

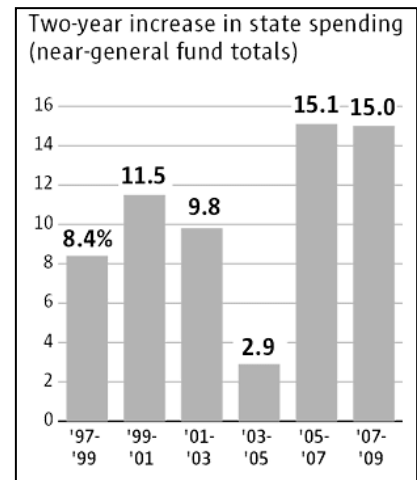
Budget Policy



Background:

Initiative 601, passed in 1993, initially put the brakes on state spending by tying growth in expenditures to the annual rate of inflation and population. New taxes would first need a two-thirds vote of the legislature and then a vote of the people if the tax increase caused spending to exceed the limit. In the years immediately following the passage of Initiative 601, the state had budgets that were more fiscally responsible.

The POG process was established in 2002 following the recession caused by the 9-11 terrorist attacks. POG was created to ensure that the operating budget does not spend more than it brings in through revenues while achieving the results that are most important to its citizens. The POG process is unique by departing from the traditional incremental budget approach that focuses on adjustments to existing spending levels. To be effective, government must only buy the services it can afford or is required to fund such as education.



In 2008, voters approved Initiative 960 that includes a requirement for a two-thirds majority vote for new taxes and fees proposed by the Legislature, a growing trend among states to provide greater accountability to voters.

Problem:

The state operating budgets passed in recent years have raised warning signals for the business community. This comes despite progress made with the passage of the constitutional rainy day fund in 2007. Principles established by Initiative 601 have been ignored, or simply altered when convenient. Lawmakers have deviated from using the award winning Priorities of Government (POG) budget process. Government growth is at an all time high and spending exceeds revenues.

The economy is cyclical with its ups and downs. State revenues, which come from taxes on business owners and individuals, follow that same cycle. When tax revenues fall short of spending levels, past remedies were to increase taxes and cut programs regardless of which party was in charge. While the recently passed constitutional rainy day fund is a step in the right direction, more fiscal restraint is needed to ensure long-term sustainability for our state budget and a viable economy for employers and our state citizens to prosper in the future.

Solution:

1. Establish the POG process as the standard method for development of state budgets.
2. Prioritize private sector jobs, economic development and a solid education system within state spending.
3. Close and resist the creation of loopholes used to circumvent the spirit of the state's expenditure limits.
4. Preserve the two-thirds vote requirement for increasing taxes and fees enacted by Initiative 960.
5. Limit spending and implement controls to provide long-term financial stability for our state.
6. Ensure a fiscally adequate state emergency reserve fund to buffer the effects of poor economic times or other financial emergencies.
7. Restrict the transfer of money from dedicated funds for reasons other than originally intended.
8. Extend the state expenditure limit to funds or accounts that are subject to allotment procedures under Chapter 43.88 RCW, except those accounts or funds used under GAAP for acquisition or funding of capital projects.