
SENATE BILL 6758

State of Washington 57th Legislature

2002 Regular Session

By Senators Rossi, T. Sheldon, Finkbeiner, Honeyford, Stevens, Hewitt, Horn, McCaslin, Zarelli, Hochstatter, Johnson, West, Benton, Hale and Parlette

Read first time 02/01/2002. Referred to Committee on Ways & Means.

1 AN ACT Relating to the state expenditure limit; amending RCW
2 43.135.025 and 43.135.060; reenacting and amending RCW 43.135.035 and
3 43.135.045; and providing for submission of this act to a vote of the
4 people.

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

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

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

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

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

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

12 (5) A state expenditure limit committee is established for the
13 purpose of determining and adjusting the state expenditure limit as
14 provided in this chapter. The six members of the state expenditure
15 limit committee are the director of financial management, the attorney
16 general or the attorney general's designee, and the chairs and ranking
17 minority members of the senate committee on ways and means and the
18 house of representatives committee on appropriations. All actions of
19 the state expenditure limit committee taken pursuant to this chapter
20 require an affirmative vote of at least (~~three~~) four members.

21 (6) Each November, the state expenditure limit committee shall
22 adjust the expenditure limit for the preceding fiscal year based on
23 actual expenditures and known changes in the fiscal growth factor and
24 then project an expenditure limit for the next two fiscal years. If,
25 by November 30th, the state expenditure limit committee has not adopted
26 the expenditure limit adjustment and projected expenditure limit as
27 provided in subsection (5) of this section, the attorney general or his
28 or her designee shall adjust or project the expenditure limit, as
29 necessary.

30 (7) "Fiscal growth factor" means the average of the sum of
31 inflation and population change for each of the prior three fiscal
32 years.

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

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

1 **Sec. 2.** RCW 43.135.035 and 2001 c 3 s 8 (Initiative Measure No.
2 728) and 2000 2nd sp.s. c 2 s 2 are each reenacted and amended to read
3 as follows:

4 (1) After July 1, 1995, any action or combination of actions by the
5 legislature that raises state tax revenue to any fund or account or
6 requires revenue-neutral tax shifts may be taken only if approved by a
7 two-thirds vote of each house, and then only if state expenditures in
8 any fiscal year, including the new revenue, will not exceed the state
9 expenditure limits established under this chapter.

10 (2)(a) If the legislative action under subsection (1) of this
11 section will result in expenditures in excess of the state expenditure
12 limit, then the action of the legislature shall not take effect until
13 approved by a vote of the people at a November general election. The
14 office of financial management shall adjust the state expenditure limit
15 by the amount of additional revenue approved by the voters under this
16 section. This adjustment shall not exceed the amount of revenue
17 generated by the legislative action during the first full fiscal year
18 in which it is in effect. The state expenditure limit shall be
19 adjusted downward upon expiration or repeal of the legislative action.

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

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

25 (3)(a) The state expenditure limit may be exceeded upon declaration
26 of an emergency for a period not to exceed twenty-four months by a law
27 approved by a two-thirds vote of each house of the legislature and
28 signed by the governor. The law shall set forth the nature of the
29 emergency, which is limited to natural disasters that require immediate
30 government action to alleviate human suffering and provide humanitarian
31 assistance. The state expenditure limit may be exceeded for no more
32 than twenty-four months following the declaration of the emergency and
33 only for the purposes contained in the emergency declaration.

34 (b) Additional taxes required for an emergency under this section
35 may be imposed only until thirty days following the next general
36 election, unless an extension is approved at that general election.
37 The additional taxes shall expire upon expiration of the declaration of
38 emergency. The legislature shall not impose additional taxes for

1 emergency purposes under this subsection unless funds in the education
2 construction fund have been exhausted.

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

6 (4) If the cost of any state program or function is shifted from
7 the state general fund on or after January 1, 1993, to another source
8 of funding, or if moneys are transferred from the state general fund to
9 another fund or account, the state expenditure limit committee, acting
10 pursuant to RCW 43.135.025(5), shall lower the state expenditure limit
11 to reflect the shift. For the purposes of this section, a transfer of
12 money from the state general fund to another fund or account includes
13 any state legislative action taken after July 1, 2000, that has the
14 effect of reducing revenues from a particular source, where such
15 revenues would otherwise be deposited into the state general fund,
16 while increasing the revenues from that particular source to another
17 state or local government account. For the purposes of this section,
18 a shift of state program costs includes the shift of any portion of the
19 program's cost, including the shift of the cost of any future growth in
20 the program. This subsection does not apply to the dedication or use
21 of lottery revenues under RCW 67.70.240(3) or property taxes under RCW
22 84.52.068, in support of education or education expenditures.

23 (5) If the cost of any state program or function (~~(is)~~) and the
24 ongoing revenue necessary to fund the program or function are shifted
25 to the state general fund on or after January 1, (~~2000, from another~~
26 ~~source of funding, or if moneys are transferred to the state general~~
27 ~~fund from another fund or account)) 2002, the state expenditure limit
28 committee, acting pursuant to RCW 43.135.025(5), shall increase the
29 state expenditure limit to reflect the shift.~~

30 **Sec. 3.** RCW 43.135.045 and 2001 c 3 s 9 (Initiative Measure No.
31 728), 2000 2nd sp.s. c 5 s 1, and 2000 2nd sp.s. c 2 s 3 are each
32 reenacted and amended to read as follows:

33 (1) The emergency reserve fund is established in the state
34 treasury. During each fiscal year, the state treasurer shall deposit
35 in the emergency reserve fund all general fund--state revenues in
36 excess of the state expenditure limit for that fiscal year. Deposits
37 shall be made at the end of each fiscal quarter based on projections of
38 state revenues and the state expenditure limit. The treasurer shall

1 make transfers between these accounts as necessary to reconcile actual
2 annual revenues and the expenditure limit for fiscal year 2000 and
3 thereafter.

4 (2) The legislature may appropriate moneys from the emergency
5 reserve fund only with approval of at least two-thirds of the members
6 of each house of the legislature, and then only if the appropriation
7 does not cause total expenditures to exceed the state expenditure limit
8 under this chapter. However, the legislature may appropriate moneys
9 from the emergency reserve fund with the approval of a majority of the
10 members of each house of the legislature if, for the fiscal biennium
11 for which the appropriation is made, the general fund--state revenues
12 are forecasted under chapter 82.33 RCW to be more than one percent less
13 than general fund--state revenues for the immediately preceding fiscal
14 biennium.

15 (3) The emergency reserve fund balance shall not exceed five
16 percent of ((~~annual~~) biennial general fund--state revenues as
17 projected by the official state revenue forecast. Any balance in
18 excess of five percent shall be transferred on a quarterly basis by the
19 state treasurer as follows: Seventy-five percent to the student
20 achievement fund hereby created in the state treasury and twenty-five
21 percent to the general fund balance. The treasurer shall make
22 transfers between these accounts as necessary to reconcile actual
23 annual revenues for fiscal year 2000 and thereafter. When per-student
24 state funding for the maintenance and operation of K-12 education meets
25 a level of no less than ninety percent of the national average of total
26 funding from all sources per student as determined by the most recent
27 published data from the national center for education statistics of the
28 United States department of education, as calculated by the office of
29 financial management, further deposits to the student achievement fund
30 shall be required only to the extent necessary to maintain the ninety-
31 percent level. Remaining funds are part of the general fund balance
32 and these funds are subject to the expenditure limits of this chapter.

33 (4) The education construction fund is hereby created in the state
34 treasury.

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

38 (b) Funds may be appropriated for any other purpose only if
39 approved by a two-thirds vote of each house of the legislature and if

1 approved by a vote of the people at the next general election. An
2 appropriation approved by the people under this subsection shall result
3 in an adjustment to the state expenditure limit only for the fiscal
4 period for which the appropriation is made and shall not affect any
5 subsequent fiscal period.

6 (5) Funds from the student achievement fund shall be appropriated
7 to the superintendent of public instruction strictly for distribution
8 to school districts to meet the provisions set out in the student
9 achievement act. Allocations shall be made on an equal per full-time
10 equivalent student basis to each school district.

11 (6) Earnings of the emergency reserve fund under RCW
12 43.84.092(4)(a) shall be transferred quarterly to the multimodal
13 transportation account, except for those earnings that are in excess of
14 thirty-five million dollars each fiscal year. Within thirty days
15 following any fiscal year in which earnings transferred to the
16 multimodal transportation account under this subsection did not total
17 thirty-five million dollars, the state treasurer shall transfer from
18 the emergency reserve fund an amount necessary to bring the total
19 deposited in the multimodal transportation account under this
20 subsection to thirty-five million dollars. The revenues to the
21 multimodal transportation account reflected in this subsection provide
22 ongoing support for the transportation programs of the state. However,
23 it is the intent of the legislature that any new long-term financial
24 support that may be subsequently provided for transportation programs
25 will be used to replace and supplant the revenues reflected in this
26 subsection, thereby allowing those revenues to be returned to the
27 purposes to which they were previously dedicated.

28 **Sec. 4.** RCW 43.135.060 and 1998 c 321 s 15 (Referendum Bill No.
29 49) are each amended to read as follows:

30 (1) After July 1, 1995, the legislature shall not impose
31 responsibility for new programs or increased levels of service under
32 existing programs on any political subdivision of the state unless the
33 subdivision is fully reimbursed by the state for the costs of the new
34 programs or increases in service levels. Reimbursement by the state
35 may be made by: (a) A specific appropriation; or (b) increases in
36 state distributions of revenue to political subdivisions occurring
37 after January 1, 1998.

1 (2) If by order of any court, or legislative enactment, the costs
2 of a specifically identified federal or local government program are
3 transferred to or from the state, the otherwise applicable state
4 expenditure limit shall be increased or decreased, as the case may be,
5 by the dollar amount of the costs of the program.

6 (3) The legislature, in consultation with the office of financial
7 management or its successor agency, shall determine the costs of any
8 new programs or increased levels of service under existing programs
9 imposed on any political subdivision or transferred to or from the
10 state.

11 (4) Subsection (1) of this section does not apply to the costs
12 incurred for voting devices or machines under RCW 29.04.200.

13 NEW SECTION. **Sec. 5.** The secretary of state shall submit this act
14 to the people for their adoption and ratification, or rejection, at the
15 next general election to be held in this state, in accordance with
16 Article II, section 1 of the state Constitution and the laws adopted to
17 facilitate its operation.

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