



# INITIATIVE MEASURE 728

PROPOSED TO THE PEOPLE

## Statement For

The people of Washington State expect and deserve great public schools. A quality public education system is crucial to our state's economic prosperity and our children's future.

Without raising taxes, I-728 lets schools reduce class sizes, expand learning opportunities, increase teacher training, invest in early childhood education, and build classrooms for K-12 and higher education.

### WASHINGTON HAS THE 3<sup>RD</sup> WORST STUDENT/ TEACHER RATIO IN THE NATION

Parents and teachers know that smaller classes increase student learning, decrease classroom disruption and make for more successful schools and students. I-728 gives local school districts the resources to lower class size by hiring more teachers and building more classrooms.

### INCREASE STUDENT ACHIEVEMENT AND SUPPORT NEW, HIGHER ACADEMIC STANDARDS

In 1993, Washington State established new, higher standards for academic achievement. To make increased student achievement a reality, I-728 gives every school district the capacity to provide all students with more individualized instruction, more quality learning time, and modern schools.

### LOCAL COMMUNITIES KNOW BEST: LOCAL CONTROL AND ACCOUNTABILITY

I-728 authorizes every school district to make the changes necessary to improve their schools' performance and their students' learning. Local school districts are accountable to their communities for using the new funds to increase student achievement.

## Official Ballot Title:

Shall school districts reduce class sizes, extend learning programs, expand teacher training, and construct facilities, funded by lottery proceeds, existing property taxes, and budget reserves?

Note: The ballot title and explanatory statement were written by the Attorney General as required by law. The complete text of Initiative Measure 728 begins on page 26.

## NO NEW TAXES

We can afford to invest in our schools and our future without raising taxes or taking money away from other programs. I-728 is funded by lottery proceeds, surplus state revenues and by returning a portion of state property taxes to local school districts.

I-728 was written by and is supported by parents, educators, and community leaders across the state. Together with the 297,000 citizens who signed I-728, we ask you to vote Yes on I-728!

For more information, call 206.283.5549 or visit [www.YesOn728.com](http://www.YesOn728.com).

## Rebuttal of Statement Against

Governor Locke responds, "I-728 is both necessary and fiscally sound. It invests surplus revenues in education without hurting the state budget."

Having the nation's third largest class sizes is unacceptable. I-728 accomplishes what the Legislature hasn't: smaller classes and stable school funding.

I-728 dedicates the lottery to school construction.

I-728 does not raise taxes.

I-728 maintains ample reserves and funding for other state services. Business, labor, education, and social service leaders support I-728. Vote Yes.

## Voters Pamphlet Statement Prepared by:

RITA CREIGHTON, President, Washington State PTA; JUDY JANES, Edmonds School Board; President, Washington School Directors Association; GARY KIPP, Principal (Longview); President, Association of Washington School Principals; PETER KU, Chancellor, Seattle Community Colleges (not speaking for colleges); GARY LIVINGSTON, Superintendent (Spokane); President, Washington Association of School Administrators; LEE ANN PRIELIPP, President, Washington Education Association.

## The law as it presently exists:

The state's system of public schools, serving children from kindergarten through high school (grade 12), is funded primarily through appropriations by the state legislature. Most of the funds appropriated for schools and related purposes come from the state general fund.

Revenue from the state lottery and revenue from the property tax levied by the state for the support of the schools is placed in the state general fund, to be spent as the legislature determines.

The amount of state general fund that can be expended each year is limited by an "expenditure limit," first enacted by Initiative Measure 601. This state expenditure limit is lowered if the cost of any state program or function is shifted from the state general fund to another source of funding. The expenditure limit is raised if the cost of any state program or function is shifted to the general fund from another source of funding.

All state general fund revenues received in excess of the

state expenditure limit are placed in an emergency reserve fund. The emergency reserve fund balance may not exceed 5% of the annual state general fund revenues as projected by the official state revenue forecast. Money received in excess of this amount is transferred to an education construction fund, which may be spent only on school or higher education construction.

## The effect of the proposed measure, if it becomes law:

This measure would create a new student achievement fund in the state treasury and would specify how the money in this fund would be spent. School districts would be authorized to use student achievement funds to reduce class size, to provide extended learning opportunities, to provide additional professional development for educators, to provide early assistance for children who need pre-kindergarten support, and to provide building improvements relating to class-size reductions.

(continued on page 22)

## Statement Against

I-728 is extreme and unnecessary, and will cause harm to essential state services.

I-728 takes a meat cleaver to the state budget, when careful reforms and prudent investments are what's needed to continue to improve Washington schools.

I-728 would remove \$1.7 billion from the state's general fund over the next six years.\* This will make it difficult to fund other critical responsibilities, including competitive salaries for teachers and state workers, services to children and the elderly, health care, environmental protection, higher education, and local criminal justice.

The governor's budget office projects basic expenditure needs will exceed state revenues in the next biennium. I-728 takes a bad budget outlook and makes it much worse, requiring cuts in services or tax increases to meet basic needs.

I-728 cuts urgently needed school construction funding by \$4.0 billion over six years.\*

I-728 destroys the voter-approved spending limit, I-601, which brought stability to the state budget and made possible meaningful tax relief. The will of the voters will be ignored, and we'll be back to the uncontrolled spending and tax increases of the past.

There is no need for I-728. The state will spend \$10.3 billion on K-12 education this biennium, an increase of 62 percent since 1993. This year the state allocated new money to schools for exactly the purposes proposed by I-728 — class size reduction, extended learning and teacher training — but in a fiscally responsible way.

Vote No on I-728.

\*Source: Washington Legislature.

## Rebuttal of Statement For

It's foolish to believe that pulling \$2.0 billion out of the state's general fund over the next six years will not have an impact on teacher salaries, elderly services, higher education and other programs without raising taxes.

A 1999 bipartisan audit found that increasing teacher salaries, experience and education all have a greater impact on student performance than lowering the pupil-teacher ratio. Providing the salary increases teachers need will be made harder by I-728.

## Voters Pamphlet Statement Prepared by:

TOM HUFF, State Representative; BRIAN THOMAS, State Representative; TERRY MACE, member, Washington Health Care Association; DIANE SYMMS, member, Independent Business Association; DAVE WOOD, People for Fair Taxes.



## **INITIATIVE MEASURE 722** (continued from page 11)

### **The law as it presently exists (continued):**

may increase its regular tax levy over the overall amount collected in previous years. Under this "limitation factor" regular property taxes levied by a taxing district generally may not exceed the lower of 106% or 100% plus inflation, multiplied by the amount collected in the highest of the three most recent years. In other words, a taxing district may increase its levy by no more than the lower of (a) the previous year's inflation rate or (b) 6% over the highest of the three previous years. Taxing districts with fewer than 10,000 residents are limited by only the 106% limitation, and not the inflation factor. Other taxing districts, but not the state, may increase their levies up to the 106% level if they follow special procedures and find a substantial need. (RCW 84.55.010, .0101). These limitations do not apply to increases in property value due to new construction.

Local taxing districts that have not levied the full amounts legally available in prior years may levy the amount that would be allowed under the "limitation factor" if the district had levied the full allowable amounts in each year beginning with 1986. The statute, RCW 84.55.092, provides that the purpose of this section is to remove the incentive for a taxing district to maintain its tax levy at the maximum level in order to protect future levy capacity. This provision does not apply to the state.

### **The effect of the proposed measure, if it becomes law:**

This measure would declare "null and void" any tax increases adopted without voter approval by state and local governments in Washington between July 2, 1999, and December 31, 1999, and would require that any such increase be refunded to the taxpayers. The term "tax" would include sales and use taxes; property taxes; business and occupation taxes; fuel taxes; impact fees; license fees; permit fees; water, sewer, and other utility charges, including taxes, rates, and hook-up fees; and other excise taxes, fees, or monetary charges imposed.

This measure would also state that motor vehicles are exempt from property taxes as long as the retail sales tax is applied to vehicles.

The measure would further provide that, so long as sales of property are subject to local real estate excise tax, a person would be exempt from a legal obligation to pay that portion of property taxes attributable to any increase in value of property (other than for new construction or manufacture) over its 1999 valuation level, plus the lesser of 2% per year or inflation. As long as construction materials are subject to the retail sales tax, a person would be exempt from a legal obligation to pay the portion of property tax on newly constructed or manufactured property after 1999 over the property tax imposed on the owner of a comparable property constructed as of 1999, plus the lesser of 2% per year or inflation.

The measure would also create an exemption from property tax for increases in tax attributable to maintenance improvements made after January 1, 1999. "Maintenance improvements" would include reconstruction after fire and natural disaster or replacement of existing components such as roofs, siding, windows, doors, and painting.

The measure would also amend RCW 84.55.005 to change all of the "106%" limitation factors on property tax levy increases to "102%." The new limit factors would be the lower of 102% or inflation, with the same exceptions for certain taxing districts as are provided in existing law. In other words, a taxing district could increase its levy by no more than the lower of (a) the previous year's inflation rate or (b) 2% over the highest of the three previous years.

The measure would repeal RCW 84.55.092. Taxing districts not levying the maximum amount in prior years would no longer be able to "recapture" levy capacity in future levies.



## **INITIATIVE MEASURE 728** (continued from page 13)

### **The effect of the proposed measure, if it becomes law (continued):**

The measure would take the state lottery revenues currently deposited in the general fund and would divide these between the education construction fund and the student achievement fund. Until June 30, 2002, 50% of the revenues would be placed in each of the two funds. From 2002 to 2004, 75% of the revenues would be placed in the student achievement fund and 25% in the education construction fund. After July 1, 2004, all state lottery revenues (after meeting other obligations) would be placed in the education construction fund.

The measure would require that a portion of the proceeds of the state property tax levy be deposited in the student achievement fund to be distributed directly to school districts. From 2001 to 2003, \$140.00 per student would be distributed to each school district each year, based on the average number of full-time equivalent students in the school district during the previous school year. Starting with calendar year 2004, this amount would be increased to \$450.00 per student, adjusted each year for inflation.

The measure would provide that the dedication of lottery revenues and property tax revenues would not change the state expenditure limit.

The measure would also change the distribution of any revenues received in excess of the maximum allowed in the emergency reserve fund. Seventy-five percent of excess revenues would be transferred to the student achievement fund and 25% to the general fund balance. The percent placed in the student achievement fund would be reduced when the state's per-student funding of K-12 education meets a level of 90% of the national average of total funding for students as calculated by the United States Department of Education.





## COMPLETE TEXT OF Initiative Measure 722 (cont.)

(e) "Person" means any person or entity which pays property taxes.

(4) This tax exemption is based on:

(a) The need to promote neighborhood preservation, continuity, and stability by limiting the tax burden;

(b) The fact that many property owners have sold their property, or are considering the sale of property, because of the increased tax burden caused by rapid increases in property valuations; and

(c) All property owners are entitled to know that property taxes will be predictable and uniform for every present and future property owner.

**NEW SECTION. Sec. 4.** A new section is added to chapter 84.36 RCW to read as follows:

(1) Increases in property tax attributable to maintenance improvements made after January 1, 1999, shall be exempt from property taxes. This exemption promotes neighborhood preservation, continuity, and stability.

(2) This section applies as long as the retail sales tax of chapter 82.08 RCW remains in effect.

(3) For purposes of this section, "maintenance improvements" includes:

(a) reconstruction after fire and natural disaster; and

(b) replacement of existing components such as roofs, siding, windows, doors, and painting.

### LIMITING TAXES BY LIMITING GROWTH OF PROPERTY TAXES TO 2% PER YEAR

**Sec. 5.** RCW 84.55.005 and 1997 c 393 s 20 and 1997 c 3 s 201 are each reenacted and amended to read as follows:

As used in this chapter:

(1) "Inflation" means the percentage change in the implicit price deflator for personal consumption expenditures for the United States as published for the most recent twelve-month period by the bureau of economic analysis of the federal department of commerce in September of the year before the taxes are payable;

(2) "Limit factor" means:

(a) For taxing districts with a population of less than ten thousand in the calendar year prior to the assessment year, one hundred ((six)) two percent;

(b) For taxing districts for which a limit factor is authorized under RCW 84.55.0101, the lesser of the limit factor under that section or one hundred ((six)) two percent;

(c) For all other districts, the lesser of one hundred ((six)) two percent or one hundred percent plus inflation; and

(3) "Regular property taxes" has the meaning given it in RCW 84.04.140.

**Sec. 6.** RCW 84.55.0101 and 1997 c 3 s 204 are each

amended to read as follows:

Upon a finding of substantial need, the legislative authority of a taxing district other than the state may provide for the use of a limit factor under this chapter of one hundred ((six)) two percent or less. In districts with legislative authorities of four members or less, two-thirds of the members must approve an ordinance or resolution under this section. In districts with more than four members, a majority plus one vote must approve an ordinance or resolution under this section. The new limit factor shall be effective for taxes collected in the following year only.

### LIMITING TAXES BY REPEALING LAW WHICH ALLOWS "STOCKPILING" OF FUTURE PROPERTY TAX INCREASES

**NEW SECTION. Sec. 7.** RCW 84.55.092 (Protection of future levy capacity) and 1998 c 16 s 3, 1988 c 274 s 4, & 1986 c 107 s 3 are each repealed.

### CONSTRUCTION CLAUSE

**NEW SECTION. Sec. 8.** The provisions of this act are to be liberally construed to effectuate the policies and purposes of this act.

### SEVERABILITY CLAUSE

**NEW SECTION. Sec. 9.** 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.



## COMPLETE TEXT OF Initiative Measure 728

AN ACT Relating to public education and directing surplus state revenues to provide additional resources to support high standards of achievement for all students through class size reductions; extended learning opportunities for students who need or want additional time in school; investments in educators and their professional development; dedicating unrestricted lottery proceeds to schools; and authorizing school districts to receive funds from the state property tax levy; amending RCW 67.70.240, 84.52.067, 43.135.035, 43.135.045, and 28A.150.380; adding a new section to chapter 28A.505 RCW; adding a new section to chapter 84.52 RCW; creating new sections; and providing effective dates.

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

**NEW SECTION. Sec. 1.** This act may be known and cited as the K-12 2000 student achievement act.

**NEW SECTION. Sec. 2.**



## COMPLETE TEXT OF Initiative Measure 728 (cont.)

### GENERAL PURPOSE

The citizens of Washington state expect and deserve great public schools for our generation of school children and for those who will follow. A quality public education system is crucial for our state's future economic success and prosperity, and for our children and their children to lead successful lives.

The purpose of this act is to improve public education and to achieve higher academic standards for all students through smaller class sizes and other improvements. A portion of the state's surplus general fund revenues is dedicated to this purpose.

In 1993, Washington state made a major commitment to improved public education by passing the Washington education reform act. This act established new, higher standards of academic achievement for all students. It also established new levels of accountability for students, teachers, schools, and school districts. However, the K-12 finance system has not been changed to respond to the new standards and individual student needs.

To make higher student achievement a reality, schools need the additional resources and flexibility to provide all students with more individualized quality instruction, more time, and the extra support that they may require. We need to ensure that curriculum, instruction methods, and assessments of student performance are aligned with the new standards and student needs. The current level of state funding does not provide adequate resources to support higher academic achievement for all students. In fact, inflation-adjusted per-student state funding has declined since the legislature adopted the 1993 education reform act.

The erosion of state funding for K-12 education is directly at odds with the state's "paramount duty to make ample provision for the education of all children...." Now is the time to invest some of our surplus state revenues in K-12 education and redirect state lottery funds to education, as was originally intended, so that we can fulfill the state's paramount duty.

Conditions and needs vary across Washington's two hundred ninety-six school districts. School boards accountable to their local communities should therefore have the flexibility to decide which of the following strategies will be most effective in increasing student performance and in helping students meet the state's new, higher academic standards:

- (1) Major reductions in K-4 class size;
- (2) Selected class size reductions in grades 5-12, such as small high school writing classes;
- (3) Extended learning opportunities for students who need or want additional time in school;
- (4) Investments in educators and their professional development;
- (5) Early assistance for children who need prekindergarten

support in order to be successful in school; and

- (6) Providing improvements or additions to facilities to support class size reductions and extended learning opportunities.

### REDUCING CLASS SIZE

Smaller classes in the early grades can significantly increase the amount of learning that takes place in the classroom. Washington state now ranks forty-eighth in the nation in its student-teacher ratio. This is unacceptable.

Significant class size reductions will provide our children with more individualized instruction and the attention they need and deserve and will reduce behavioral problems in classrooms. The state's long-term goal should be to reduce class size in grades K-4 to no more than eighteen students per teacher in a class.

The people recognize that class size reduction should be phased-in over several years. It should be accompanied by the necessary funds for school construction and modernization and for high-quality, well-trained teachers.

### EXTENDED LEARNING OPPORTUNITIES

Student achievement will also be increased if we expand learning opportunities beyond our traditional-length school day and year. In many school districts, educators and parents want a longer school day, a longer school year, and/or all-day kindergarten to help students improve their academic performance or explore new learning opportunities. In addition, special programs such as before-and-after-school tutoring will help struggling students catch and keep up with their classmates. Extended learning opportunities will be increasingly important as attainment of a certificate of mastery becomes a high school graduation requirement.

### TEACHER QUALITY

Key to every student's academic success is a quality teacher in every classroom. Washington state's new standards for student achievement make teacher quality more important than ever. We are asking our teachers to teach more demanding curriculum in new ways, and we are holding our educators and schools to new, higher levels of accountability for student performance. Resources are needed to give teachers the content knowledge and skills to teach to higher standards and to give school leaders the skills to improve instruction and manage organizational change.

The ability of school districts throughout the state to attract and retain the highest quality teaching corps by offering competitive salaries and effective working conditions is an essential element of basic education. The state legislature is responsible for establishing teacher salaries. It is imperative that the legislature fund salary levels that ensure school districts' ability to recruit and retain the highest quality teachers.

### EARLY ASSISTANCE

The importance of a child's intellectual development in the first five years has been established by widespread scientific research. This is especially true for children with disabilities and special needs. Providing assistance appropriate to



## COMPLETE TEXT OF Initiative Measure 728 (cont.)

children's developmental needs will enhance the academic achievement of these children in grades K-12. Early assistance will also lessen the need for more expensive remedial efforts in later years.

### NO SUPPLANTING OF EXISTING EDUCATION FUNDS

It is the intent of the people that existing state funding for education, including all sources of such funding, shall not be reduced, supplanted, or otherwise adversely impacted by appropriations or expenditures from the student achievement fund created in RCW 43.135.045 or the education construction fund.

### INVESTING SURPLUS IN SCHOOLS UNTIL GOAL MET

It is the intent of the people to invest a portion of state surplus revenues in their schools. This investment should continue until the state's contribution to funding public education achieves a reasonable goal. The goal should reflect the state's paramount duty to make ample provision for the education of all children and our citizens' desire that all students receive a quality education. The people set a goal of per-student state funding for the maintenance and operation of K-12 education being equal to at least ninety percent of the national average per-student expenditure from all sources. When this goal is met, further deposits to the student achievement fund shall be required only to the extent necessary to maintain the ninety percent level.

**NEW SECTION. Sec. 3.** A new section is added to chapter 28A.505 RCW to read as follows:

**ACCOUNTABILITY.** School districts shall have the authority to decide the best use of student achievement funds to assist students in meeting and exceeding the new, higher academic standards in each district consistent with the provisions of this act.

(1) Student achievement funds shall be allocated for the following uses:

(a) To reduce class size by hiring certificated elementary classroom teachers in grades K-4 and paying nonemployee-related costs associated with those new teachers;

(b) To make selected reductions in class size in grades 5-12, such as small high school writing classes;

(c) To provide extended learning opportunities to improve student academic achievement in grades K-12, including, but not limited to, extended school year, extended school day, before-and-after-school programs, special tutoring programs, weekend school programs, summer school, and all-day kindergarten;

(d) To provide additional professional development for educators, including additional paid time for curriculum and lesson redesign and alignment, training to ensure that instruction is aligned with state standards and student needs, reim-

bursement for higher education costs related to enhancing teaching skills and knowledge, and mentoring programs to match teachers with skilled, master teachers. The funding shall not be used for salary increases or additional compensation for existing teaching duties, but may be used for extended year and extended day teaching contracts;

(e) To provide early assistance for children who need prekindergarten support in order to be successful in school;

(f) To provide improvements or additions to school building facilities which are directly related to the class size reductions and extended learning opportunities under (a) through (c) of this subsection.

(2) Annually on or before May 1st, the school district board of directors shall meet at the time and place designated for the purpose of a public hearing on the proposed use of these funds to improve student achievement for the coming year. Any person may appear or by written submission have the opportunity to comment on the proposed plan for the use of these funds. No later than August 31st, as a part of the process under RCW 28A.505.060, each school district shall adopt a plan for the use of these funds for the upcoming school year. Annually, each school district shall provide to the citizens of their district a public accounting of the funds made available to the district during the previous school year under this act, how the funds were used, and the progress the district has made in increasing student achievement, as measured by required state assessments and other assessments deemed appropriate by the district. Copies of this report shall be provided to the superintendent of public instruction and to the academic achievement and accountability commission.

**Sec. 4.** RCW 67.70.240 and 1997 c 220 s 206 are each amended to read as follows:

The moneys in the state lottery account shall be used only:

(1) For the payment of prizes to the holders of winning lottery tickets or shares;

(2) For purposes of making deposits into the reserve account created by RCW 67.70.250 and into the lottery administrative account created by RCW 67.70.260;

(3) For purposes of making deposits into the ~~((state's general fund))~~ education construction fund and student achievement fund created in RCW 43.135.045. For the transition period from the effective date of this section until and including June 30, 2002, fifty percent of the moneys not otherwise obligated under this section shall be placed in the student achievement fund and fifty percent of these moneys shall be placed in the education construction fund. On and after July 1, 2002, until June 30, 2004, seventy-five percent of these moneys shall be placed in the student achievement fund and twenty-five percent shall be placed in the education construction fund. On and after July 1, 2004, all deposits not otherwise obligated under this section shall be placed in the education construction fund. Moneys in the state lottery account deposited in the education construction fund and the student achievement fund are included in "general state revenues" under RCW 39.42.070;





## COMPLETE TEXT OF Initiative Measure 728 (cont.)

(4) For distribution to a county for the purpose of paying the principal and interest payments on bonds issued by the county to construct a baseball stadium, as defined in RCW 82.14.0485, including reasonably necessary preconstruction costs. Three million dollars shall be distributed under this subsection during calendar year 1996. During subsequent years, such distributions shall equal the prior year's distributions increased by four percent. Distributions under this subsection shall cease when the bonds issued for the construction of the baseball stadium are retired, but not more than twenty years after the tax under RCW 82.14.0485 is first imposed;

(5) For distribution to the stadium and exhibition center account, created in RCW 43.99N.060. Subject to the conditions of RCW 43.99N.070, six million dollars shall be distributed under this subsection during the calendar year 1998. During subsequent years, such distribution shall equal the prior year's distributions increased by four percent. No distribution may be made under this subsection after December 31, 1999, unless the conditions for issuance of the bonds under RCW 43.99N.020(2) are met. Distributions under this subsection shall cease when the bonds are retired, but not later than December 31, 2020;

(6) For the purchase and promotion of lottery games and game-related services; and

(7) For the payment of agent compensation.

The office of financial management shall require the allotment of all expenses paid from the account and shall report to the ways and means committees of the senate and house of representatives any changes in the allotments.

**NEW SECTION. Sec. 5.** A new section is added to chapter 84.52 RCW to read as follows:

(1) A portion of the proceeds of the state property tax levy shall be distributed to school districts in the amounts and in the manner provided in this section.

(2) The amount of the distribution to each school district shall be based upon the average number of full-time equivalent students in the school district during the previous school year, and shall be calculated as follows:

(a) Out of taxes collected in calendar years 2001 through and including 2003, an annual amount equal to one hundred forty dollars per each full-time equivalent student in all school districts shall be deposited in the student achievement fund to be distributed to each school district based on one hundred forty dollars per full-time equivalent student in the school district for each year beginning with the school year 2001-2002.

(b) Out of taxes collected in calendar year 2004, an annual amount equal to four hundred fifty dollars per full-time equivalent student in all school districts shall be deposited in the student achievement fund to be distributed to each school district based on four hundred fifty dollars per full-time equivalent

student for each year beginning with the school year 2004-2005. Each subsequent year, the amount deposited shall be adjusted for inflation as defined in RCW 43.135.025(7).

(3) The office of the superintendent of public instruction shall verify the average number of full-time equivalent students in each school district from the previous school year to the state treasurer by August 1st of each year.

**NEW SECTION. Sec. 6.** Section 5 of this act applies to taxes levied in 2000 for collection in 2001 and thereafter.

**Sec. 7.** RCW 84.52.067 and 1967 ex.s. c 133 s 2 are each amended to read as follows:

All property taxes levied by the state for the support of common schools shall be paid into the general fund of the state treasury as provided in RCW 84.56.280, except for the amounts collected under section 5 of this act which shall be directly deposited into the student achievement fund and distributed to school districts as provided in section 5 of this act.

**Sec. 8.** RCW 43.135.035 and 1994 c 2 s 4 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.

(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



## COMPLETE TEXT OF Initiative Measure 728 (cont.)

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. This subsection does not apply to the dedication or use of lottery revenues under RCW 67.70.240(3) or property taxes under section 5 of this act, in support of education or education expenditures.

**Sec. 9.** RCW 43.135.045 and 1994 c 2 s 3 are each amended to read as follows:

(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))~~ annual 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))~~ as follows: Seventy-five percent to the student achievement fund hereby created in the state treasury and twenty-five percent to the general fund balance. When per-student state funding for the maintenance and operation of K-12 education meets a level of no less than ninety percent of the national average of total funding from all sources per student as determined by the most recent published data from the national center for education statistics of the United States department of education,

as calculated by the office of financial management, further deposits to the student achievement fund shall be required only to the extent necessary to maintain the ninety percent level. Remaining funds are part of the general fund balance and these funds are subject to the expenditure limits of this chapter.

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

(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.

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

**Sec. 10.** RCW 28A.150.380 and 1995 c 335 s 103 are each amended to read as follows:

(1) The state legislature shall, at each regular session in an odd-numbered year, appropriate from the state general fund for the current use of the common schools such amounts as needed for state support to the common schools during the ensuing biennium as provided in this chapter, RCW 28A.160.150 through 28A.160.210, 28A.300.170, and 28A.500.010.

(2) The state legislature shall also, at each regular session in an odd-numbered year, appropriate from the student achievement fund and education construction fund solely for the purposes of and in accordance with the provisions of the student achievement act during the ensuing biennium.

**NEW SECTION. Sec. 11.** The provisions of this act are to be liberally construed to effectuate the policies and purposes of this act.

**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.** This act takes effect January 1, 2001, except for section 4 of this act which takes effect July 1, 2001.