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**SUBSTITUTE SENATE BILL 5427**

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**State of Washington**

**58th Legislature**

**2003 Regular Session**

**By** Senate Committee on Ways & Means (originally sponsored by Senators Rossi, Benton, Hewitt, Zarelli, Johnson, Stevens, McCaslin, Morton, Hale, Mulliken, Parlette, Roach, Schmidt, Brandland, Sheahan, Esser and Oke)

READ FIRST TIME 01/30/03.

1 AN ACT Relating to the state expenditure limit; amending RCW  
2 43.135.025; reenacting and amending RCW 43.135.035, 43.135.045, and  
3 43.84.092; and repealing RCW 43.33A.220 and 43.135.051.

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

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

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

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

18 (3) The state expenditure limit for any fiscal year shall be the

1 previous fiscal year's state expenditure limit increased by a  
2 percentage rate that equals the fiscal growth factor.

3 (4) For purposes of computing the state expenditure limit for the  
4 fiscal year beginning July 1, (~~(1995)~~) 2003, the phrase "the previous  
5 fiscal year's state expenditure limit" means the total state  
6 expenditures from the state general fund and related funds, not  
7 including federal funds, for the fiscal year beginning July 1, (~~(1989)~~)  
8 2002, plus the fiscal growth factor. (~~(This calculation is then~~  
9 ~~computed for the state expenditure limit for fiscal years 1992, 1993,~~  
10 ~~1994, and 1995, and as required under RCW 43.135.035(4).))~~)

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

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

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

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

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



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

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

11 (4) If the cost of any state program or function is shifted from  
12 the state general fund (~~((on or after January 1, 1993,))~~) or related fund  
13 to another source of funding, or if moneys are transferred from the  
14 state general fund or related fund to another fund or account, the  
15 state expenditure limit committee, acting pursuant to RCW  
16 43.135.025(5), shall lower the state expenditure limit to reflect the  
17 shift. For the purposes of this section, a transfer of money from the  
18 state general fund or related fund to another fund or account includes  
19 any state legislative action (~~((taken after July 1, 2000,))~~) that has the  
20 effect of reducing revenues from a particular source, where such  
21 revenues would otherwise be deposited into the state general fund or  
22 related fund, while increasing the revenues from that particular source  
23 to another state or local government account. For purposes of this  
24 section, a shift of program costs includes the shift of any portion of  
25 the program's cost, including the shift of any expenditure growth in  
26 the program. This subsection does not apply to the dedication or use  
27 of lottery revenues under RCW 67.70.240(3) or property taxes under RCW  
28 84.52.068, in support of education or education expenditures.

29 (5) If the cost of any state program or function (~~((is))~~) and the  
30 ongoing revenue necessary to fund the program or function are shifted  
31 to the state general fund or related fund on or after January 1,  
32 (~~((2000, from another source of funding, or if moneys are transferred to~~  
33 ~~the state general fund from another fund or account))~~) 2003, the state  
34 expenditure limit committee, acting pursuant to RCW 43.135.025(5),  
35 shall increase the state expenditure limit to reflect the shift.

36 **Sec. 3.** RCW 43.135.045 and 2001 c 3 s 9, 2000 2nd sp.s. c 5 s 1,

1 and 2000 2nd sp.s. c 2 s 3 are each reenacted and amended to read as  
2 follows:

3 ~~(1) ((The emergency reserve fund is established in the state  
4 treasury. During each fiscal year, the state treasurer shall deposit  
5 in the emergency reserve fund all general fund state revenues in  
6 excess of the state expenditure limit for that fiscal year. Deposits  
7 shall be made at the end of each fiscal quarter based on projections of  
8 state revenues and the state expenditure limit. The treasurer shall  
9 make transfers between these accounts as necessary to reconcile actual  
10 annual revenues and the expenditure limit for fiscal year 2000 and  
11 thereafter.~~

12 ~~(2) The legislature may appropriate moneys from the emergency  
13 reserve fund only with approval of at least two thirds of the members  
14 of each house of the legislature, and then only if the appropriation  
15 does not cause total expenditures to exceed the state expenditure limit  
16 under this chapter.~~

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

35 ~~((4))~~ (2) The education construction fund is hereby created in  
36 the state treasury.

37 (a) Funds may be appropriated from the education construction fund

1 exclusively for common school construction or higher education  
2 construction.

3 (b) Funds may be appropriated for any other purpose only if  
4 approved by a two-thirds vote of each house of the legislature and if  
5 approved by a vote of the people at the next general election. An  
6 appropriation approved by the people under this subsection shall result  
7 in an adjustment to the state expenditure limit only for the fiscal  
8 period for which the appropriation is made and shall not affect any  
9 subsequent fiscal period.

10 ~~((+5))~~ (3) Funds from the student achievement fund shall be  
11 appropriated to the superintendent of public instruction strictly for  
12 distribution to school districts to meet the provisions set out in the  
13 student achievement act. Allocations shall be made on an equal per  
14 full-time equivalent student basis to each school district.

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

32 **Sec. 4.** RCW 43.84.092 and 2002 c 242 s 2, 2002 c 114 s 24, and  
33 2002 c 56 s 402 are each reenacted and amended to read as follows:

34 (1) All earnings of investments of surplus balances in the state  
35 treasury shall be deposited to the treasury income account, which  
36 account is hereby established in the state treasury.

1 (2) The treasury income account shall be utilized to pay or receive  
2 funds associated with federal programs as required by the federal cash  
3 management improvement act of 1990. The treasury income account is  
4 subject in all respects to chapter 43.88 RCW, but no appropriation is  
5 required for refunds or allocations of interest earnings required by  
6 the cash management improvement act. Refunds of interest to the  
7 federal treasury required under the cash management improvement act  
8 fall under RCW 43.88.180 and shall not require appropriation. The  
9 office of financial management shall determine the amounts due to or  
10 from the federal government pursuant to the cash management improvement  
11 act. The office of financial management may direct transfers of funds  
12 between accounts as deemed necessary to implement the provisions of the  
13 cash management improvement act, and this subsection. Refunds or  
14 allocations shall occur prior to the distributions of earnings set  
15 forth in subsection (4) of this section.

16 (3) Except for the provisions of RCW 43.84.160, the treasury income  
17 account may be utilized for the payment of purchased banking services  
18 on behalf of treasury funds including, but not limited to, depository,  
19 safekeeping, and disbursement functions for the state treasury and  
20 affected state agencies. The treasury income account is subject in all  
21 respects to chapter 43.88 RCW, but no appropriation is required for  
22 payments to financial institutions. Payments shall occur prior to  
23 distribution of earnings set forth in subsection (4) of this section.

24 (4) Monthly, the state treasurer shall distribute the earnings  
25 credited to the treasury income account. The state treasurer shall  
26 credit the general fund with all the earnings credited to the treasury  
27 income account except:

28 (a) The following accounts and funds shall receive their  
29 proportionate share of earnings based upon each account's and fund's  
30 average daily balance for the period: The capitol building  
31 construction account, the Cedar River channel construction and  
32 operation account, the Central Washington University capital projects  
33 account, the charitable, educational, penal and reformatory  
34 institutions account, the common school construction fund, the county  
35 criminal justice assistance account, the county sales and use tax  
36 equalization account, the data processing building construction  
37 account, the deferred compensation administrative account, the deferred  
38 compensation principal account, the department of retirement systems

1 expense account, the drinking water assistance account, the drinking  
2 water assistance administrative account, the drinking water assistance  
3 repayment account, the Eastern Washington University capital projects  
4 account, the education construction fund, (~~the emergency reserve~~  
5 ~~fund,~~) the federal forest revolving account, the health services  
6 account, the public health services account, the health system capacity  
7 account, the personal health services account, the state higher  
8 education construction account, the higher education construction  
9 account, the highway infrastructure account, the industrial insurance  
10 premium refund account, the judges' retirement account, the judicial  
11 retirement administrative account, the judicial retirement principal  
12 account, the local leasehold excise tax account, the local real estate  
13 excise tax account, the local sales and use tax account, the medical  
14 aid account, the mobile home park relocation fund, the multimodal  
15 transportation account, the municipal criminal justice assistance  
16 account, the municipal sales and use tax equalization account, the  
17 natural resources deposit account, the oyster reserve land account, the  
18 perpetual surveillance and maintenance account, the public employees'  
19 retirement system plan 1 account, the public employees' retirement  
20 system combined plan 2 and plan 3 account, the public facilities  
21 construction loan revolving account beginning July 1, 2004, the public  
22 health supplemental account, the Puyallup tribal settlement account,  
23 the regional transportation investment district account, the resource  
24 management cost account, the site closure account, the special wildlife  
25 account, the state employees' insurance account, the state employees'  
26 insurance reserve account, the state investment board expense account,  
27 the state investment board commingled trust fund accounts, the  
28 supplemental pension account, the Tacoma Narrows toll bridge account,  
29 the teachers' retirement system plan 1 account, the teachers'  
30 retirement system combined plan 2 and plan 3 account, the tobacco  
31 prevention and control account, the tobacco settlement account, the  
32 transportation infrastructure account, the tuition recovery trust fund,  
33 the University of Washington bond retirement fund, the University of  
34 Washington building account, the volunteer fire fighters' and reserve  
35 officers' relief and pension principal fund, the volunteer fire  
36 fighters' and reserve officers' administrative fund, the Washington  
37 fruit express account, the Washington judicial retirement system  
38 account, the Washington law enforcement officers' and fire fighters'



1 system plan 1 retirement account, the Washington law enforcement  
2 officers' and fire fighters' system plan 2 retirement account, the  
3 Washington school employees' retirement system combined plan 2 and 3  
4 account, the Washington state health insurance pool account, the  
5 Washington state patrol retirement account, the Washington State  
6 University building account, the Washington State University bond  
7 retirement fund, the water pollution control revolving fund, and the  
8 Western Washington University capital projects account. Earnings  
9 derived from investing balances of the agricultural permanent fund, the  
10 normal school permanent fund, the permanent common school fund, the  
11 scientific permanent fund, and the state university permanent fund  
12 shall be allocated to their respective beneficiary accounts. All  
13 earnings to be distributed under this subsection (4)(a) shall first be  
14 reduced by the allocation to the state treasurer's service fund  
15 pursuant to RCW 43.08.190.

16 (b) The following accounts and funds shall receive eighty percent  
17 of their proportionate share of earnings based upon each account's or  
18 fund's average daily balance for the period: The aeronautics account,  
19 the aircraft search and rescue account, the county arterial  
20 preservation account, the department of licensing services account, the  
21 essential rail assistance account, the ferry bond retirement fund, the  
22 grade crossing protective fund, the high capacity transportation  
23 account, the highway bond retirement fund, the highway safety account,  
24 the motor vehicle fund, the motorcycle safety education account, the  
25 pilotage account, the public transportation systems account, the Puget  
26 Sound capital construction account, the Puget Sound ferry operations  
27 account, the recreational vehicle account, the rural arterial trust  
28 account, the safety and education account, the special category C  
29 account, the state patrol highway account, the transportation equipment  
30 fund, the transportation fund, the transportation improvement account,  
31 the transportation improvement board bond retirement account, and the  
32 urban arterial trust account.

33 (5) In conformance with Article II, section 37 of the state  
34 Constitution, no treasury accounts or funds shall be allocated earnings  
35 without the specific affirmative directive of this section.

36 NEW SECTION. **Sec. 5.** The following acts or parts of acts are each  
37 repealed:

1           (1) RCW 43.33A.220 (Emergency reserve fund--Board's duties) and  
2 1999 c 288 s 2; and  
3           (2) RCW 43.135.051 (Emergency reserve fund--State investment board  
4 authority to invest or manage) and 1999 c 288 s 1.

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