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**SENATE BILL 5994**

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**State of Washington**

**57th Legislature**

**2001 Regular Session**

**By** Senators Kohl-Welles, Fraser, Thibaudeau, Regala and Jacobsen

Read first time 02/12/2001. Referred to Committee on Ways & Means.

1 AN ACT Relating to limiting the growth in state expenditures to the  
2 growth in personal income; amending RCW 43.135.010, 43.135.025, and  
3 43.135.035; and creating new sections.

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

5 NEW SECTION. **Sec. 1.** To ensure that the state budget system  
6 continues to operate with stability and predictability, the legislature  
7 finds that it is necessary to maintain a general fund expenditure limit  
8 as first enacted by Initiative 601. An expenditure limit can prevent  
9 budgeting crises that can occur because of increased spending levels  
10 during periods of revenue surplus followed by drastic reductions in  
11 state services in lean years. The legislature also finds that the  
12 current strictly formulaic calculation of an expenditure limit based  
13 solely on population growth and inflation no longer adequately  
14 addresses for the needs of our citizens. The people of Washington are  
15 best served by an expenditure limit that will keep pace with the growth  
16 in the state's economy yet still ensure budget discipline and taxpayer  
17 protection. For these reasons, the legislature finds that a limit  
18 based on growth in the state personal income will recognize not only  
19 the growth in population and inflation but also the economic

1 productivity of our economy and therefore better balance the needs of  
2 the citizens for essential government services with the obligation of  
3 the legislature for strict spending accountability and protection of  
4 its taxpayers.

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

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

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

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

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

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

18 (a) Establish a limit on state expenditures that will assure that  
19 the growth rate of state expenditures does not exceed ninety percent of  
20 the growth rate ((of inflation and state population)) in Washington  
21 personal income;

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

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

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

29 (e) Establish a procedure for exceeding this limit in emergency  
30 situations;

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

32 (g) Avoid overfunding and underfunding state programs by providing  
33 stability, consistency, and long-range planning.

34 **Sec. 3.** RCW 43.135.025 and 2000 2nd sp.s. c 2 s 1 are each amended  
35 to read as follows:

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

4 (2) Except pursuant to a declaration of emergency under RCW  
5 43.135.035 or pursuant to an appropriation under RCW 43.135.045(4)(b),  
6 the state treasurer shall not issue or redeem any check, warrant, or  
7 voucher that will result in a state general fund expenditure for any  
8 fiscal year in excess of the state expenditure limit established under  
9 this chapter. A violation of this subsection constitutes a violation  
10 of RCW 43.88.290 and shall subject the state treasurer to the penalties  
11 provided in RCW 43.88.300.

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

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

23 (5) A state expenditure limit committee is established for the  
24 purpose of determining and adjusting the state expenditure limit as  
25 provided in this chapter. The members of the state expenditure limit  
26 committee are the director of financial management, the attorney  
27 general or the attorney general's designee, and the chairs of the  
28 senate committee on ways and means and the house of representatives  
29 committee on appropriations. All actions of the state expenditure  
30 limit committee taken pursuant to this chapter require an affirmative  
31 vote of at least three members.

32 (6) Each November, the state expenditure limit committee shall  
33 adjust the expenditure limit for the preceding fiscal year based on  
34 actual expenditures and known changes in the fiscal growth factor and  
35 then project an expenditure limit for the next two fiscal years. If,  
36 by November 30th, the state expenditure limit committee has not adopted  
37 the expenditure limit adjustment and projected expenditure limit as  
38 provided in subsection (5) of this section, the attorney general or his

1 or her designee shall adjust or project the expenditure limit, as  
2 necessary.

3 (7) "Fiscal growth factor" means ninety percent of the average of  
4 the sum of ((inflation and population change)) the growth in Washington  
5 personal income for each of the prior three fiscal years.

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

9 ~~(9) "Population change" means the percentage change in state~~  
10 ~~population for each fiscal year as reported by the office of financial~~  
11 ~~management.))~~

12 **Sec. 4.** RCW 43.135.035 and 2000 2nd sp.s. c 2 s 2 are each amended  
13 to read as follows:

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

20 (2)(a) If the legislative action under subsection (1) of this  
21 section will result in expenditures in excess of the state expenditure  
22 limit, then the action of the legislature shall not take effect until  
23 approved by a vote of the people at a November general election. The  
24 office of financial management shall adjust the state expenditure limit  
25 by the amount of additional revenue approved by the voters under this  
26 section. This adjustment shall not exceed the amount of revenue  
27 generated by the legislative action during the first full fiscal year  
28 in which it is in effect. The state expenditure limit shall be  
29 adjusted downward upon expiration or repeal of the legislative action.

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

32 "Shall taxes be imposed on . . . . . in order to allow a  
33 spending increase above last year's authorized spending adjusted for  
34 ~~((inflation and population increases))~~ the fiscal growth factor?"

35 (3)(a) The state expenditure limit may be exceeded upon declaration  
36 of an emergency for a period not to exceed twenty-four months by a law  
37 approved by a two-thirds vote of each house of the legislature and

1 signed by the governor. The law shall set forth the nature of the  
2 emergency, which is limited to natural disasters that require immediate  
3 government action to alleviate human suffering and provide humanitarian  
4 assistance. The state expenditure limit may be exceeded for no more  
5 than twenty-four months following the declaration of the emergency and  
6 only for the purposes contained in the emergency declaration.

7 (b) Additional taxes required for an emergency under this section  
8 may be imposed only until thirty days following the next general  
9 election, unless an extension is approved at that general election.  
10 The additional taxes shall expire upon expiration of the declaration of  
11 emergency. The legislature shall not impose additional taxes for  
12 emergency purposes under this subsection unless funds in the education  
13 construction fund have been exhausted.

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

17 (4) If the cost of any state program or function is shifted from  
18 the state general fund on or after January 1, 1993, to another source  
19 of funding, or if moneys are transferred from the state general fund to  
20 another fund or account, the state expenditure limit committee, acting  
21 pursuant to RCW 43.135.025(5), shall lower the state expenditure limit  
22 to reflect the shift. For the purposes of this section, a transfer of  
23 money from the state general fund to another fund or account includes  
24 any state legislative action taken after July 1, 2000, that has the  
25 effect of reducing revenues from a particular source, where such  
26 revenues would otherwise be deposited into the state general fund,  
27 while increasing the revenues from that particular source to another  
28 state or local government account.

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

35 NEW SECTION. **Sec. 5.** This act applies to expenditures in fiscal  
36 year 2002 and thereafter.

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