

SENATE BILL REPORT

SJR 8204

As Reported by Senate Committee On:
Governmental Operations, February 18, 2013

Brief Description: Amending the Constitution to require a two-thirds majority vote of the legislature to raise taxes.

Sponsors: Senators Roach, Benton, Schoesler, Holmquist Newbry, Carrell, Sheldon, Ericksen, Dammeier, Smith, Padden and Hewitt.

Brief History:

Committee Activity: Governmental Operations: 2/07/13, 2/18/13 [DPS, DNP].

SENATE COMMITTEE ON GOVERNMENTAL OPERATIONS

Majority Report: That Substitute Senate Joint Resolution No. 8204 be substituted therefor, and the substitute joint resolution do pass.

Signed by Senators Roach, Chair; Benton, Vice Chair; Braun and Rivers.

Minority Report: Do not pass.

Signed by Senators Conway, Fraser and Hasegawa, Ranking Member.

Staff: Karen Epps (786-7424)

Background: Initiative 601, enacted by the voters in 1993, required a two-thirds vote of both houses of the Legislature for any action that raised state taxes. Initiative 960 (I-960), enacted in 2007, restated this supermajority vote requirement for tax increases not approved by referendum to the voters. I-960 also required prior legislative approval of any new or increased state fees. In 2010 the Legislature suspended until July 1, 2011, the two-thirds vote requirement for state tax increases, but did not modify the provisions of I-960 regarding prior legislative approval of fee increases.

Initiative 1053 (I-1053), adopted by the voters at the 2010 fall general election, reinstated the requirement that a two-thirds majority is required to raise taxes. I-1053 also restated that new or increased state fees must be approved by a majority vote in both houses of the Legislature. Initiative 1185 (I-1185), approved by the voters in November 2012, has the same general requirement of legislative authorization for new or increased state fees and a two-thirds super majority vote for actions which raise taxes. I-1185 took effect on December 6, 2012.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Bill (Recommended Substitute): A two-thirds vote of both the House of Representatives and the Senate is required to raise taxes. Raises taxes means any action or combination of actions by the Legislature that increases state tax revenue deposited in any fund, budget, or account, regardless of whether the revenues are deposited into the general fund.

This requirement does not apply to a tax that is referred by the Legislature to a vote of the people pursuant to a referendum. Additionally, this requirement does not apply to a tax that is enacted pursuant to an emergency previously declared in law with a two-thirds vote of both the House of Representatives and the Senate and that expires within 12 months of the effective date of the emergency declaration.

EFFECT OF CHANGES MADE BY GOVERNMENTAL OPERATIONS COMMITTEE (Recommended Substitute): Requires a two-thirds vote of both the House of Representatives and the Senate to raise taxes. Defines raises taxes to mean any action or combination of actions by the Legislature that increases state tax revenue deposited in any fund, budget, or account, regardless of whether the revenues are deposited into the general fund.

Establishes that this requirement does not apply to a tax that is referred by the Legislature to a vote of the people pursuant to a referendum. Provides that this requirement does not apply to a tax that is enacted pursuant to an emergency previously declared in law with a two-thirds vote of both the House of Representatives and the Senate and that expires within 12 months of the effective date of the emergency declaration.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: PRO: SJR 8204, together with SJR 8200 and SJR 8205, provide the voters the sixth and hopefully the final opportunity to weigh in on this policy. Voters have sent a consistent message of wanting a supermajority for tax increases. There have been five ballot measures enacting or reaffirming this policy, the most recent being I-1185, which passed with a 64 percent vote of the people in every county and in 44 of the 49 legislative districts, failing only in five legislative districts in Seattle. Our citizens pass initiatives every two years, enacting these policies in statute. The Legislature dismantles it over a couple of years. It is insulting and arrogant that elected officials continually slap down the will of the people. There is a bipartisan move by citizens to put a check on their legislators and not to raise taxes. It is time for the Legislature to own the tax policy that has been in place for the last 20 years. Eighteen other states have policies like this. It should be tougher, but not impossible, to raise taxes. The Legislature has shown that, with the supermajority in place, legislation to raise taxes can still be adopted by the Legislature. A supermajority requirement does not interfere with our state's obligation to funding basic education.

CON: SJR 8204, together with SJR 8200 and SJR 8205, would amend the Constitution to require a two-thirds majority to increase revenue, but a two-thirds majority should not be maintained. It essentially allows 17 legislators, 11.5 percent of the Legislature, to block a revenue increase. This amounts to a delegation of power to a minority of legislators and that is problematic. It is also problematic that revenue is singled out for a two-thirds majority requirement. In some cases, revenue is necessary to solve problems. There are already checks and balances in place to ensure good decision-making around revenue. Putting this requirement in the Constitution ties the Legislature's hands as it faces deep budget problems. This is a terrible fiscal idea that will harm our state's finances. This policy will lead to more job losses and provides the wealthy and corporations a tool to rig the system in their favor. Other states that have similar restrictions have found that their bond ratings have been dropped because of these restrictions. This policy has led directly to a slower recovery of our economy. This policy has the potential to make worse the upside-down nature of our tax system. This policy will limit Washington's ability to fulfill its paramount duty to fund K-12 education. This policy exists as an obstacle to provide funding to universities. None of the initiatives said anything about raising taxes. The voters said that it should be difficult and it should be bipartisan to raise taxes. These amendments would make funding basic education impossible. Citizens need their elected officials to reach from time to time for additional revenue to provide essential services. These policies will have a negative impact on the state's social safety net.

Persons Testifying: PRO: Senator Roach, prime sponsor; Jason Mercier, WA Policy Center; Mark Johnson, WA Retail Assn.; Amber Carter, Assn. of WA Business.

CON: Nick Federici, Our Economic Future Coalition; Remy Trupin, WA Budget and Policy Center; Frank Ordway, League of Education Voters; E.B. Vodde, Associated Students of Eastern WA University; Bill Lyne, United Faculty of WA, WA Education Assn.; Paul Benz, Faith Action Network; Jerry Reilly, Eldercare Alliance.