

FORMATTING NOTE:

In initiatives, legislative bills and other proposed measures, language that is to be deleted from current statutes is represented by a "strikethrough" character and language that is to be added is underlined. Because these special characters cannot be formatted in all Internet browsers, a different set of symbols is used for presenting these proposals on-line. The symbols are as follows:

- Text that is surrounded by (~~- text here -~~) is text that will be DELETED FROM the existing statute if the proposed measure is approved.
- Text that is surrounded by {+ text here +} is text that will be ADDED TO the existing statute if the proposed measure is approved.
- {+ NEW SECTION+} (found at the beginning of a section or paragraph) indicates that ALL of the text in that section will become law if the proposed measure is approved.

* * *

INITIATIVE 222

AN ACT Relating to revenue and taxation; amending RCW 43.84.092; adding new sections to chapter 43.135 RCW; repealing RCW 43.135.010, 43.135.025, 43.135.035, 43.135.045, 43.135.055, 43.135.060, 43.135.080, 43.135.902, 43.135.903, 43.135.904, and 43.88.033; and providing an effective date.

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

{+ NEW SECTION. +} Sec. 1. (1) The people of the state of Washington hereby find and declare:

(a) The continuing increases in our state tax burden upon those least able to bear them is contrary to the interest of the people of the state of Washington.

(b) It is necessary to limit the rate of growth of state tax revenue while assuring adequate funding of essential services, including basic education as defined by the legislature and a growing number of underfunded services for children and young adults.

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

(a) Establish a limit which will assure that the growth rate of state tax revenue does not exceed the growth rate of state personal income;

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

(c) Assure that the state does not impose, on any taxing district, responsibility for new programs or increased levels of service under existing programs unless the costs thereof are paid by the state;

(d) Provide for adjustment of the limit when costs of a program are transferred between the state and another political entity; and

(e) Establish a procedure for exceeding this limit in emergency situations.

{+ NEW SECTION. +} Sec. 2. As used in this chapter, the following terms have the meanings indicated unless the context requires otherwise:

(1) "State tax revenue" means all state moneys received in the treasury from every source except those revenues excluded from the term general state revenues by Article VIII, section (1)(c) of the state

Constitution and funds raised through the state property tax levied for the support of the common schools under RCW 84.52.065.

(2) "State personal income" means the dollar amount published as total personal income of persons of the state for the calendar year by the United States department of commerce or its successor agency.

(3) "State tax revenue limit" or "limit" means the state tax revenue limit created by this chapter.

(4) "Taxing district" means those districts included within the term taxing district under RCW 84.04.120.

(5) "State personal income ratio," for any calendar year, means the quotient formed by dividing (a) state personal income for the calendar year under consideration by (b) the state personal income for the immediately preceding calendar year.

{+ NEW SECTION. +} Sec. 3. (1) The state tax revenue limit for any fiscal year shall be the previous fiscal year's state tax revenue limit multiplied by the average state personal income ratio for the three calendar years immediately preceding the beginning of the fiscal year for which the limit is being computed.

(2) For purposes of computing the state tax revenue limit for the fiscal year beginning July 1, 2001, the phrase "the previous fiscal year's state tax revenue limit" means the state tax revenue collected in the fiscal year beginning July 1, 1999, multiplied by the average state personal income ratio for the calendar years 1997, 1998, and 1999.

{+ NEW SECTION. +} Sec. 4. Except as provided in section 5 of this act, taxes, fees, and charges on persons, property, and activities shall be imposed, levied, or set by the legislature in such a manner that the estimated state tax revenue for each fiscal year of the next biennium will not exceed the state tax revenue limit for that fiscal year: PROVIDED, That the legislature may at any time adjust such taxes, fees, and charges for the second fiscal year of the biennium.

{+ NEW SECTION. +} Sec. 5. (1) The state tax revenue limit for any fiscal year may be exceeded in order to meet an emergency as declared by the legislature by a three-fifths vote of each house. The legislature, by a three-fifths vote of each house, shall set forth the circumstances constituting the emergency and the amount of state tax revenue in excess of the applicable state tax revenue limit necessary to meet the emergency.

(2) Any amount of state tax revenue authorized by subsection (1) of this section in excess of the state tax revenue limit shall be authorized only for the fiscal year in which the vote is taken and/or the next succeeding fiscal year, as directed by the legislature.

(3) Except where the emergency results from a court order, the amount of state tax revenue authorized under subsection (1) of this section in excess of the limit shall not be used in the revenue base used to compute the state tax revenue limit for subsequent years.

{+ NEW SECTION. +} Sec. 6. (1) The legislature shall not impose responsibility for new programs or increased levels of service under existing programs on any taxing district unless the districts are reimbursed for the costs thereof by the state.

(2) That proportion of state tax revenue which consists of direct state appropriations to taxing districts taken as a group shall not be decreased below that proportion appropriated in the biennium

immediately preceding the effective date of this section: PROVIDED, That this proportion shall be decreased in any fiscal year only if: (a) The legislature decreases the state tax revenue limit for that fiscal year by an amount equal to the dollar amount of any decrease in direct state appropriations to taxing districts taken as a whole; or (b) the state tax revenue limit has been increased under section 5(3) of this act or subsection (3) of this section and the decrease of the proportion is commensurate with the increase in the state tax revenue limit.

(3) If by order of any court, or legislative enactment, the costs of a federal or taxing district program are transferred to or from the state, the otherwise applicable state tax revenue limit shall be increased or decreased, as the case may be, by the dollar amount of the costs of the program.

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

{+ NEW SECTION. +} Sec. 7. The legislature shall, prior to any other appropriation, provide for the payment of the principal and interest of the indebtedness of the state. State tax revenue collected in any fiscal year in excess of the state tax revenue limit for that fiscal year shall be included as part of the state tax revenue for the succeeding fiscal year.

Sec. 8. RCW 43.84.092 and 1998 c 341 s 708 are each amended to read as follows:

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

(2) The treasury income account shall be utilized to pay or receive funds associated with federal programs as required by the federal cash management improvement act of 1990. The treasury income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for refunds or allocations of interest earnings required by the cash management improvement act. Refunds of interest to the federal treasury required under the cash management improvement act fall under RCW 43.88.180 and shall not require appropriation. The office of financial management shall determine the amounts due to or from the federal government pursuant to the cash management improvement act. The office of financial management may direct transfers of funds between accounts as deemed necessary to implement the provisions of the cash management improvement act, and this subsection. Refunds or allocations shall occur prior to the distributions of earnings set forth in subsection (4) of this section.

(3) Except for the provisions of RCW 43.84.160, the treasury income account may be utilized for the payment of purchased banking services on behalf of treasury funds including, but not limited to, depository, safekeeping, and disbursement functions for the state treasury and affected state agencies. The treasury income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for payments to financial institutions. Payments shall occur prior to distribution of earnings set forth in subsection (4) of this section.

(4) Monthly, the state treasurer shall distribute the earnings credited to the treasury income account. The state treasurer shall credit the general fund with all the earnings credited to the treasury

income account except:

(a) The following accounts and funds shall receive their proportionate share of earnings based upon each account's and fund's average daily balance for the period: The capitol building construction account, the Cedar River channel construction and operation account, the Central Washington University capital projects account, the charitable, educational, penal and reformatory institutions account, the common school construction fund, the county criminal justice assistance account, the county sales and use tax equalization account, the data processing building construction account, the deferred compensation administrative account, the deferred compensation principal account, the department of retirement systems expense account, the drinking water assistance account, the Eastern Washington University capital projects account, (({- the education construction fund, the emergency reserve fund, -})) the federal forest revolving account, the health services account, the public health services account, the health system capacity account, the personal health services account, the highway infrastructure account, the industrial insurance premium refund account, the judges' retirement account, the judicial retirement administrative account, the judicial retirement principal account, the local leasehold excise tax account, the local real estate excise tax account, the local sales and use tax account, the medical aid account, the mobile home park relocation fund, the municipal criminal justice assistance account, the municipal sales and use tax equalization account, the natural resources deposit account, the perpetual surveillance and maintenance account, the public employees' retirement system plan 1 account, the public employees' retirement system plan 2 account, the Puyallup tribal settlement account, the resource management cost account, the site closure account, the special wildlife account, the state employees' insurance account, the state employees' insurance reserve account, the state investment board expense account, the state investment board commingled trust fund accounts, the supplemental pension account, the teachers' retirement system plan 1 account, the teachers' retirement system combined plan 2 and plan 3 account, the transportation infrastructure account, the tuition recovery trust fund, the University of Washington bond retirement fund, the University of Washington building account, the volunteer fire fighters' relief and pension principal account, the volunteer fire fighters' relief and pension administrative account, the Washington judicial retirement system account, the Washington law enforcement officers' and fire fighters' system plan 1 retirement account, the Washington law enforcement officers' and fire fighters' system plan 2 retirement account, the Washington school employees' retirement system combined plan 2 and 3 account, the Washington state patrol retirement account, the Washington State University building account, the Washington State University bond retirement fund, the water pollution control revolving fund, and the Western Washington University capital projects account. Earnings derived from investing balances of the agricultural permanent fund, the normal school permanent fund, the permanent common school fund, the scientific permanent fund, and the state university permanent fund shall be allocated to their respective beneficiary accounts. All earnings to be distributed under this subsection (4)(a) shall first be reduced by the allocation to the state treasurer's service fund pursuant to RCW 43.08.190.

(b) The following accounts and funds shall receive eighty percent of their proportionate share of earnings based upon each account's or

fund's average daily balance for the period: The aeronautics account, the aircraft search and rescue account, the central Puget Sound public transportation account, the city hardship assistance account, the county arterial preservation account, the department of licensing services account, the economic development account, the essential rail assistance account, the essential rail banking account, the ferry bond retirement fund, the gasohol exemption holding account, the grade crossing protective fund, the high capacity transportation account, the highway bond retirement fund, the highway construction stabilization account, the highway safety account, the marine operating fund, the motor vehicle fund, the motorcycle safety education account, the pilotage account, the public transportation systems account, the Puget Sound capital construction account, the Puget Sound ferry operations account, the recreational vehicle account, the rural arterial trust account, the safety and education account, the small city account, the special category C account, the state patrol highway account, the transfer relief account, the transportation capital facilities account, the transportation equipment fund, the transportation fund, the transportation improvement account, the transportation revolving loan account, and the urban arterial trust account.

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

{+ NEW SECTION. +} Sec. 9. The following acts or parts of acts are each repealed:

(1) RCW 43.135.010 (Findings--Intent) and 1994 c 2 s 1 & 1980 c 1 s 1;

(2) RCW 43.135.025 (General fund expenditure limit--Computation--Annual limit adjustment--Definitions--Emergency exception--State treasurer duty, penalty) and 1994 c 2 s 2;

(3) RCW 43.135.035 (Tax legislation--Conditions and restrictions--Ballot title--Declarations of emergency--Taxes on intangible property--Expenditure limit to reflect program cost shifting or fund transfer) and 1994 c 2 s 4;

(4) RCW 43.135.045 (Emergency reserve fund--Excess balance to education construction fund--Appropriation conditions) and 1994 c 2 s 3;

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

(6) RCW 43.135.060 (Prohibition of new or extended programs without full reimbursement--Transfer of programs--Determination of costs) and 1998 c 321 s 15 (Referendum Bill No. 49), 1994 c 2 s 5, 1990 2nd ex.s. c 1 s 601, 1990 c 184 s 2, & 1980 c 1 s 6;

(7) RCW 43.135.080 (Reenactment and reaffirmation of Initiative Measure No. 601--Continued limitations--Exceptions) and 1998 c 321 s 14 (Referendum Bill No. 49);

(8) RCW 43.135.902 (Short title--1994 c 2) and 1994 c 2 s 10;

(9) RCW 43.135.903 (Severability--1994 c 2) and 1994 c 2 s 12;

(10) RCW 43.135.904 (Effective dates--1994 c 2) and 1994 c 2 s 14; and

(11) RCW 43.88.033 (State expenditure limit--Budget document to reflect) and 1994 c 2 s 7.

{+ NEW SECTION. +} Sec. 10. This chapter may be known and cited as the Taxpayer and Children's Protection Act.

{+ NEW SECTION. +} Sec. 11. 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. 12. Sections 1 through 7 and 10 of this act are each added to chapter 43.135 RCW.

{+ NEW SECTION. +} Sec. 13. This act takes effect January 1, 2001: PROVIDED, That the first fiscal year for which the state tax revenue limit shall be in effect is the fiscal year beginning on July 1, 2001.

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