would have adequate reserves to use during these tough economic times. Voters approved Initiative 601 to provide reasonable limits on spending and taxation for state government. This measure would protect

taxpayers by requiring three-fourths legislative approval for tax and fee increases beginning January 1, 2003.

**REESTABLISHING THE LIMITS ON TAX INCREASES
PROVIDED BY VOTER-APPROVED INITIATIVE 601**

Sec. 2. RCW 43.135.035 and 2002 c 33 s 1 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 may be taken only if approved by a two thirds vote of each house, 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. However, during the 2001-2003 biennium, 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 majority vote of each house, 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) 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 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 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) If the cost of any state program or function is shifted to the state 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, the state expenditure limit committee, acting pursuant to RCW 43.135.025(5), shall increase the state expenditure limit to reflect the shift.))~~ (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

three-fourths vote of each house, 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) For the purposes of this section, "raises state revenue" includes 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)(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 office of financial management 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?"

(4)(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 three-fourths 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.

(5) 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 office of financial management shall lower the state expenditure limit to reflect the shift.

**REESTABLISHING THE LIMITS ON FEE INCREASES
PROVIDED BY VOTER-APPROVED INITIATIVE 601**

Sec. 3. 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 by a percentage in excess of the fiscal growth factor for that fiscal year unless the increase is approved by a three-fourths 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.

Sec. 4. 2002 c 33 s 3 (uncodified) is amended to read as follows:
Section 1 of this act expires June 30, 2003.

CONSTRUCTION CLAUSE

NEW SECTION. **Sec. 5.** 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. 6.** 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.

EMERGENCY CLAUSE

NEW SECTION. **Sec. 7.** The provisions of this act are necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and take effect retroactively to January 1, 2003.

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