

1 **HB 3169** - H AMD

2 By Representatives Huff and H. Sommers

3 Strike everything after the enacting clause and insert the
4 following:

5 "Sec. 1. RCW 43.135.025 and 1994 c 2 s 2 are each amended to read
6 as follows:

7 (1) The state shall not expend from the general fund during any
8 fiscal year state moneys in excess of the state expenditure limit
9 established under this chapter.

10 (2) Except pursuant to a declaration of emergency under RCW
11 43.135.035 or pursuant to an appropriation under RCW 43.135.045(4)(b),
12 the state treasurer shall not issue or redeem any check, warrant, or
13 voucher that will result in a state general fund expenditure for any
14 fiscal year in excess of the state expenditure limit established under
15 this chapter. A violation of this subsection constitutes a violation
16 of RCW 43.88.290 and shall subject the state treasurer to the penalties
17 provided in RCW 43.88.300.

18 (3) The state expenditure limit for any fiscal year shall be the
19 previous fiscal year's state expenditure limit increased by a
20 percentage rate that equals the fiscal growth factor.

21 (4) For purposes of computing the state expenditure limit for the
22 fiscal year beginning July 1, 1995, the phrase "the previous fiscal
23 year's state expenditure limit" means the total state expenditures from
24 the state general fund, not including federal funds, for the fiscal
25 year beginning July 1, 1989, plus the fiscal growth factor. This
26 calculation is then computed for the state expenditure limit for fiscal
27 years 1992, 1993, 1994, and 1995, and as required under RCW
28 43.135.035(4).

29 (5) A state expenditure limit committee is established for the
30 purpose of determining and adjusting the state expenditure limit as
31 provided in this chapter. The members of the state expenditure limit
32 committee are the director of financial management, the attorney
33 general or the attorney general's designee, and the chairs of the
34 senate committee on ways and means and the house of representatives
35 committee on appropriations. All actions of the state expenditure

1 limit committee taken pursuant to this chapter require an affirmative
2 vote of at least three members.

3 ~~(6) Each November, the ((office of financial management)) state~~
4 ~~expenditure limit committee shall adjust the expenditure limit for the~~
5 ~~preceding fiscal year based on actual expenditures and known changes in~~
6 ~~the fiscal growth factor and then project an expenditure limit for the~~
7 ~~next two fiscal years. ((The office of financial management shall~~
8 ~~notify the legislative fiscal committees of all adjustments to the~~
9 ~~state expenditure limit and projections of future expenditure limits.))~~
10 If, by November 30th, the state expenditure limit committee has not
11 adopted the expenditure limit adjustment and projected expenditure
12 limit as provided in subsection (5) of this section, the attorney
13 general or his or her designee shall adjust or project the expenditure
14 limit, as necessary.

15 ~~((+6))~~ (7) "Fiscal growth factor" means the average of the sum of
16 inflation and population change for each of the prior three fiscal
17 years.

18 ~~((+7))~~ (8) "Inflation" means the percentage change in the
19 implicit price deflator for the United States for each fiscal year as
20 published by the federal bureau of labor statistics.

21 ~~((+8))~~ (9) "Population change" means the percentage change in
22 state population for each fiscal year as reported by the office of
23 financial management.

24 **Sec. 2.** RCW 43.135.035 and 1994 c 2 s 4 are each amended to read
25 as follows:

26 (1) After July 1, 1995, any action or combination of actions by
27 the legislature that raises state revenue or requires revenue-neutral
28 tax shifts may be taken only if approved by a two-thirds vote of each
29 house, and then only if state expenditures in any fiscal year,
30 including the new revenue, will not exceed the state expenditure limits
31 established under this chapter.

32 (2)(a) If the legislative action under subsection (1) of this
33 section will result in expenditures in excess of the state expenditure
34 limit, then the action of the legislature shall not take effect until
35 approved by a vote of the people at a November general election. The
36 office of financial management shall adjust the state expenditure limit
37 by the amount of additional revenue approved by the voters under this

1 section. This adjustment shall not exceed the amount of revenue
2 generated by the legislative action during the first full fiscal year
3 in which it is in effect. The state expenditure limit shall be
4 adjusted downward upon expiration or repeal of the legislative action.

5 (b) The ballot title for any vote of the people required under
6 this section shall be substantially as follows:

7 "Shall taxes be imposed on in order to allow a
8 spending increase above last year's authorized spending adjusted for
9 inflation and population increases?"

10 (3)(a) The state expenditure limit may be exceeded upon
11 declaration of an emergency for a period not to exceed twenty-four
12 months by a law approved by a two-thirds vote of each house of the
13 legislature and signed by the governor. The law shall set forth the
14 nature of the emergency, which is limited to natural disasters that
15 require immediate government action to alleviate human suffering and
16 provide humanitarian assistance. The state expenditure limit may be
17 exceeded for no more than twenty-four months following the declaration
18 of the emergency and only for the purposes contained in the emergency
19 declaration.

20 (b) Additional taxes required for an emergency under this section
21 may be imposed only until thirty days following the next general
22 election, unless an extension is approved at that general election.
23 The additional taxes shall expire upon expiration of the declaration of
24 emergency. The legislature shall not impose additional taxes for
25 emergency purposes under this subsection unless funds in the education
26 construction fund have been exhausted.

27 (c) The state or any political subdivision of the state shall not
28 impose any tax on intangible property listed in RCW 84.36.070 as that
29 statute exists on January 1, 1993.

30 (4) If the cost of any state program or function is shifted from
31 the state general fund on or after January 1, 1993, to another source
32 of funding, or if moneys are transferred from the state general fund to
33 another fund or account, the (~~office of financial management~~) state
34 expenditure limit committee, acting pursuant to RCW 43.135.025(5),
35 shall lower the state expenditure limit to reflect the shift. For the
36 purposes of this section, a transfer of money from the state general
37 fund to another fund or account includes any state legislative action

1 taken after July 1, 2000, that has the effect of reducing revenues from
2 a particular source, where such revenues would otherwise be deposited
3 into the state general fund, while increasing the revenues from that
4 particular source to another state or local government account.

5 (5) If the cost of any state program or function is shifted to the
6 state general fund on or after January 1, 2000, from another source of
7 funding, or if moneys are transferred to the state general fund from
8 another fund or account, the state expenditure limit committee, acting
9 pursuant to RCW 43.135.025(5), shall increase the state expenditure
10 limit to reflect the shift.

11 **Sec. 3.** RCW 43.135.045 and 1994 c 2 s 3 are each amended to read
12 as follows:

13 (1) The emergency reserve fund is established in the state
14 treasury. During each fiscal year, the state treasurer shall deposit
15 in the emergency reserve fund all general fund--state revenues in
16 excess of the state expenditure limit for that fiscal year. Deposits
17 shall be made at the end of each fiscal quarter based on projections of
18 state revenues and the state expenditure limit. The treasurer shall
19 make transfers between these accounts as necessary to reconcile actual
20 annual revenues and the expenditure limit for fiscal year 2000 and
21 thereafter.

22 (2) The legislature may appropriate moneys from the emergency
23 reserve fund only with approval of at least two-thirds of the members
24 of each house of the legislature, and then only if the appropriation
25 does not cause total expenditures to exceed the state expenditure limit
26 under this chapter.

27 (3) The emergency reserve fund balance shall not exceed five
28 percent of ~~((biennial))~~ annual general fund--state revenues as
29 projected by the official state revenue forecast. Any balance in
30 excess of five percent shall be transferred on a quarterly basis by the
31 state treasurer to the education construction fund hereby created in
32 the treasury. The treasurer shall make transfers between these
33 accounts as necessary to reconcile actual annual revenues for fiscal
34 year 2000 and thereafter.

35 (4)(a) Funds may be appropriated from the education construction
36 fund exclusively for common school construction or higher education
37 construction.

1 (b) Funds may be appropriated for any other purpose only if
2 approved by a two-thirds vote of each house of the legislature and if
3 approved by a vote of the people at the next general election. An
4 appropriation approved by the people under this subsection shall result
5 in an adjustment to the state expenditure limit only for the fiscal
6 period for which the appropriation is made and shall not affect any
7 subsequent fiscal period.

8 NEW SECTION. **Sec. 4.** This act is necessary for the immediate
9 preservation of the public peace, health, or safety, or support of the
10 state government and its existing public institutions, and takes effect
11 July 1, 2000."

EFFECT: This amendment makes two changes to the underlying bill.
First, it substitutes the Attorney General for the Treasurer on
the expenditure limit committee. Second, it directs the Treasurer
to reconcile deposits in the education construction fund with the
actual deposit requirements.

Including this amendment, the bill does the following:

- A state expenditure limit committee, rather than OFM, will adjust and project the expenditure limit. The committee will consist of the chairs of the House Appropriations and Senate Ways & Means committees, the Attorney General or designee, and the director of the Office of Financial Management. At least three of the committee members must agree to the adjustment or projection; if not, the Attorney General makes the adjustments or projections.
- The expenditure limit must be lowered if state legislative action after July 1, 2000 results in the reduction of revenues that otherwise would have gone to the general fund and the deposit of those revenues in another state or local government account (tax credits).
- The "one-way street" is made "two-way": if moneys or programs are transferred *into* the general fund, the limit will be increased.
- For fiscal year 2000 and thereafter, the Treasurer must make transfers between the emergency reserve fund, the general fund, and the education construction account as necessary to reconcile the actual deposit requirements.
- Moneys in the emergency reserve fund will be deposited in the education construction account when the ERF reaches 5% of annual, rather than biennial, revenues.

, consisting of the chairs of the House Appropriations and Senate Ways & Means committee, the Attorney General or designee, and the director of the Office of Financial Management,