

I-1033 Summary Sheet

The official ballot measure summary for I-1033 describes the effect, if adopted, as follows:

This measure would limit growth in state revenues deposited in the state general fund, and limit growth in county and city revenues deposited into the county and city current expense funds. The limit would be adjusted based on annual growth in inflation and population. The limit also would apply to revenues transferred out of these funds. The limit would exclude voter-approved revenue increases. Revenues above the limit would reduce property tax levies.

Sponsor's stated intent

According to the initiative's sponsor, the intent of this proposal is to moderate swings in revenue by limiting the amount of general fund revenues the state can expend to the prior calendar year's level, adjusted annually for inflation and population growth. Any revenue in excess of the limit for one calendar year would be returned to taxpayers in the form of a property tax rebate during the following calendar year.

Additional revenue generated by

taxes approved by voters after the effective date of the initiative would not be subject to the limit.

Fiscal Impact for Initiative 1033 through Calendar Year 2015

As sent to the Office of the Secretary of State, August 10, 2009.

Initiative 1033 limits annual growth of state, city and county general fund revenue to the rate of inflation and population growth. General fund revenues exceeding this limit must be used to reduce the following year's state, city or county general fund property tax levy. The initiative reduces state general fund revenues that support education; social, health and environmental services; and general government activities by an estimated \$5.9 billion by 2015. The initiative also reduces general fund revenues that support public safety, infrastructure and general government activities by an estimated \$694 million for counties and \$2.1 billion for cities by 2015.

Factors that could make this initiative problematic:

It is known that as of the end of May, 2009, state general fund revenues were \$1.23 billion, lower than at the same point the previous year, and the forecast was for an even sharper reduction for 2009 as a whole. The legislature responded to this predicted reduction in revenue by making sharp reductions in a number of areas when it adopted the 2009-11 budget. In effect, I-1033 would appear to "lock in" those reductions for the future.

State services tend to be focused more on certain age groups than others—children between ages 5 and 19 are more likely to be enrolled in public schools, those in the 20- 24 age group are more likely to be enrolled in college, and older citizens are more likely to require publicly funded medical assistance. Yet population changes within age groups do not mirror changes in the population as a whole.

The initiative defines inflation in terms of an index published each spring by the U. S. Department of Commerce. This index does not necessarily reflect what is happening in our state.

The initiative would reduce the ability of the state (and local governments) to respond to unforeseen needs for increased services, such as in the case of emergencies.