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# Limitations on State Debt and Revenue Legislation

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**Prepared by Senate Ways & Means Committee Staff**

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# Tax Legislation (Initiative 960)

- 2/3 vote required for any legislation that raises taxes.
  - “Raises taxes” means increasing state tax revenue to any fund or account, not just the General Fund.
  - Bills that are referred to the voters appear to be exempt from the 2/3 requirement.
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# Tax Legislation (cont.)

- Bills raising taxes are subject to an “advisory ballot” if not otherwise submitted to the voters as a referendum.
  - Local taxes are not affected by Initiative 960.
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# Fee Legislation

- State agencies cannot impose or increase a fee without prior legislative approval.
  - Fee increases do not require a 2/3 vote, or referral to the voters.
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# Taxes vs. Fees

- Taxes are general charges imposed broadly with the primary purpose to raise revenue.
  - Fees have a nexus between the charge and the activity or service received (user fees, regulatory fees, etc.)
  - Some governmental charges are neither taxes nor fees (penalties, fines, commercial or proprietary charges, etc.).
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# Limits on State Debt

- State Constitution limits state debt service payments to 9 percent of general state revenues (averaged over 3 years). (Art. 8, sec. 1)
  - Statutes limit debt payments to 7 percent of general state revenues. (RCW 39.42.060)
  - “General state revenues” is defined as tax revenue that is not dedicated to a particular purpose (generally, the State General Fund minus property tax revenues). (Art. 8, sec. 1(c))
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# Issuing State Bonds

- State Constitution requires 60 percent vote of the Legislature to issue bonds. (Art. 8, sec. 1)
  - Voter-approved bonds are exempt from Constitutional debt limit and 60-percent vote requirement. (Art. 8, sec. 3)
  - Voter-approved bonds are not exempt from statutory debt limit. (RCW 39.42.060)
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