

CHAPTER 2

[Initiative 601]

STATE EXPENDITURE AND TAXATION LIMITS

AN ACT Relating to greater governmental fiscal responsibility through limitations on expenditures and taxation; amending RCW 43.135.010, 43.135.060, and 43.84.092; adding new sections to chapter 43.135 RCW; adding a new section to chapter 43.88 RCW; creating a new section; repealing RCW 43.88.520, 43.88.525, 43.88.530, 43.88.535, 43.88.540, 43.135.020, 43.135.030, 43.135.040, 43.135.050, 43.135.070, 43.135.900, and 43.135.901; providing an effective date; and declaring an emergency.

Be it enacted by the People of the State of Washington:

Sec. 1. RCW 43.135.010 and 1980 c 1 s 1 are each amended to read as follows:

The people of the state of Washington hereby find and declare:

(1) The continuing increases in our state tax burden and the corresponding growth of state government is contrary to the interest of the people of the state of Washington.

(2) It is necessary to limit the rate of growth of state government while assuring adequate funding of essential services, including basic education as defined by the legislature.

(3) The current budgetary system in the state of Washington lacks stability. The system encourages crisis budgeting and results in cutbacks during lean years and overspending during surplus years.

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

(a) Establish a limit ~~((which))~~ on state expenditures that will assure that the growth rate of state ~~((tax revenue))~~ expenditures does not exceed the growth rate of inflation and state ~~((personal income))~~ population;

(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 on local governments 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;

(f) Provide for voter approval of tax increases; and

(g) Avoid overfunding and underfunding state programs by providing stability, consistency, and long-range planning.

NEW SECTION. Sec. 2. (1) The state shall not expend from the general fund during any fiscal year state moneys in excess of the state expenditure limit established under this chapter.

(2) Except pursuant to a declaration of emergency under section 4 of this act or pursuant to an appropriation under section 3(4)(b) of this act, the state treasurer shall not issue or redeem any check, warrant, or voucher that will result in a state general fund expenditure for any fiscal year in excess of the state

expenditure limit established under this chapter. A violation of this subsection constitutes a violation of RCW 43.88.290 and shall subject the state treasurer to the penalties provided in RCW 43.88.300.

(3) The state expenditure limit for any fiscal year shall be the previous fiscal year's state expenditure limit increased by a percentage rate that equals the fiscal growth factor.

(4) For purposes of computing the state expenditure limit for the fiscal year beginning July 1, 1995, the phrase "the previous fiscal year's state expenditure limit" means the total state expenditures from the state general fund, not including federal funds, for the fiscal year beginning July 1, 1989, plus the fiscal growth factor. This calculation is then computed for the state expenditure limit for fiscal years 1992, 1993, 1994, and 1995, and as required under section 4(4) of this act.

(5) Each November, the office of financial management shall adjust the expenditure limit for the preceding fiscal year based on actual expenditures and known changes in the fiscal growth factor and then project an expenditure limit for the next two fiscal years. The office of financial management shall notify the legislative fiscal committees of all adjustments to the state expenditure limit and projections of future expenditure limits.

(6) "Fiscal growth factor" means the average of the sum of inflation and population change for each of the prior three fiscal years.

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

(8) "Population change" means the percentage change in state population for each fiscal year as reported by the office of financial management.

NEW SECTION. Sec. 3. (1) The emergency reserve fund is established in the state treasury. During each fiscal year, the state treasurer shall deposit in the emergency reserve fund all general fund—state revenues in excess of the state expenditure limit for that fiscal year. Deposits shall be made at the end of each fiscal quarter based on projections of state revenues and the state expenditure limit.

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

(3) The emergency reserve fund balance shall not exceed five percent of biennial general fund—state revenues as projected by the official state revenue forecast. Any balance in excess of five percent shall be transferred on a quarterly basis by the state treasurer to the education construction fund hereby created in the treasury.

(4)(a) Funds may be appropriated from the education construction fund exclusively for common school construction or higher education construction.

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

NEW SECTION. Sec. 4. (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.

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

Sec. 5. RCW 43.135.060 and 1990 2nd ex.s. c 1 s 601 are each amended to read as follows:

(1) After July 1, 1995, the legislature shall not impose responsibility for new programs or increased levels of service under existing programs on any ~~((taxing district))~~ political subdivision of the state unless the ~~((districts are reimbursed for the costs thereof by the state.~~

~~(2) The amount of increased local revenue and state appropriations and distributions that are received or could be received by a taxing district as a result of legislative enactments after 1979 shall be included as reimbursement under this section. This subsection does not affect litigation pending on January 1, 1990.~~

~~(3))~~ subdivision is fully reimbursed by specific appropriation by the state for the costs of the new programs or increases in service levels.

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

~~((4))~~ (3) 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))~~ political subdivision or transferred to or from the state.

~~((5))~~ (4) Subsection (1) of this section does not apply to the costs incurred for voting devices or machines under RCW 29.04.200.

Sec. 6. RCW 43.84.092 and 1992 c 235 s 4 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) 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 Eastern Washington University capital projects account, the education construction fund, the emergency reserve fund, the federal forest revolving 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 sales and use tax account, the medical aid account, 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 I account, the public employees' retirement system plan II 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 I account, the teachers' retirement system plan II account, 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 I retirement account, the Washington law enforcement officers' and fire fighters' system plan II retirement account, the Washington state patrol retirement account, the Washington State University building account, the Washington State University bond retirement 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 (2)(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 central Puget Sound public transportation account, the city hardship assistance account, the county arterial preservation account, the economic development account, the essential rail assistance account, the essential rail banking account, the ferry bond retirement fund, 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 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 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, and the urban arterial trust account.

(3) 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. 7. A new section is added to chapter 43.88 RCW to read as follows:

The budget document submitted by the governor to the legislature under RCW 43.88.030 shall reflect the state expenditure limit established under chapter 43.135 RCW and shall not propose expenditures in excess of that limit.

NEW SECTION. Sec. 8. 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.

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

- (1) RCW 43.88.520 and 1981 c 280 s 1;
- (2) RCW 43.88.525 and 1991 sp.s. c 13 s 13, 1985 c 57 s 52, & 1981 c 280 s 2;
- (3) RCW 43.88.530 and 1982 1st ex.s. c 36 s 2 & 1981 c 280 s 3;
- (4) RCW 43.88.535 and 1982 1st ex.s. c 36 s 3 & 1981 c 280 s 4;
- (5) RCW 43.88.540 and 1984 c 138 s 11 & 1981 c 280 s 5;
- (6) RCW 43.135.020 and 1980 c 1 s 2;
- (7) RCW 43.135.030 and 1980 c 1 s 3;
- (8) RCW 43.135.040 and 1980 c 1 s 4;
- (9) RCW 43.135.050 and 1980 c 1 s 5;
- (10) RCW 43.135.070 and 1980 c 1 s 7;
- (11) RCW 43.135.900 and 1980 c 1 s 8; and
- (12) RCW 43.135.901 and 1980 c 1 s 9.

NEW SECTION. Sec. 10. This chapter may be known and cited as the taxpayer protection act.

NEW SECTION. Sec. 11. Sections 2, 3, 4, 8, 9, and 10 of this act are each added to chapter 43.135 RCW.

NEW SECTION. Sec. 12. 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. 13. (1) After the effective date of this section, the state may raise existing taxes, impose new taxes as authorized by law, or make revenue-neutral tax shifts only with approval of a majority of the voters at a

November general election. The requirement for a vote at a November general election is in addition to any other requirements established by law.

(2) This section expires on July 1, 1995.

NEW SECTION. Sec. 14. (1) Sections 8 and 13 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 shall take effect immediately.

(2) Sections 1 through 7 and 9 through 12 of this act shall take effect July 1, 1995.

Originally filed in Office of Secretary of State March 5, 1993.

Approved by the People of the State of Washington in the General Election on November 2, 1993.

CHAPTER 3

[Substitute Senate Bill 6073]

UNEMPLOYMENT COMPENSATION—REVISIONS RELATING TO EXTENDED BENEFITS, BASE YEAR, AND THE MASSAGE THERAPIST EXEMPTION

AN ACT Relating to unemployment compensation; amending RCW 50.04.020 and 50.04.223; creating a new section; providing effective dates; and declaring an emergency.

Be it enacted by the Legislature of the State of Washington:

Sec. 1. RCW 50.04.020 and 1987 c 278 s 1 are each amended to read as follows:

"Base year" with respect to each individual, shall mean either the first four of the last five completed calendar quarters or the last four completed calendar quarters immediately preceding the first day of the individual's benefit year.

For the purposes of establishing a benefit year, the department shall initially use the first four of the last five completed calendar quarters as the base year. If a benefit year is not established using the first four of the last five calendar quarters as the base year, the department shall use the last four completed calendar quarters as the base year.

Computations using the last four completed calendar quarters shall be based on available wage items processed as of the close of business on the day preceding the date of application. ~~((Wage items not processed at the time of application shall become available to the claim as they are added to department systems. The department shall not be required to make employer contacts or take other actions that would not be applicable to claims based on the first four of the last five completed calendar quarters.))~~ The department shall promptly contact employers to request assistance in obtaining wage information for the last completed calendar quarter if it has not been reported at the time of initial application.

Sec. 2. RCW 50.04.223 and 1993 c 167 s 1 are each amended to read as follows: