

SENATE BILL REPORT

SJR 8205

As Reported by Senate Committee On:
Governmental Operations, February 18, 2013
Ways & Means, February 28, 2013

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

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

Brief History:

Committee Activity: Governmental Operations: 2/07/13, 2/18/13 [DP, DNP].
Ways & Means: 2/26/13, 2/28/13 [DP, DNP].

SENATE COMMITTEE ON GOVERNMENTAL OPERATIONS

Majority Report: Do pass.

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

Minority Report: Do not pass.

Signed by Senators Hasegawa, Ranking Member; Conway.

Staff: Karen Epps (786-7424)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Hill, Chair; Baumgartner, Vice Chair; Honeyford, Capital Budget Chair; Bailey, Becker, Braun, Dammeier, Hewitt, Padden, Parlette, Rivers, Schoesler and Tom.

Minority Report: Do not pass.

Signed by Senators Hargrove, Ranking Member; Nelson, Assistant Ranking Member; Conway, Fraser, Hasegawa, Hatfield, Keiser and Murray.

Staff: Steve Jones (786-7440)

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.

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.

There are currently 23 individual agricultural commodity commissions in Washington. These commissions are formed primarily to engage in research and marketing related to their specific commodity. The activities of commodity commissions are funded primarily by assessments on the producers of the commodities. Of the 23 commodity commissions, seven were formed directly by an act of the Legislature. These include the Apple Commission, the Honey Bee Commission, and the Wine Commission. These commissions have individuals authorizing laws that establish procedures and protocols. The remaining 16 commodity commissions were created by order of the Director of the Washington State Department of Agriculture (WSDA). Commissions created by the WSDA follow general procedures applicable to all commodity commissions. Examples of these commissions include the Asparagus Commission, the Seed Potato Commissions, the Red Raspberry Commission, the Turfgrass Seed Commission, and the Blueberry Commission.

Summary of Bill: 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.

A majority vote in both the House of Representatives and the Senate is required to impose or increase a fee in any fiscal year. This requirement does not apply to an assessment made by:

- an agricultural commodity commission or an agricultural commodity board; or
- the Forest Products Commission, if the assessment is approved under certain circumstances.

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 (Governmental Operations): PRO: SJR 8205, together with SJR 8200 and SJR 8204, 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 8205, together with SJR 8200 and SJR 8204, 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 (Governmental Operations): 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.

Staff Summary of Public Testimony (Ways & Means): PRO: The initiatives that enacted the supermajority requirement for tax increases are the most popular measures in state

history, enacted overwhelmingly many times, most recently by 64 percent of the voters statewide. The initiative passed in every county, and in every legislative district except four. This is a mandate from the voters. The Legislature itself enacted this requirement in 1996. By placing this directive into the state constitution, the voters will not need to enact this every two years. Washington has had this policy in place for almost 20 years, and 18 other states have similar provisions. Requiring a supermajority on taxes forces bipartisan cooperation. This proposal will not prevent the Legislature from funding the K-12 education system

CON: Budgeting by initiative is not good policy and it does not produce good budgets. The voters do not know the trade-offs of their decisions. The Legislature is the appropriate place for thoughtful budget decisions. This proposal is undemocratic because it ties the Legislature's hands and allows a minority to control the Legislature. Tax loopholes and tax preferences can be created by a simple majority vote, but true tax reform to fix our regressive tax structure would require a two-thirds vote under this proposal. The voters are still protected by the referendum process, so this measure is unnecessary. It should not be permanently enshrined in the state constitution. This proposal destabilizes the state's economy and allows rich and powerful corporations to rig our tax system. Job losses will be the result of the enactment of this proposal. This measure will prevent valuable investments in education and health care. Social service agencies and the League of Women Voters oppose this joint resolution. No business would ever lock its business model in stone like this. The Legislature should not permanently bind its hands. The popular will of the people is not the sole basis on which the state's tax policies should be based. Tuition increases, funding cuts, and reduced financial aid have devastated higher education in Washington. The children of the state have been disproportionately impacted by this policy, both in education funding and social service programs. This policy is bad for kids, and bad for democracy.

Persons Testifying (Ways & Means): PRO: Senator Roach, prime sponsor; Amber Carter, Assn. of WA Business.

CON: Nick Federici, Our Economic Future Coalition; Remy Trupin, WA Budget & Policy Center; Lonnie Johns-Brown, League of Women Voters; Melanie Maycock, University of WA Graduate Student Senate; Talia Goldberg, Associated Students of The Evergreen State College; Ramona Hattendorf, WA State Parent Teacher Assn.; Jennifer Estroff, Children's Alliance.