Initiative Measure

1033

Proposed by initiative petition:

Initiative Measure No. 1033 concerns state, county and city revenue.

This measure would limit growth of certain state, county and city revenue to annual inflation and population growth, not including voter-approved revenue increases. Revenue collected above the limit would reduce property tax levies.

Should this measure be enacted into law?
[ ] Yes
[ ] No

The Official Ballot Title and the Explanatory Statement were written by the Attorney General as required by law. The Fiscal Impact Statement was written by the Office of Financial Management as required by law. The Secretary of State is not responsible for the content of arguments or statements (WAC 434-381-180). The complete text of Initiative Measure 1033 begins on page 11.

Explanatory Statement

The Law as it Presently Exists:

State and local governments receive revenue through taxes and fees. Some of the rates for these taxes and fees are set by elected representatives in the state Legislature, or in the case of certain local taxes, by local city councils, county councils, or boards of county commissioners. Local taxes may be imposed only if they are authorized by state law. The rates for taxes paid to the State of Washington are set in statute by the Legislature. The voters may also enact laws regarding taxes by initiative or, if applicable, by referendum. Some local taxes can only be imposed if the local voters approve them. State law also permits the assessment of certain fees by state or local agencies, as authorized by the Legislature.

The State deposits much of the revenue that it receives from taxes and fees into the state general fund and into accounts referred to by the law as "related funds." Cities and counties place much of the revenue that they receive from taxes and fees into local "current expense funds." These funds are similar in nature to the State's general fund. State law limits spending from the State general fund and "related funds" to the prior year's expenditures from those funds, increased by the average growth in state personal income for the prior ten years. The spending limit does not apply to city and county expenditures.

The state constitution and state statutes limit the maximum amount of revenue that state and local governments may collect from property taxes in a given year, and the amount that property taxes may be increased each year. The state constitution generally limits the total of all annual property tax levies on a particular property to no more than 1% of its true and fair value, unless voters approve higher property taxes. In addition, by statute, the total amount of money that any state or local jurisdiction receives from property taxes may only increase by 1% per year, or the rate of inflation. Total property tax revenue for each jurisdiction can only go up by more than this amount if the voters of that jurisdiction approve the increase by a majority vote. Property taxes for particular parcels may increase or decrease by more or less than that amount, depending on changes in assessed valuation or new construction. Property taxes are levied by both state and local governments. Local property taxes are levied by cities, counties, and special districts, either by the elected representatives or through voter approval of specific property tax levies.

The Effect of the Proposed Measure, if Approved:

This measure would limit the growth of revenue to the State's general fund and "related funds," and to cities' and counties' local "current expense funds," based on an annual rate of inflation and population growth. If the State or any city or county receives revenue in a given year above the revenue limit established by the measure, then it must deposit the revenues above the limit into a separate account, and reduce the amount that it otherwise would be authorized to levy in property taxes in the following year by that amount.

The limit on revenue growth would not apply to revenue increases approved by the voters at an election, and money received from the federal government would not be included in the State's revenue limit. The inflation rate used to calculate the revenue growth limit would be based on the implicit price deflator for the United States. The limit on state general fund revenue also would be based on changes in statewide population, while for cities and counties it would be based on changes in population for each city and county. The revenue limit would be adjusted if the costs of any program or service are shifted to or from the state general fund or local current expense fund to another fund, or if revenue is transferred from the state general fund or local current expense fund to another fund.

Fiscal Impact Statement

Fiscal Impact Through Calendar Year 2015

Initiative 1033 limits annual growth of state, city and county general fund revenue to the rate of inflation and population growth. General fund revenues exceeding this limit must be used to reduce the following year's state, city or county general fund property tax levy. The initiative reduces state general fund revenues that support education; social, health and environmental services; and general government activities by an estimated $5.9 billion by 2015. The initiative also reduces general fund revenues that support public safety, infrastructure and general government activities by an estimated $694 million for counties and $2.1 billion for cities by 2015.

General Assumptions

The initiative is set on a calendar year (CY) basis.

CY 2010 revenue limit is calculated as follows: CY 2009 General Fund Revenue × (1 + 2009 % Change Population) × (1 + 2009 % Change Inflation).

CY 2010 general fund revenues that exceed the CY 2010 revenue limit will be transferred into new "Lower Property Tax Accounts" for the state, counties and cities. The first transfer(s) into the new accounts will occur in CY 2011.

The first property tax levy to be reduced by the initiative is the 2011 levy, which is collected in CY 2012. Thus, funds will be transferred from the new "Lower Property Tax Accounts" into state, county and city general funds in CY 2012 to account for any reduction in 2011 levies.

State Revenue Estimate - Assumptions

The initiative defines state general fund revenue as the aggregate of revenue from taxes, fees and other governmental charges received by state government that are deposited into any fund subject to the state's expenditure limit under RCW 43.135.025. For CY 2009 and CY 2010, state general fund revenues are General Fund – State revenue estimates from the June 2009 Washington State Economic and Revenue Forecast Council converted from a fiscal-year basis to a calendar-year basis.

The following state revenue sources, totaling less than $30 million annually, have been excluded from these estimates:

- Sales and income from property.
- Contributions and grants.
- Grant and loan repayments.
- Indirect and prior cost recoveries.
- Unclaimed property.
- Charges for publications and documents.
- Interest and investment earnings.

State general fund revenues for CYs 2011–15 are estimated to grow, on average, by the change in real per capita personal income plus change in inflation plus change in population, adjusted for revenue elasticity. This methodology is consistent with prior long-term revenue forecasts produced by the Office of Financial Management (OFM), and results in an average annual growth rate of 4.8 percent.

State general fund revenues are reduced by the amount required to be transferred into the Budget Stabilization Account created under Article 7, Section 12, of the Washington State Constitution.

The initiative defines inflation as the annual percentage change in the Implicit Price Deflator for Personal Consumption for the United States as published on or about March 27 each calendar year by the Bureau of Economic Analysis and reported by OFM. Inflation estimates for CY 2009 and CY 2011 are from the June 2009 Washington State Economic and Revenue Forecast. Inflation estimates for CYs 2012–15 are from the June 2009 IHS Global Insight forecast of the Implicit Price Deflator for the United States. The Washington State Economic and Revenue Forecast Council relies on IHS Global Insight models and data for the U.S. portion of the official state economic forecast.

The initiative defines population growth as the percentage change in the statewide population based on the annual statewide population determinations reported by OFM during the prior calendar year and the current calendar year. Statewide population growth estimates are from OFM's 30-Year Forecast of the State Population. (See page 9, Figure 1.1)

State Costs to Implement - Assumptions

Less than $50,000 will be incurred by OFM in CY 2009 and CY 2010 to set up, test and verify computer systems, and establish policies and practices to implement a state general fund revenue limit.

County and City Revenue Estimate - Assumptions

The initiative applies to counties, first class cities, second class cities, code cities, towns and unclassified cities.

To account for possible different patterns in population and revenue growth, counties and cities were analyzed using four groupings:

1. Urban County – 7 counties
2. Rural County – 32 counties
3. Cities in Urban Counties – 109 cities and towns
4. Cities in Rural Counties – 172 cities and towns

Urban counties are Clark, King, Kitsap, Pierce, Snohomish, Spokane and Thurston; all others are rural counties. Under RCW 82.14.370, rural counties are defined as a county with a population density of less than 100 persons per square mile or a county smaller than 225 square miles as determined and published each year by OFM for the period July 1 to June 30.

County and city general fund revenues are defined as the aggregate of revenue from taxes, fees and other governmental charges received by the county or city and deposited into the county current expense fund or city general fund, respectively. County and city revenues are estimated from 2007 financial information contained in the Local Government Financial Reporting System (LGFRS) of the Washington State Auditor's Office. Only funds reported within LGFRS as general fund revenues are assumed to be deposited into the county current expense fund or city general fund, and therefore, are included in these estimates.

The following county and city revenue sources have been excluded from these estimates:

- Federal and state direct and indirect grants.
- State shared taxes or revenues.
- Charges for contracted services performed by counties or cities.
- Charges for enterprise activities or charges that are not governmental in nature.
- Inter-fund and inter-department charges.
- Interest and investment earnings.

County and city general fund revenue growth rates for CYs 2009–15 are related to the state's revenue growth rate by estimating each grouping's five-year historical rate of revenue growth in proportion to the state's revenue growth rate of 4.8 percent.

Inflation estimates for counties and cities are the same as used for the state.

Population growth is defined as the percentage change in the countywide population for counties and the percentage change in citywide population in cities, as reported annually by OFM. County and city population growth is estimated from OFM's 30-Year Forecast of the State Population, adjusted using OFM's Washington State County Growth Management Population Projections: 2000-2030 and each grouping's historic population growth rates. (See page 9, Figures 1.2, 1.3, 1.4, and 1.5)

County and City Costs to Implement - Assumptions

County and cities will incur indeterminate costs to implement the initiative during CY 2009 and CY 2010 to modify computer systems, establish policies and practices, train employees and respond to requests for public information. Costs will vary by jurisdiction and depend, in large part, on the jurisdiction's ability to modify accounting systems to identify and track revenues subject to the general fund revenue limit.

Figure 1.1 Estimated **State** Cash Receipts						
Fund	CY 2010	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015
General Fund - State	0	($676,000,000)	($875,000,000)	($1,125,000,000)	($1,447,000,000)	($1,803,000,000)
Lower State Property Tax Account	0	$676,000,000	$875,000,000	$1,125,000,000	$1,447,000,000	$1,803,000,000

Figure 1.2 Estimated **Urban County** Cash Receipts						
Fund	CY 2010	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015
General Fund - Urban Counties	0	($55,000,000)	($70,000,000)	($87,000,000)	($111,000,000)	($137,000,000)
Lower County Property Tax Accounts	0	$55,000,000	$70,000,000	$87,000,000	$111,000,000	$137,000,000

Figure 1.3 Estimated **Rural County** Cash Receipts						
Fund	CY 2010	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015
General Fund - Rural Counties	0	($24,000,000)	($35,000,000)	($46,000,000)	($58,000,000)	($72,000,000)
Lower County Property Tax Accounts	0	$24,000,000	$35,000,000	$46,000,000	$58,000,000	$72,000,000

Figure 1.4 Estimated **Cities in Urban Counties** Cash Receipts						
Fund	CY 2010	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015
General Fund - Cities in Urban Counties	0	($176,000,000)	($257,000,000)	($350,000,000)	($463,000,000)	($588,000,000)
Lower City Property Tax Accounts	0	$176,000,000	$257,000,000	$350,000,000	$463,000,000	$588,000,000

Figure 1.5 Estimated **Cities in Rural Counties** Cash Receipts						
Fund	CY 2010	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015
General Fund - Cities in Rural Counties	0	($30,000,000)	($42,000,000)	($55,000,000)	($72,000,000)	($91,000,000)
Lower City Property Tax Accounts	0	$30,000,000	$42,000,000	$55,000,000	$72,000,000	$91,000,000

Statement For Initiative Measure 1033

I-1033 CLOSES LOOPHOLES THE LEGISLATURE PUT IN TAXPAYER PROTECTION INITIATIVE 601, VOTER-APPROVED IN 1993

In 1993, during tough economic times, voters approved I-601, putting reasonable limits on government's fiscal policies, establishing a sustainable rate for government to grow. I-601 worked very well for many years until the Legislature started putting loopholes in it, resulting in major deficits – $3.2 billion in 2003 – $9 billion in 2009.

I-1033 reestablishes I-601's same reasonable allowance for growth (inflation plus population growth) and includes a safety valve allowing higher increases with voter approval.

I-1033 gets government off the "fiscal roller coaster," allowing it to grow at a sustainable rate that doesn't outpace taxpayers' ability to afford it.

WHAT HAPPENS TO EXCESS TAX REVENUES THAT GOVERNMENT COLLECTS ABOVE I-1033'S LIMIT? AFTER A FIXED …

… percentage of tax revenue is transferred into the constitutionally-protected rainy day fund, the remainder of excess tax revenues gets refunded back to taxpayers via lower property taxes. Struggling working families and fixed-income senior citizens desperately need relief from our state's crushing property tax burden. Washington shouldn't be a state where only rich people can afford a home. I-1033 provides needed, long-overdue property tax relief.

OPPONENTS WANT HIGHER TAXES AND A STATE INCOME TAX – OPPONENTS ARE AGAINST ANY LIMITS ON …

… government's power to take as much as they want from taxpayers. Property taxes keep going higher and higher and government keeps getting bigger and bigger. The people are losing control. I-1033 allows government to grow but at a rate citizens can control and taxpayers can afford. I-1033 is needed now more than ever.

WASHINGTON'S THE 8TH HIGHEST TAXED STATE IN THE NATION – I-1033 KEEPS US FROM HITTING #1

I-1033 reminds politicians that taxpayers don't have bottomless wallets. I-1033 puts a reasonable limit on the growth of government and provides plenty of flexibility (rainy day funds, federal funds, voter-approved revenues). Vote Yes.

Rebuttal of Statement Against

Washington has 16 years of positive experience with I-601 (Colorado's totally different).

Reestablishing I-601's very successful policies helps government, taxpayers, and the economy.

I-1033 provides fiscal discipline and flexibility: any revenue from any source deposited into general funds is limited except voter-approved/rainy day/federal funds for the state and except voter-approved funds for counties/cities.

I-1033 gives control to citizens–if government wants bigger increases, they can ask taxpayers' permission.

Vote Yes.

Argument Prepared by

Erma Turner, beauty shop owner, gathered 3699 signatures, Cle Elum, **Steven Bencze**, retired warehouseman, fisherman/hunter, gathered 2568 signatures, Othello, **Mike Dunmire**, husband, community leader, retired businessman, initiative volunteer, Woodinville, **Jack Fagan**, retired policeman, retired navy, grandfather, campaign organizer, Spokane, **Mike Fagan**, small businessman, community leader, father, campaign organizer, Spokane, **Tim Eyman**, $30 Car Tab Guy, Taxpayer Advocate, Yakima/Mukilteo.

Contact: (425) 493-8707; www.VotersWantMoreChoices.com

Statement Against Initiative Measure 1033

EYMAN'S LATEST INITIATIVE IS ALREADY A PROVEN FAILURE

Tim Eyman's latest initiative uses the same failed formula as the "TABOR" law passed in Colorado, which led to deep cuts to public schools, roads and highways, and children's health care. It did so much damage to the state's economy that in 2005, Coloradans voted to suspend the law.

I-1033 WILL MAKE IT HARDER FOR US TO DIG OUT OF THE RECESSION

The national recession has cost our state thousands of jobs and forced billions in cutbacks to important local services, like education and health care. I-1033 will force deeper cuts and lock them in for years – meaning more job losses, more hard times for Washington families, and a longer delay waiting for our economy to recover.

MORE BAD NEWS FOR OUR COMMUNITIES AND SMALL BUSINESSES

I-1033 will make things harder than ever for local communities already struggling to maintain basic services such as road repair, libraries and public safety. Small businesses rely on those services, and oppose I-1033 because they will continue to suffer during a prolonged recession.

MORE DAMAGE TO OUR SCHOOLS, AND A DEEPENING HEALTH CARE CRISIS

This year we've slashed school funding by $1.5 billion, and as many as 3,000 teachers and education employees are facing layoffs. The Eyman TABOR plan will take even more resources away from Washington's classrooms – and Washington's kids.

Despite a growing senior population, funding for nursing homes, in-home care and adult day health services are being cut – and 40,000 Washington residents of all ages may lose their Basic Health Plan coverage. Eyman's TABOR plan will make our health care crisis more severe.

Times are tough enough already — let's not make them worse. Vote NO on I-1033.

Rebuttal of Statement For

Initiative 1033 will hurt, not help, Washington's senior citizens. That's why AARP Washington and the Washington State Senior Citizens Lobby oppose I-1033. And Initiative 1033 will hurt, not help, working families. That's why the Greater Seattle Chamber of Commerce, Washington State Labor Council, Washington Association of Churches, and many others oppose I-1033. As we try to recover from the worst recession in decades, Washington just can't afford another Tim Eyman initiative. Vote NO on 1033.

Argument Prepared by

Doug Shadel, AARP Washington, State Director; **Kelly Fox**, Washington State Council of Fire Fighters, President; **Laura Feshbach**, Co-owner Harmatta Construction Inc, Seattle; **Teri Nicholson**, Registered Nurse, Valley Hospital and Medical Center, Spokane; **Mary Lindquist**, Washington Education Association, high school Social Studies teacher; **Kelley Collen**, Assistant Economics Professor, Eastern Washington University, Cheney.

Contact: (206) 200-8969; www.no1033.com

Complete Text

Initiative Measure 1033

AN ACT Relating to protecting taxpayers by limiting the tax burden on Washington's citizens; adding a new section to chapter 43.135 RCW; amending RCW 84.52.065; adding new sections to chapter 36.33 RCW; adding new sections to Title 35 RCW; adding new sections to Title 35A RCW; amending RCW 84.52.043; amending RCW 84.55.010; and creating new sections.

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

POLICIES AND PURPOSES

NEW SECTION. **Sec. 1.** This measure is intended to protect taxpayers by reducing our state's obscene and unsustainable property tax burden by controlling the growth of government to an affordable level. It is long overdue. This measure would limit the growth rate of state, county, and city general fund revenue, not including new voter-approved revenue, to inflation and population growth. Excess revenue collected above these limits would be used to reduce property taxes. This measure permits the growth of Washington's tax burden to increase at an affordable, sustainable rate, allows citizens to vote for higher taxes where they see a need, and uses excess revenues above this limit to reduce property taxes.

Intent of sections 2(7), 4(7), 6(7) and 8(7): Voter-approved increases in revenue are exempt from this measure's revenue limit. This includes binding votes of the people and does not include a revenue increase approved by an advisory vote. The language of this act is clearly intended to ensure that voter approval of a property tax levy lid lift only exempts the additional increase in property tax revenue and not the base levy.

Intent of sections 2(8), 4(8), 6(8) and 8(8): In order to ensure affordability, sustainability, and predictability of the people's tax burden, the rate of growth of general fund revenue, not including new voter-approved revenue, shall not exceed inflation and population growth. The general fund revenue limit for 2010 will be the revenue collected and received in 2009, adjusted for inflation for 2009 and population growth using determinations by the office of financial management in 2009 and 2010 (new voter-approved revenues are exempt). The general fund revenue limit in 2011 will be the general fund revenues received in 2010 that do not exceed the limit for 2010, adjusted for inflation and population growth using determinations by the office of financial management in 2010 and 2011 (new voter-approved revenues are exempt). The people want the revenue limit for any year to be the previous year's general fund revenue plus an adjustment for that year's inflation and population growth. This will ensure that the rate of growth of our tax burden does not exceed the taxpayers' ability to afford it.

Intent concerning inflation and population growth: This measure limits state, county, and city general fund revenue increases, not including new voter-approved increases, to inflation and population growth. The office of financial management reports the bureau of economic analysis' calculation for annual inflation on March 27 following each calendar year; this measure uses that calculation to define inflation. The office of financial management annually develops and tracks populations for the state, counties, and cities and generally reports its determinations each year on June 30. It is an extensive, detailed and long-standing demographic program. This measure defines population growth as the percentage change in population based on those determinations made in the current year and the previous year; this measure uses those calculations to define population growth.

Intent of section 11: Property tax increases are currently limited to one percent per year. This measure makes no change to the calculation of that limit. Instead, it requires a reduction in property taxes when general fund revenues exceed the revenue limit.

Intent related to reserve accounts: This measure exempts fund transfers in and out of the constitutionally required rainy day fund for the state. In regard to cities and counties, this measure makes no change to the ability of any city or county to use existing and future reserve funds to supplement their general fund revenue when revenue is below their revenue limit.

During these tough economic times, struggling working families and fixed-income senior citizens desperately need and deserve meaningful property tax relief. Property taxes have skyrocketed for decades and politicians have done nothing to address this very real problem. This measure also provides a much-needed economic stimulus to our state's struggling economy by keeping our tax burden at an affordable, sustainable level and by reducing our state's crushing property tax burden. So, this measure ensures meaningful tax relief, a big boost to our state's economy, and long-overdue reform of government. It is a smart, balanced, reasonable solution to our state's property tax problem.

LIMITING THE TAX BURDEN OF WASHINGTON'S CITIZENS BY LIMITING THE GROWTH OF STATE GOVERNMENT'S GENERAL FUND REVENUE, NOT INCLUDING NEW VOTER-APPROVED REVENUE, TO INFLATION AND POPULATION GROWTH.

EXCESS REVENUE ABOVE THIS LIMIT WOULD BE USED TO REDUCE PROPERTY TAXES IMPOSED BY STATE GOVERNMENT

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

(1) The growth rate of state government general fund revenue, not including new voter-approved revenue, must be limited to inflation and population growth. As provided in subsection (8) of this section, any revenues received above this limit must be deposited into a new account hereby created called the "Lower State Property Taxes Account." All revenues received during a year which are deposited in this account must be used to reduce the subsequent year's state property tax levy as provided in section 3 of this act.

(2) For purposes of this section, "general fund revenue" means the aggregate of revenue from taxes, fees, and other governmental charges received by state government that are deposited in any fund subject to the state expenditure limit under RCW 43.135.025. "General fund revenue" does not include the funds required to be transferred into the fund created under Article 7, Section 12 of the state constitution and does not include funds transferred from that fund. "General fund revenue" does not include revenue received from the federal government.

(3) For the purposes of this section, "inflation" means the annual percentage change in the implicit price deflator for the United States as published on or about March 27

Continued on page 12

How do I read measure text?

Any language in double parentheses with a line through it is existing state law and will be taken out of the law if the measure is approved by voters. Any underlined language or new sections do not appear in current state law but will be added to the law if the measure is approved by voters.

following each calendar year by the bureau of economic analysis and reported by the office of financial management.

(4) For purposes of this section, "population growth" means the percentage change in the statewide population based on the annual statewide population determinations reported by the office of financial management during the prior calendar year and the current calendar year.

(5) If the cost of any state program or function is shifted from the state general fund or any fund subject to the state expenditure limit under RCW 43.135.025, on or after January 1, 2009, to another source of funding, or if revenue is transferred from the state general fund or any fund subject to the state expenditure limit under RCW 43.135.025 to another fund or account, the limit required by this section shall apply to the aggregate of funds subject to the state expenditure limit under RCW 43.135.025, plus the shifted and/or transferred revenue for that year and all subsequent years.

(6) If the cost of any state program or function and the revenue to fund the program or function are shifted to the state general fund or any fund subject to the state expenditure limit under RCW 43.135.025, on or after January 1, 2009, the limit required by this section shall apply to the aggregate of funds subject to the state expenditure limit under RCW 43.135.025, including the shifted revenue for that year and all subsequent years.

(7) For the purposes of this section, "new voter-approved revenue" is defined as the increase in revenue approved by the state's voters at an election after the effective date of this act.

(8) The limit established in subsection (1) of this section must be implemented as follows:

(a) For the first calendar year beginning after the effective date of this act, the general fund revenue, not including new voter-approved revenue, received above the amount received in 2009 adjusted by any amount necessary to reflect inflation for the 2009 calendar year and population growth, must be deposited in the "Lower State Property Taxes Account."

(b) For subsequent years, the general fund revenue, not including new voter-approved revenue, received above the amount received in the immediately prior calendar year, less any deposits into the "Lower State Property Taxes Account," adjusted by any amount necessary to reflect inflation for the immediately prior calendar year and population growth, must be deposited in the "Lower State Property Taxes Account."

Sec. 3. RCW 84.52.065 and 1991 sp.s. c 31 s 16 are each amended to read as follows:

<u>(1)</u> Subject to the limitations in RCW 84.55.010, in each year the state shall levy for collection in the following year for the support of common schools of the state a tax of three dollars and sixty cents per thousand dollars of assessed value upon the assessed valuation of all taxable property within the state adjusted to the state equalized value in accordance with the indicated ratio fixed by the state department of revenue.

<u>(2) The state property tax levy must be reduced from the amount that could otherwise be levied under subsection (1) of this section by an amount equal to the gross deposits to the "Lower State Property Taxes Account" established in section 2 of this act from the previous year.</u>

<u>(3) The balance of the "Lower State Property Taxes Account" must be transferred each year to the general fund to account for the reduction of the levy as provided in subsection (2) of this section.</u>

<u>(4)</u> As used in this section, "the support of common schools" includes the payment of the principal and interest on bonds issued for capital construction projects for the common schools.

LIMITING THE TAX BURDEN OF WASHINGTON'S CITIZENS BY LIMITING THE GROWTH OF EACH COUNTY'S GENERAL FUND REVENUE, NOT INCLUDING NEW VOTER-APPROVED REVENUE, TO INFLATION AND POPULATION GROWTH.

EXCESS REVENUE ABOVE THIS LIMIT WOULD BE USED TO REDUCE PROPERTY TAXES IMPOSED BY EACH COUNTY

<u>NEW SECTION.</u> **Sec. 4.** A new section is added to chapter 36.33 RCW to read as follows:

(1) The growth rate of each county government's general fund revenue, not including new voter-approved revenue, must be limited to inflation and population growth. As provided in subsection (8) of this section, each county must deposit revenues received above this limit in a new account created by the county called the "Lower County Property Taxes Account." All revenues received during a year which are deposited in this account must be used to reduce the subsequent year's county property tax levy by the amount of gross deposits in the account.

(2) For purposes of this section, "general fund revenue" means the aggregate of revenue from taxes, fees, and other governmental charges received by the county that are deposited in the county's current expense fund.

(3) For the purposes of this section, "inflation" means the annual percentage change in the implicit price deflator for the United States as published on or about March 27 following each calendar year by the bureau of economic analysis and reported by the office of financial management.

(4) For purposes of this section, "population growth" means the percentage change in the countywide population based on the annual countywide population determinations reported by the office of financial management during the prior calendar year and the current calendar year.

(5) If the cost of any county program or function is shifted from the county's current expense fund on or after January 1, 2009, to another source of funding, or if revenue is transferred from the county's current expense fund to another fund or account, the limit required by this section shall apply to the aggregate of the county's current expense fund plus the shifted and/or transferred revenue for that year and all subsequent years.

(6) If the cost of any county program or function and the revenue to fund the program or function are shifted to the county's current expense fund on or after January 1, 2009, the limit required by this section shall apply to the aggregate of the county general fund including the shifted revenue for that year and all subsequent years.

(7) For the purposes of this section, "new voter-approved revenue" is defined as the increase in revenue approved by the county's voters at an election after the effective date of this act.

(8) The limit established in subsection (1) of this section must be implemented as follows:

(a) For the first calendar year beginning after the effective date of this act, the general fund revenue, not including new voter-approved revenue, received above the amount received in 2009 adjusted by any amount necessary to reflect inflation for the 2009 calendar year and population growth, must be deposited in the "Lower County Property Taxes Account."

(b) For subsequent years, the general fund revenue, not including new voter-approved revenue, received above the amount received in the immediately prior calendar year, less any deposits into the "Lower County Property Taxes Account," adjusted by an amount necessary to reflect inflation for the immediately prior calendar year and population growth, must be deposited in the "Lower County Property Taxes Account."

<u>NEW SECTION.</u> **Sec. 5.** A new section is added to chapter 36.33 RCW to read as follows:

Any county's property tax levy shall be reduced from the amount that could otherwise be levied under RCW 84.52.043 of this section by an amount equal to the previous year's gross deposits to that county's "Lower County Property Taxes Account" established in section 4 of this act.

LIMITING THE TAX BURDEN OF WASHINGTON'S CITIZENS BY LIMITING THE GROWTH OF EACH CITY'S GENERAL FUND REVENUE, NOT INCLUDING NEW VOTER-APPROVED REVENUE, TO INFLATION AND POPULATION GROWTH.

EXCESS REVENUE ABOVE THIS LIMIT WOULD BE USED TO REDUCE PROPERTY TAXES IMPOSED BY EACH CITY

NEW SECTION. **Sec. 6.** A new section is added to Title 35 RCW to read as follows:

(1) The growth rate of each city government's general fund revenue, not including new voter-approved revenue, must be limited to inflation and population growth. As provided in subsection (8) of this section, each city must deposit revenues received above this limit in a new account created by the city called the "Lower City Property Taxes Account." All revenues received during a year which are deposited in this account must be used to reduce the subsequent year's city property tax levy by the amount of gross deposits in the account.

(2) For purposes of this section, "general fund revenue" means the aggregate of revenue from taxes, fees, and other governmental charges received by the city that are deposited in the city's current expense fund.

(3) For the purposes of this section, "inflation" means the annual percentage change in the implicit price deflator for the United States as published on or about March 27 following each calendar year by the bureau of economic analysis and reported by the office of financial management.

(4) For purposes of this section, "population growth" means the percentage change in the city wide population based on the annual city wide population determinations reported by the office of financial management during the prior calendar year and the current calendar year.

(5) If the cost of any city program or function is shifted from the city's current expense fund on or after January 1, 2009, to another source of funding, or if revenue is transferred from the city's current expense fund to another fund or account, the limit required by this section shall apply to the aggregate of the city's current expense fund plus the shifted and/or transferred revenue for that year and all subsequent years.

(6) If the cost of any city program or function and the revenue to fund the program or function are shifted to the city's current expense fund on or after January 1, 2009, the limit required by this section shall apply to the aggregate of the city's current expense fund including the shifted revenue for that year and all subsequent years.

(7) For the purposes of this section, "new voter-approved revenue" is defined as the increase in revenue approved by the city's voters at an election after the effective date of this act.

(8) The limit established in subsection (1) of this section must be implemented as follows:

(a) For the first calendar year beginning after the effective date of this act, the general fund revenue, not including new voter-approved revenue, received above the amount received in 2009 adjusted by an amount necessary to reflect inflation for the 2009 calendar year and population growth, must be deposited in the "Lower City Property Taxes Account."

(b) For subsequent years, the general fund revenue, not including new voter-approved revenue, received above the amount received in the immediately prior calendar year, less any deposits into the "Lower City Property Taxes Account," adjusted by an amount necessary to reflect inflation for the immediately prior calendar year and population growth, must be deposited in the "Lower City Property Taxes Account."

NEW SECTION. **Sec. 7.** A new section is added to Title 35 RCW to read as follows:

Any city's property tax levy must be reduced from the amount that could otherwise be levied under RCW 84.52.043 of this section by an amount equal to the gross deposits to that city's "Lower City Property Taxes Account" established in section 6 of this act from the previous year.

NEW SECTION. **Sec. 8.** A new section is added to Title 35A RCW to read as follows:

(1) The growth rate of each city government's general fund revenue, not including new voter-approved revenue, must be limited to inflation and population growth. As provided in subsection (8) of this section, each city must deposit revenues received above this limit in a new account created by the city called the "Lower City Property Taxes Account." All revenues received during a year which are deposited in this account must be used to reduce the subsequent year's city property tax levy by the amount of gross deposits in the account.

(2) For purposes of this section, "general fund revenue" means the aggregate of revenue from taxes, fees, and other governmental charges received by the city that are deposited in the city's current expense fund.

(3) For the purposes of this section, "inflation" means the annual percentage change in the implicit price deflator for the United States as published on or about March 27 following each calendar year by the bureau of economic analysis and reported by the office of financial management.

(4) For purposes of this section, "population growth" means the percentage change in the city wide population based on the annual city wide population determinations reported by the office of financial management during the prior calendar year and the current calendar year.

(5) If the cost of any city program or function is shifted from the city's current expense fund on or after January 1, 2009, to another source of funding, or if revenue is transferred from the city's current expense fund to another fund or account, the limit required by this section shall apply to the aggregate of the city's current expense fund plus the shifted and/or transferred revenue for that year and all subsequent years.

(6) If the cost of any city program or function and the revenue to fund the program or function are shifted to the city's current expense fund on or after January 1, 2009, the limit required by this section shall apply to the aggregate of the city's current expense fund including the shifted revenue for that year and all subsequent years.

(7) For the purposes of this section, "new voter-approved revenue" is defined as the increase in revenue approved by the city's voters at an election after the effective date of this act.

(8) The limit established in subsection (1) of this section must be implemented as follows:

(a) For the first calendar year beginning after the effective date of this act, the general fund revenue, not including new voter-approved revenue, received above the amount received in 2009 adjusted by an amount necessary to reflect inflation for the 2009 calendar year and population growth, must be deposited in the "Lower City Property Taxes Account."

(b) For subsequent years, the general fund revenue, not including new voter-approved revenue, received above the amount received in the immediately prior calendar year, less any deposits into the "Lower City Property Taxes Account," adjusted by an amount necessary to reflect inflation for the immediately prior calendar year and population growth, must be deposited in the "Lower City Property Taxes Account."

NEW SECTION. **Sec. 9.** A new section is added to Title 35A RCW to read as follows:

Any city's property tax levy must be reduced from the amount that could otherwise be levied under RCW 84.52.043 of this section by an amount equal to the gross deposits to that city's "Lower City Property Taxes Account" established in section 8 of this act from the previous year.

Sec. 10. RCW 84.52.043 and 2005 c 122 s 3 are each amended to read as follows:

Within and subject to the limitations imposed by RCW 84.52.050 as amended, the regular ad valorem tax levies upon real and personal property by the taxing districts hereafter named shall be as follows:

(1) Levies of the senior taxing districts shall be as follows: (a) The levy by the state shall not exceed three dollars and sixty cents per thousand dollars of assessed value adjusted to the state equalized value in accordance with the indicated ratio fixed by the state department of revenue to be used exclusively for the support of the common schools; (b) the levy by any county shall not exceed one dollar and eighty cents per thousand dollars of assessed value; (c) the levy by any road district shall not exceed two dollars and twenty-five cents per thousand dollars of assessed value; and (d) the levy by any city or town shall not exceed three dollars and thirty-seven and one-half cents per thousand dollars of assessed value. However any county is hereby authorized to increase its levy from one dollar and eighty cents to a rate not to exceed two dollars and forty-seven and one-half cents per thousand dollars of assessed value for general county purposes if the total levies for both the county and any road district within the county do not exceed four dollars and five cents per thousand dollars of assessed value, and no other taxing district has its levy reduced as a result of the increased county levy.

(2) The aggregate levies of junior taxing districts and senior taxing districts, other than the state, shall not exceed five dollars and ninety cents per thousand dollars of assessed valuation. The term "junior taxing districts" includes all taxing districts other than the state, counties, road districts, cities, towns, port districts, and public utility districts. The limitations provided in this subsection shall not apply to: (a) Levies at the rates provided by existing law by or for any port or public utility district; (b) excess property tax levies authorized in Article VII, section 2 of the state Constitution; (c) levies for acquiring conservation futures as authorized under RCW 84.34.230; (d) levies for emergency medical care or emergency medical services imposed under RCW 84.52.069; (e) levies to finance affordable housing for very low-income housing imposed under RCW 84.52.105; (f) the portions of levies by metropolitan park districts that are protected under RCW 84.52.120; (g) levies imposed by ferry districts under RCW 36.54.130; (h) levies for criminal justice purposes under RCW 84.52.135; and (i) the portions of levies by fire protection districts that are protected under RCW 84.52.125.

(3) The limitations in subsections (1) and (2) for the levies by the state, counties and cities must be further adjusted as provided in sections 2, 4, 6 and 8 of this act.

Sec. 11. RCW 84.55.010 and 2006 c 184 s 1 are each amended to read as follows:

Except as provided in this chapter, the levy for a taxing district in any year shall be set so that the regular property taxes payable in the following year shall not exceed the limit factor multiplied by the amount of regular property taxes lawfully levied for such district plus revenues deposited as provided in sections 2(7), 4(7), 6(7) and 8(7) of this act in the highest of the three most recent years in which such taxes were levied for such district plus an additional dollar amount calculated by multiplying the increase in assessed value in that district resulting from new construction, increases in assessed value due to construction of electric generation wind turbine facilities classified as personal property, improvements to property, and any increase in the assessed value of state-assessed property by the regular property tax levy rate of that district for the preceding year. The adjustments provided in sections 2, 4, 6, and 8 of this act provide a limitation on property tax levies which is in addition to the limit factor in this section.

CONSTRUCTION CLAUSE

NEW SECTION. **Sec. 12.** The provisions of this act are to be liberally construed to effectuate the intent, policies, and purposes of this act.

SEVERABILITY CLAUSE

NEW SECTION. **Sec. 13.** 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.

MISCELLANEOUS

NEW SECTION. **Sec. 14.** Subheadings used in this act are not part of the law.

NEW SECTION. **Sec. 15.** This act shall be known and cited as the Lower Property Taxes Act of 2009.

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