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SENATE BILL 6453

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State of Washington

56th Legislature

2000 Regular Session

By Senators Kohl-Welles, Loveland, Brown, McAuliffe, Fraser, Fairley, Prentice, Costa, Thibaudeau, Kline, Jacobsen and Franklin

Read first time 01/17/2000. Referred to Committee on Ways & Means.

1 AN ACT Relating to state spending and fee increase limitations;  
2 amending RCW 43.135.010 and 43.135.025; and creating a new section.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** The legislature finds that the current  
5 formula for determining the state's expenditure limit is inadequate.  
6 It is the intent of this act to change the fiscal growth factor used to  
7 determine the state expenditure limit so that it accurately  
8 approximates the growth in the state's economy. Personal income growth  
9 is a more accurate measure of the state's growth in both strong and  
10 weak economic times. The current formula increases more slowly than  
11 the economy in good economic times and therefore causes underfunding of  
12 vital state programs. It is the intent of the legislature to maintain  
13 an expenditure limit that increases at the same pace as the economy and  
14 therefore establishes personal income as the appropriate measure for  
15 fiscal growth.

16 **Sec. 2.** RCW 43.135.010 and 1994 c 2 s 1 are each amended to read  
17 as follows:

18 The people of the state of Washington hereby find and declare:

1 (1) The continuing increases in our state tax burden and the  
2 corresponding growth of state government is contrary to the interest of  
3 the people of the state of Washington.

4 (2) It is necessary to limit the rate of growth of state government  
5 while assuring adequate funding of essential services, including basic  
6 education as defined by the legislature.

7 (3) The current budgetary system in the state of Washington lacks  
8 stability. The system encourages crisis budgeting and results in  
9 cutbacks during lean years and overspending during surplus years.

10 (4) It is therefore the intent of this chapter to:

11 (a) Establish a limit on state expenditures that will assure that  
12 the growth rate of state expenditures does not exceed the growth rate  
13 of (~~(inflation and state population)~~) Washington personal income;

14 (b) Assure that local governments are provided funds adequate to  
15 render those services deemed essential by their citizens;

16 (c) Assure that the state does not impose responsibility on local  
17 governments for new programs or increased levels of service under  
18 existing programs unless the costs thereof are paid by the state;

19 (d) Provide for adjustment of the limit when costs of a program are  
20 transferred between the state and another political entity;

21 (e) Establish a procedure for exceeding this limit in emergency  
22 situations;

23 (f) Provide for voter approval of tax increases; and

24 (g) Avoid overfunding and underfunding state programs by providing  
25 stability, consistency, and long-range planning by basing the  
26 expenditure limit on the growth of the overall state economy as  
27 measured by personal income.

28 **Sec. 3.** RCW 43.135.025 and 1994 c 2 s 2 are each amended to read  
29 as follows:

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

33 (2) Except pursuant to a declaration of emergency under RCW  
34 43.135.035 or pursuant to an appropriation under RCW 43.135.045(4)(b),  
35 the state treasurer shall not issue or redeem any check, warrant, or  
36 voucher that will result in a state general fund expenditure for any  
37 fiscal year in excess of the state expenditure limit established under  
38 this chapter. A violation of this subsection constitutes a violation

1 of RCW 43.88.290 and shall subject the state treasurer to the penalties  
2 provided in RCW 43.88.300.

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

6 (4) For purposes of computing the state expenditure limit for the  
7 fiscal year beginning July 1, 1995, the phrase "the previous fiscal  
8 year's state expenditure limit" means the total state expenditures from  
9 the state general fund, not including federal funds, for the fiscal  
10 year beginning July 1, 1989, plus the fiscal growth factor. This  
11 calculation is then computed for the state expenditure limit for fiscal  
12 years 1992, 1993, 1994, and 1995, and as required under RCW  
13 43.135.035(4).

14 (5) Each November, the office of financial management shall adjust  
15 the expenditure limit for the preceding fiscal year based on actual  
16 expenditures and known changes in the fiscal growth factor and then  
17 project an expenditure limit for the next two fiscal years. The office  
18 of financial management shall notify the legislative fiscal committees  
19 of all adjustments to the state expenditure limit and projections of  
20 future expenditure limits.

21 (6) "Fiscal growth factor" means:

22 (a) For fiscal years 2001 and before, the average of the sum of  
23 inflation and population change for each of the prior three fiscal  
24 years; and

25 (b) For fiscal years 2002 and thereafter, the average of the change  
26 in Washington personal income for the prior three fiscal years.

27 (7) "Inflation" means the percentage change in the implicit price  
28 deflator for the United States for each fiscal year as published by the  
29 federal bureau of labor statistics.

30 (8) "Population change" means the percentage change in state  
31 population for each fiscal year as reported by the office of financial  
32 management.

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