

Key Findings

- The state OFM estimates passage of I-1033 would result in approximately \$5.9 billion in state property tax rebates and \$2.8 billion in local property tax rebates going to citizens by 2015.
- State and local revenue available for spending increases would grow each year by an amount based on population growth plus inflation.
- I-1033 does not replace or amend the I-601 state spending limit but adds a new revenue limit requirement.
- Public officials could collect revenues above the I-1033 limit with voter approval.
- The initiative places no limit on how long a voter-approved exemption to I-1033 could be in place.
- I-1033 exempts transfers in and out of the state constitutional reserve account from the revenue limit.
- The lack of exemption for local reserve accounts would put pressure on local budgets during the down periods in the economic revenue cycle.
- The measure's revenue limits may lead elected officials routinely to seek voter approval to spend all the money that would be available under current tax rates.

Citizens' Guide to Initiative 1033: "Lower Property Tax Act of 2009"

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In November the people of Washington will vote on Initiative 1033. The measure is sponsored by Tim Eyman and would create a new revenue limit for the state, counties and cities with the goal of annually reducing property taxes. Eyman calls Initiative 1033 the "Lower Property Tax Act of 2009." Initiative 1033 is the latest in a series of initiatives considered by voters which seek to control the growth of state government, though it is the first to include local governments under its requirements, and it is the first to focus primarily on providing ongoing tax rebates to property owners.

According to the state's Office of Financial Management, passage of Initiative 1033 would result in approximately \$5.9 billion in state property tax rebates and \$2.8 billion in local property tax rebates going to citizens by 2015. At the same time state and local revenue available for spending increases would grow each year by an amount based on population growth plus inflation.

Initiative 1033 would create a new revenue limit for the state, counties and cities with the goal of providing annual property tax rebates. The measure does not replace or amend the Initiative 601 state spending limit, but adds a new revenue limit requirement as well. The growth rate of the proposed revenue limit is based on the one-year increase in population plus inflation. The law would create a mandatory property tax reduction account for state and local governments covered. Each year the property tax burden imposed by state and local officials would be reduced by a dollar amount equal to the amount of money they collected in excess of the revenue limit for the previous year if such funds exist.

Deposits into the state's constitutional rainy day account adopted by voters in 2007 would be exempt from the revenue limit's calculation, as well as transfers from the account to the general fund, though no exemption is provided for local government rainy day accounts. The limit could be exceeded by any voter approved increase in revenue. The initiative places no limit on how long a voter-approved exemption to Initiative 1033 could be in place.

Initiative 1033's exemption for transfers into and out of the state constitutional reserve account should allow lawmakers to build financial reserves and adjust to a slowing economy or a slowing in expected tax revenue growth. The lack of similar exemptions for local reserve accounts, however, would put pressure on local budgets during the down periods in the economic revenue cycle.

Initiative 1033 would address this problem by allowing local officials to seek voter approval for additional revenue. This is similar to the mechanism used for a comparable law in Colorado, the Taxpayer Bill of Rights or TABOR. The TABOR revenue limit was temporarily suspended by voters in 2005 at the state level in Colorado, although permanent repeal was later rejected in 2008. Local voters have approved 440 temporary or permanent suspensions of TABOR since

its enactment. State and local voters in Washington would have similar ability to vote for more revenue as needed. In addition, the Washington legislature would have the ability to change or repeal the Initiative 1033 law with a simple majority vote two years after the initiative had passed (a two-thirds vote is required for amending initiatives within two years of passage).

Although state and local revenues are projected to grow under Initiative 1033, the measure's revenue limits may lead elected officials routinely to seek voter approval to spend all the money that would be available under current tax rates.

There is a history of Washington voters approving tax and spending restriction ballot measures: Initiative 62 in 1979, Initiative 601 in 1993, Referendum 49 in 1998, Initiative 695 in 1999, Initiative 747 in 2001, and Initiative 960 in 2007. Initiative 1033 shares similarities with these past efforts but is much broader in scope.

Comparison of I-601 (as adopted in 1993) and I-1033

	I-601	I-1033
Type of limit	Spending	Revenue
Government covered by limit	State	State and local (some exclusions)
Funds covered by limit	General fund	General fund
Reserve account provision	Yes	Yes for state; no for local
Revenues in excess of limit	Deposited in reserve account	Used for property tax rebates
Fiscal growth factor	3-year rolling average of increase in population plus inflation	1-year increase in population plus inflation
Exemption to limit	2/3 vote of legislature and voter approval; or declaration of an emergency ratified by 2/3 vote of legislature. Time period of exemption limited	Increase in revenue approved by voters. Time period of exemption appears open ended
Type of law	Statutory	Statutory

Comparison of Colorado's TABOR (as adopted in 1992) and I-1033

	Colorado TABOR	I-1033
Type of limit	Revenue	Revenue
Government covered by limit	State and local	State and local (some exclusions)
Funds covered by limit	Most funds (excluding federal and some others)	General fund
Reserve account provision	No	Yes for state; no for local
Revenues in excess of limit	Refunded to taxpayers	Used for property tax rebates
Fiscal growth factor	1-year increase in population plus inflation.	1-year increase in population plus inflation.
Exemption to limit	Voter approval or declaration of an emergency ratified by 2/3 vote of legislature (sunsets unless ratified by voters).	Increase in revenue approved by voters. Time period of exemption appears open ended
Type of law	Constitutional	Statutory

Jason Mercier is director of the Center for Government Reform at Washington Policy Center, a non-partisan independent policy research organization in Seattle and Olympia. Nothing here should be construed as an attempt to aid or hinder the passage of any legislation before any legislative body.

The question for voters this November is whether the policy goal of annual property tax rebates outweighs the impact of restricting how much state and local officials can collect from citizens under existing tax rates without the need to seek explicit voter approval.