

INITIATIVE 752

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

1 AN ACT Relating to strengthening and protecting the state
2 expenditure limit; amending RCW 43.135.025, 43.135.051, and 43.135.060;
3 reenacting and amending RCW 43.135.035 and 43.135.045; adding new
4 sections to chapter 43.135 RCW; creating new sections; and repealing
5 RCW 43.135.055 and 43.135.080.

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

7 NEW SECTION. **Sec. 1.** (1) The people find that:

8 (a) The state expenditure limit established by Initiative Measure
9 No. 601, chapter 43.135 RCW, has been instrumental in bringing fiscal
10 responsibility and stability to the state's budget;

11 (b) Since the enactment of the state expenditure limit in 1993, the
12 state has made more efficient use of its tax resources while adequately
13 funding all essential state services and during this time has even
14 exceeded its paramount duty to provide a basic education for the
15 children of this state by providing significant enhancements for the
16 common schools;

17 (c) In recent years, however, the expenditure limit has been
18 weakened by the use of tax credits and other actions that allow for the
19 expenditure of state resources outside and above the limit; and

1 (d) There are a significant number of accounts and funds not
2 subject to the current expenditure limit that should appropriately be
3 included within an overall state expenditure limit.

4 (2) Therefore, it is the intent of the people to protect the
5 state's expenditure limit by reaffirming that state expenditure growth
6 should not exceed a fiscal growth factor that reflects the increase in
7 inflation and population. It is also the intent of the people to
8 strengthen the state expenditure limit by expanding it to appropriate
9 funds and accounts within the state treasury and by eliminating
10 opportunities to circumvent the intent of the expenditure limit.

11 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.135 RCW
12 to read as follows:

13 Unless the context clearly requires otherwise, the definitions in
14 this section apply throughout this chapter.

15 (1) "Change in population" means the percentage change in state
16 population as forecasted by the office of financial management.

17 (2) "Expenditure" has its ordinary meaning and also includes the
18 following:

19 (a) Any movement of money out of a limited account, unless the
20 transfer is to another limited account; and

21 (b) Any action or combination of actions taken by the legislature
22 after July 1, 2000, that has the effect of directly or indirectly
23 reducing revenues to a limited account, where such revenues would
24 otherwise be deposited into a limited account, and directly or
25 indirectly increasing financial support for a nonlimited state account
26 or a local government program, service, project, facility, or activity.

27 (3) "Fiscal growth factor" for a fiscal year means inflation plus
28 the change in population for that fiscal year.

29 (4) "Inflation" means the percentage change in the implicit price
30 deflator for personal consumption expenditures for the United States,
31 as forecasted in the official state economic and revenue forecast under
32 chapter 82.33 RCW.

33 (5) "Limited account" means all accounts or funds that are subject
34 to the allotment procedures under chapter 43.88 RCW, except:

35 (a) Debt service funds or accounts that accumulate resources solely
36 for the payment of general, long-term debt principal and interest;

1 (b) Capital project funds or accounts that account solely for the
2 receipt and disbursement of resources used for the acquisition,
3 construction, or improvement of major capital facilities;

4 (c) Enterprise funds or accounts that account solely for state
5 operations that are financed and operated in a manner similar to
6 private business enterprises where the state's intent is that the cost
7 of providing goods and services to the general public on a continuing
8 basis be financed or recovered primarily through use charges;

9 (d) Internal service funds that account solely for state activities
10 that provide goods and services to other governmental departments or
11 agencies on a cost-reimbursement basis;

12 (e) Expendable trust funds or accounts that account solely for
13 assets held by the state in a trustee capacity where the principal and
14 interest may be expended in the course of the funds' designated
15 operations;

16 (f) Nonexpendable trust funds or accounts that account solely for
17 assets held by the state in a trustee capacity where only the interest
18 income derived from the trust principal may be expended for the funds'
19 designated operations and the funds' or accounts' principal is
20 preserved intact;

21 (g) Pension and investment trust funds or accounts that account
22 solely for transactions, assets, liabilities, and net assets available
23 for plan benefits of the various state public employee retirement
24 systems and local government pooled investment activities;

25 (h) Agency funds or accounts that account solely for the receipt
26 and disbursement of a tax, fee, deposit, deduction, or other property
27 collected by the state, acting in the capacity of an agent, for
28 distribution to other governmental units or organizations;

29 (i) Any fund or account that accounts solely for the receipt and
30 disbursement of moneys that have been dedicated for specific purposes
31 by the state Constitution; and

32 (j) Any fund or account that accounts solely for the receipt and
33 disbursement of moneys for revolving loans to local governments for
34 major infrastructure projects.

35 (6) "Raises revenue" means a new tax or fee, the expansion in the
36 base of any tax or fee, a monetary increase in an existing tax or fee,
37 an increase in the rate of a tax or fee, an expansion in the legal
38 definition of a tax or fee base, the removal of all or part of any

1 exemption or deduction from any tax or fee, or an extension of an
2 expiring tax or fee.

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

5 (1) The state shall not expend from ~~((the general fund))~~ a limited
6 account during any fiscal year state moneys in excess of the state
7 expenditure limit for that account as established under this chapter.

8 (2) Except pursuant to a declaration of emergency under RCW
9 43.135.035 or pursuant to an appropriation under RCW
10 43.135.045~~((+4)(b))~~, the state treasurer shall not issue or redeem any
11 check, warrant, or voucher that will result in a state ~~((general fund))~~
12 expenditure from a limited account for any fiscal year in excess of the
13 state expenditure limit established for that account under this
14 chapter. A violation of this subsection constitutes a violation of RCW
15 43.88.290 and shall subject the state treasurer to the penalties
16 provided in RCW 43.88.300.

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

21 (4) For purposes of computing the state expenditure limit for a
22 limited account for the fiscal year beginning July 1, ~~((1995))~~ 2002,
23 the phrase "the previous fiscal year's state expenditure limit" means
24 the total state expenditures from ~~((the state general fund, not~~
25 ~~including federal funds,))~~ that limited account, not including federal
26 funds, for the fiscal year beginning July 1, ~~((1989))~~ 2001, plus the
27 fiscal growth factor. ~~((This calculation is then computed for the~~
28 ~~state expenditure limit for fiscal years 1992, 1993, 1994, and 1995,~~
29 ~~and as required under RCW 43.135.035(4).))~~

30 (5) A state expenditure limit committee is established for the
31 purpose of determining and adjusting the state expenditure limit for
32 each limited account as provided in this chapter. The members of the
33 state expenditure limit committee are the director of financial
34 management, the attorney general or the attorney general's designee,
35 and the chairs and ranking minority members of the senate committee on
36 ways and means and the house of representatives committee on
37 appropriations. ~~((All actions of the state expenditure limit committee~~
38 ~~taken pursuant to this chapter require an affirmative vote of at least~~

1 ~~three members.))~~ Adjustments to the expenditure limit for a limited
2 account, other than the adjustment for the fiscal growth factor, may
3 only be made by a two-thirds vote of the members of the state
4 expenditure limit committee.

5 (6) Each November, the state expenditure limit committee shall
6 adjust the state expenditure limit for each limited account for the
7 preceding fiscal year based on actual expenditures and known changes in
8 the fiscal growth factor ~~((and then project an)),~~ calculate state
9 expenditure limits for the next ((two)) fiscal year((s)), and project
10 state expenditure limits for the following fiscal year. If, by
11 November 30th, the state expenditure limit committee has not adopted
12 the state expenditure limit adjustments ~~((and projected expenditure~~
13 ~~limit))~~ as provided in subsection (5) of this section, the attorney
14 general or his or her designee shall adjust ~~((or project))~~ the
15 expenditure limits, as necessary.

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

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

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

25 NEW SECTION. Sec. 4. A new section is added to chapter 43.135 RCW
26 to read as follows:

27 (1) If the cost of a federal, state, or local government program,
28 service, project, facility, or activity is transferred to or from a
29 limited account on or after July 1, 2000, the state expenditure limit
30 committee shall increase or decrease, as the case may be, the
31 expenditure limit for that limited account to reflect the transfer.
32 The legislature, in consultation with the office of financial
33 management or its successor agency, shall determine the costs of the
34 federal, state, or local government program, service, project,
35 facility, or activity transferred under this subsection.

36 (2)(a) If moneys are moved from a limited account to another
37 limited account, the state expenditure limit committee shall decrease
38 the expenditure limit for the limited account from which the money is

1 moved and shall increase the expenditure limit for the limited account
2 into which the money is moved to reflect the movement of the moneys.

3 (b) If moneys are moved from a nonlimited account to a limited
4 account, the state expenditure limit committee shall increase the
5 expenditure limit for the limited account into which the money is moved
6 to reflect the movement of the moneys.

7 (3)(a) If any action or combination of actions taken by the
8 legislature after July 1, 2000, has the effect of directly or
9 indirectly reducing a particular revenue source to a nonlimited
10 account, where such revenue source would otherwise be deposited into
11 that nonlimited account, and directly or indirectly increasing revenues
12 from that particular revenue source for a limited account, the state
13 expenditure limit committee shall increase the expenditure limit for
14 the affected limited account to reflect the increase from the
15 particular revenue source.

16 (b) If any action or combination of actions taken by the
17 legislature after July 1, 2000, has the effect of directly or
18 indirectly reducing revenues from a particular source to a limited
19 account, where such revenue source would otherwise be deposited into
20 that limited account, and directly or indirectly increasing revenues
21 from that particular source for another limited account, the state
22 expenditure limit committee shall decrease the expenditure limit for
23 the limited account from which the particular revenue source is taken
24 and increase the expenditure limit for the limited account into which
25 the particular revenue source is directed.

26 **Sec. 5.** RCW 43.135.035 and 2001 c 3 s 8 (Initiative Measure No.
27 728) and 2000 2nd sp.s. c 2 s 2 are each reenacted and amended to read
28 as follows:

29 (1) After July 1, ~~((1995))~~ 2002, any action or combination of
30 actions ~~((by the legislature))~~ that raises ~~((state))~~ revenue ~~((or~~
31 ~~requires revenue neutral tax shifts))~~ for a limited account may be
32 taken only if approved by a two-thirds vote of each house of the
33 legislature, and then only if state expenditures in any fiscal year,
34 including the ~~((new))~~ revenue resulting from the legislative action
35 taken under this subsection, will not exceed the state expenditure
36 limit~~((s))~~ established under this chapter for that limited account.

37 (2)(a) If the legislative action under subsection (1) of this
38 section will result in expenditures in excess of the state expenditure

1 limit for a limited account, then the action of the legislature shall
2 not take effect until approved by a vote of the people at a November
3 general election. The ~~((office of financial management))~~ state
4 expenditure limit committee shall adjust the state expenditure limit
5 for that limited account by the amount of additional revenue approved
6 by the voters under this section. This adjustment shall not exceed the
7 amount of revenue generated by the legislative action during the first
8 full fiscal year in which it is in effect. The state expenditure limit
9 for that limited account shall be adjusted downward upon expiration or
10 repeal of the legislative action.

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

13 "Shall taxes or fees be imposed on in order to allow
14 a spending increase above ~~((last year's authorized spending adjusted~~
15 ~~for inflation and population increases))~~ the currently authorized state
16 expenditure limit for the account?"

17 (3)(a) The state expenditure limit for any limited account may be
18 exceeded upon declaration of an emergency for a period not to exceed
19 twenty-four months by a law approved by a two-thirds vote of each house
20 of the legislature and signed by the governor. The law shall set forth
21 the nature of the emergency, which is limited to natural disasters that
22 require immediate government action to alleviate human suffering and
23 provide humanitarian assistance. The state expenditure limit for any
24 limited account may be exceeded for no more than twenty-four months
25 following the declaration of the emergency and only for the purposes
26 contained in the emergency declaration.

27 (b) Additional taxes or fees required for an emergency under this
28 section may be imposed only until thirty days following the next
29 general election, unless an extension is approved at that general
30 election. The additional taxes shall expire upon expiration of the
31 declaration of emergency. The legislature shall not impose additional
32 taxes or fees for emergency purposes under this subsection unless funds
33 in the education construction fund and the higher education capital
34 construction fund have been exhausted.

35 (c) The state or any political subdivision of the state shall not
36 impose any tax or fee on intangible property listed in RCW 84.36.070 as
37 that statute exists on January 1, ~~((1993))~~ 2000.

1 ~~((4) If the cost of any state program or function is shifted from~~
2 ~~the state general fund on or after January 1, 1993, to another source~~
3 ~~of funding, or if moneys are transferred from the state general fund to~~
4 ~~another fund or account, the state expenditure limit committee, acting~~
5 ~~pursuant to RCW 43.135.025(5), shall lower the state expenditure limit~~
6 ~~to reflect the shift. For the purposes of this section, a transfer of~~
7 ~~money from the state general fund to another fund or account includes~~
8 ~~any state legislative action taken after July 1, 2000, that has the~~
9 ~~effect of reducing revenues from a particular source, where such~~
10 ~~revenues would otherwise be deposited into the state general fund,~~
11 ~~while increasing the revenues from that particular source to another~~
12 ~~state or local government account.~~

13 ~~(5) If the cost of any state program or function is shifted to the~~
14 ~~state general fund on or after January 1, 2000, from another source of~~
15 ~~funding, or if moneys are transferred to the state general fund from~~
16 ~~another fund or account, the state expenditure limit committee, acting~~
17 ~~pursuant to RCW 43.135.025(5), shall increase the state expenditure~~
18 ~~limit to reflect the shift. This subsection does not apply to the~~
19 ~~dedication or use of lottery revenues under RCW 67.70.240(3) or~~
20 ~~property taxes under RCW 84.52.068, in support of education or~~
21 ~~education expenditures.))~~

22 **Sec. 6.** RCW 43.135.045 and 2001 c 3 s 9 (Initiative Measure No.
23 728), 2000 2nd sp.s. c 5 s 1, and 2000 2nd sp.s. c 2 s 3 are each
24 reenacted and amended to read as follows:

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

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

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

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

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

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

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

36 (6) ~~Earnings of the emergency reserve fund under RCW~~
37 ~~43.84.092(4)(a) shall be transferred quarterly to the multimodal~~
38 ~~transportation account, except for those earnings that are in excess of~~
39 ~~thirty five million dollars each fiscal year. Within thirty days~~

1 following any fiscal year in which earnings transferred to the
2 multimodal transportation account under this subsection did not total
3 thirty-five million dollars, the state treasurer shall transfer from
4 the emergency reserve fund an amount necessary to bring the total
5 deposited in the multimodal transportation account under this
6 subsection to thirty-five million dollars. The revenues to the
7 multimodal transportation account reflected in this subsection provide
8 ongoing support for the transportation programs of the state. However,
9 it is the intent of the legislature that any new long-term financial
10 support that may be subsequently provided for transportation programs
11 will be used to replace and supplant the revenues reflected in this
12 subsection, thereby allowing those revenues to be returned to the
13 purposes to which they were previously dedicated.)) (1) The emergency
14 reserve fund is established in the state treasury.

15 (2)(a) On July 1st of each year, the state treasurer shall transfer
16 to the emergency reserve fund any unobligated limited account balance.
17 The treasurer shall make transfers between these accounts as necessary
18 to reconcile actual annual revenues and the expenditure limits for
19 fiscal year 2003 and thereafter.

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

25 (c) The emergency reserve fund balance shall not exceed five
26 percent of biennial state expenditures from all limited accounts. Any
27 balance in excess of five percent shall be transferred by the state
28 treasurer in the following manner:

29 (i) Fifty percent shall be transferred to the education
30 construction fund hereby established in the state treasury. However,
31 the transfer made under this subsection shall not exceed two hundred
32 fifty million dollars in any fiscal year. Unless otherwise provided
33 for by law, moneys transferred into the education construction fund may
34 be appropriated exclusively for common school construction.

35 (ii) Twenty-five percent shall be transferred to the higher
36 education capital construction fund hereby created in the state
37 treasury. However, the transfer made under this subsection shall not
38 exceed two hundred fifty million dollars in any fiscal year. Unless
39 otherwise provided for by law, moneys transferred into the higher

1 education capital construction fund may be appropriated exclusively for
2 higher education construction.

3 (iii) Any remaining balance shall be transferred to the congestion
4 relief fund hereby created in the state treasury. Unless otherwise
5 provided for by law, moneys transferred into the congestion relief fund
6 may be appropriated exclusively for new highway and road construction,
7 preservation and maintenance, and freight mobility projects.

8 (3)(a) Moneys transferred to the education construction fund, the
9 higher education capital construction fund, or the congestion relief
10 fund under subsection (2)(c) of this section may be appropriated for
11 any other purpose only if approved by a two-thirds vote of each house
12 of the legislature and if approved by a vote of the people at the next
13 general election.

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

16 "Shall the amount of be diverted from the
17 (insert the name of the fund or funds affected) and appropriated for
18 the purposes of?"

19 **Sec. 7.** RCW 43.135.051 and 1999 c 288 s 1 are each amended to read
20 as follows:

21 (1) The state investment board has the full power to invest,
22 reinvest, manage, contract, sell, or exchange investment moneys in the
23 emergency reserve fund. All investment and operating costs associated
24 with the investment of money shall be paid pursuant to RCW 43.33A.160
25 and 43.84.160. With the exception of these expenses, the earnings from
26 the investment of the money shall be (~~retained by the fund~~) deposited
27 into the transportation fund.

28 (2) All investments made by the state investment board shall be
29 made with the exercise of that degree of judgment and care pursuant to
30 RCW 43.33A.140 and the investment policies established by the state
31 investment board.

32 (3) As deemed appropriate by the state investment board, moneys in
33 the fund may be commingled for investment with other funds subject to
34 investment by the board.

35 **Sec. 8.** RCW 43.135.060 and 1998 c 321 s 15 are each amended to
36 read as follows:

1 (1) After July 1, 1995, the legislature shall not impose
2 responsibility for new programs or increased levels of service under
3 existing programs on any political subdivision of the state unless the
4 subdivision is fully reimbursed by the state for the costs of the new
5 programs or increases in service levels. Reimbursement by the state
6 may be made by: (a) A specific appropriation; or (b) increases in
7 state distributions of revenue to political subdivisions occurring
8 after January 1, 1998. This subsection does not apply to the costs
9 incurred for voting devices or machines under RCW 29.04.200.

10 ~~(2) ((If by order of any court, or legislative enactment, the costs~~
11 ~~of a federal or local government program are transferred to or from the~~
12 ~~state, the otherwise applicable state expenditure limit shall be~~
13 ~~increased or decreased, as the case may be, by the dollar amount of the~~
14 ~~costs of the program.~~

15 ~~(3))~~ The legislature, in consultation with the office of financial
16 management or its successor agency, shall determine the costs of any
17 new programs or increased levels of service under existing programs
18 imposed on any political subdivision ~~((or transferred to or from the~~
19 ~~state.~~

20 ~~(4) Subsection (1) of this section does not apply to the costs~~
21 ~~incurred for voting devices or machines under RCW 29.04.200))~~ under
22 subsection (1) of this section.

23 NEW SECTION. Sec. 9. The following acts or parts of acts are each
24 repealed:

25 (1) RCW 43.135.055 (Fee increase restriction--Exception) and 1997
26 c 303 s 2 & 1994 c 2 s 8; and

27 (2) RCW 43.135.080 (Reenactment and reaffirmation of Initiative
28 Measure No. 601--Continued limitations--Exceptions) and 1998 c 321 s
29 14.

30 NEW SECTION. Sec. 10. If any provision of this act or its
31 application to any person or circumstance is held invalid, the
32 remainder of the act or the application of the provision to other
33 persons or circumstances is not affected.

1 NEW SECTION. **Sec. 11.** This act applies to the calculation of
2 state expenditure limits for the fiscal year ending June 30, 2003, and
3 thereafter.

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