

The FACTS about Initiative 1033

AUGUST 2009

What is Initiative 1033?

Initiative 1033 limits the total growth in General Fund revenue each year for cities, counties and State government. Under governmental accounting rules, the General Fund is the only source of money to pay for police, fire, parks, and planning, and most street programs. The limit on I-1033 uses the previous year's revenue receipts (from taxes, fees, and other governmental charges), plus local population growth and the national inflation index to limit General Fund revenues for the next year.

Any revenue growth over the limit would result in an automatic decrease in property taxes in the following year. For example, 2010 revenue would be limited to 2009 revenue receipts (the lowest in recent history), plus population growth (nearly zero for most cities), and inflation (currently negative).

This measure will limit the ability of governments to provide basic services

I-1033 will limit the ability of governments to keep up with the cost of providing necessary services, which typically have higher-than-average inflation rates. It would negatively impact the City's ability to make long-term commitments in economic development, police and fire protection, as well as infrastructure improvements to streets and sidewalks.

I-1033 does not consider the unanticipated costs of natural disasters, unfunded mandates and other emerging public priorities. In addition, it is uncertain how one-time revenues, grants, and debt requirements would be affected by this legislation. Initiative 1033 would limit our ability to increase reserves that are often used to cover emergency expenses and to cover the cost of basic services during depressed economic periods when revenues are down.

The effects of I-1033 on local government

- I-1033 would significantly slow economic recovery as all future spending would be based on this year's record-low revenue levels.
- I-1033 impacts basic City services, such as public safety, planning and street maintenance as the revenue required for funding those services would be cut.
- Property taxes already have strict limitations on growth; this measure would further restrict that revenue source.
- The initiative does not guarantee that the property tax relief would be targeted to those who need it most.
- If I-1033 becomes law, job cuts in firefighting and law enforcement are likely.

The Colorado version of Initiative 1033

In 1992, Colorado became the only state in the nation to impose revenue restrictions similar to I-1033. This measure was in effect in that State until 2005.

During that period, spending limits were under-funded for public services such as education and health-

care. The results were as follows:

- Colorado dropped to 49th in the nation in education funding;
- Children who lacked health insurance doubled, while levels declined nationwide; and
- At one point, the State suspended the requirement that children be fully immunized be-

fore school because they couldn't afford to buy the vaccine.

By 2005, Colorado citizens voted to suspend the law for five years in order to stop the deterioration of services in their state. I-1033 could have similar consequences in Washington.