

SENATE BILL REPORT

SB 6845

As Reported By Senate Committee On:
Ways & Means, March 10, 2000

Title: An act relating to the emergency reserve fund.

Brief Description: Reconciling actual revenues and the expenditure limit.

Sponsors: Senators Loveland and Snyder.

Brief History:

Committee Activity: Ways & Means: 3/4/2000, 3/5/2000 [DP, DNP]; 3/10/2000 [DPS, DNP].

Passed Senate, 3/5/2000, 27-21.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6845 be substituted therefor, and the substitute bill do pass.

Signed by Senators Loveland, Chair; Bauer, Vice Chair; Brown, Vice Chair; Fairley, Kline, Kohl-Welles, B. Sheldon, Snyder, Spanel, Thibaudeau and Wojahn.

Minority Report: Do not pass.

Signed by Senators Honeyford, Long, McDonald, Rossi, West and Zarelli.

Staff: Steve Jones (786-7440)

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 funds may be appropriated for construction projects of the K-12 school system and higher education institutions. Funds 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 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: Beginning with Fiscal Year 1999, 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.

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, the effect of the bill for FY 2000 would be to transfer \$186 million from the Emergency Reserve Fund to the Education Construction Account.

Substitute Bill Compared to Original Bill: The revenue reconciliation of the Emergency Reserve Fund is made retroactive to Fiscal Year 1999, resulting in a \$67 million withdrawal from the fund.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: None.

Testimony Against: None.

Testified: No one.