

HOUSE BILL REPORT

HB 3043

As Reported By House Committee On:
Appropriations

Title: An act relating to account transfers by the state treasurer.

Brief Description: Requiring the state treasurer to transfer certain moneys from the general fund to meet established annual criteria.

Sponsors: Representative H. Sommers; by request of Office of Financial Management.

Brief History:

Committee Activity:

Appropriations: 3/6/00 [DPS].

Brief Summary of Substitute Bill

- For fiscal year 1999 and thereafter, the State Treasurer must make transfers between the General Fund and the Emergency Reserve Fund as necessary to reconcile annual revenues and the expenditure limit.
- The balance in the emergency reserve fund is limited to 5 percent of annual, rather than biennial, revenues, which permits earlier deposit of the excess fund balance into the education construction account.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 24 members: Representatives Huff, Republican Co-Chair; H. Sommers, Democratic Co-Chair; Doumit, Democratic Vice Chair; D. Schmidt, Republican Vice Chair; Alexander; Clements; Cody; Gombosky; Grant; Kagi; Keiser; Kenney; Kessler; Lambert; Linville; Lisk; Mastin; McIntire; Parlette; Regala; Rockefeller; Ruderman; Sullivan and Tokuda.

Minority Report: Do not pass. Signed by 8 members: Representatives Barlean, Republican Vice Chair; Benson; Boldt; Crouse; McMorris; Mulliken; Sump and Wensman.

Staff: Kristen Fraser (786-7148).

Background:

Initiative 601, enacted by the voters in 1993, established a limitation on state General Fund expenditures. The initiative also established the Emergency Reserve Fund, into which are deposited all state General Fund revenues that exceed the state expenditure limit.

On a quarterly basis during each fiscal year, the State Treasurer deposits state revenues into the Emergency Reserve Fund based on the current state revenue projections. Following the end of the fiscal year, if actual revenues are subsequently determined to differ from the projected revenues, the State Treasurer is not authorized to adjust the amount in the Emergency Reserve Fund.

If the amount of the Emergency Reserve Fund exceeds 5 percent of biennial General Fund revenues, the excess amount is deposited in the Education Construction Fund, from which the Legislature may appropriate moneys for construction projects of the K-12 school system and higher education institutions. Moneys in the Education Construction Account may be used for other purposes with a two-thirds vote of each house of the Legislature and voter approval.

The Emergency Reserve Fund balance is projected to be \$701 million on June 30, 2000, and \$760 million on June 30, 2001. Five percent of projected 1999-2001 state General Fund revenues is \$1.04 billion.

Summary of Substitute Bill:

The State Treasurer must make transfers between the state General Fund and the Emergency Reserve Fund as necessary to reconcile actual state revenues and the state expenditure limit. This applies to transfers made in fiscal year 1999 and thereafter, thus permitting transfer of overdeposits made in 1999.

The Emergency Reserve Fund balance is limited to 5 percent of annual (instead of biennial) state General Fund revenues.

Because 5 percent of projected General Fund revenues for Fiscal Year 2000 is \$515 million, under current law and budgets, the bill would result in the transfer during fiscal year 2000 of \$186 million from the Emergency Reserve Fund to the Education Construction Account.

Substitute Bill Compared to Original Bill: The substitute bill added the provision making the transfer and reconciliation authority retroactive to transfers made in fiscal year 1999.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect immediately.

Testimony For: The Association of Washington Businesses (AWB) supports the technical changes to the treasurer's transfer authority. Having the annual transfer authority is good public policy, and it brings some money to the balance sheet. The AWB wants to find a way to make reserves available for transportation purposes.

Testimony Against: None.

Testified: Rick Wickman, Association of Washington Businesses Transportation Committee.