
SENATE BILL 5427

State of Washington

58th Legislature

2003 Regular Session

By Senators Rossi, Benton, Hewitt, Zarelli, Johnson, Stevens,
McCaslin, Morton, Hale, Mulliken, Parlette, Roach, Schmidt,
Brandland, Sheahan, Esser and Oke

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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. This subsection does not
24 apply to the dedication or use of lottery revenues under RCW
25 67.70.240(3) or property taxes under RCW 84.52.068, in support of
26 education or education expenditures.

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

34 **Sec. 3.** RCW 43.135.045 and 2001 c 3 s 9, 2000 2nd sp.s. c 5 s 1,
35 and 2000 2nd sp.s. c 2 s 3 are each reenacted and amended to read as
36 follows:

37 (1) (~~((The emergency reserve fund is established in the state~~

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

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

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

32 ((~~4~~)) (2) The education construction fund is hereby created in
33 the state treasury.

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

37 (b) Funds may be appropriated for any other purpose only if
38 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))~~ (3) Funds from the student achievement fund shall be
7 appropriated to the superintendent of public instruction strictly for
8 distribution to school districts to meet the provisions set out in the
9 student achievement act. Allocations shall be made on an equal per
10 full-time 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 43.84.092 and 2002 c 242 s 2, 2002 c 114 s 24, and
29 2002 c 56 s 402 are each reenacted and amended to read as follows:

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

33 (2) The treasury income account shall be utilized to pay or receive
34 funds associated with federal programs as required by the federal cash
35 management improvement act of 1990. The treasury income account is
36 subject in all respects to chapter 43.88 RCW, but no appropriation is
37 required for refunds or allocations of interest earnings required by

1 the cash management improvement act. Refunds of interest to the
2 federal treasury required under the cash management improvement act
3 fall under RCW 43.88.180 and shall not require appropriation. The
4 office of financial management shall determine the amounts due to or
5 from the federal government pursuant to the cash management improvement
6 act. The office of financial management may direct transfers of funds
7 between accounts as deemed necessary to implement the provisions of the
8 cash management improvement act, and this subsection. Refunds or
9 allocations shall occur prior to the distributions of earnings set
10 forth in subsection (4) of this section.

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

19 (4) Monthly, the state treasurer shall distribute the earnings
20 credited to the treasury income account. The state treasurer shall
21 credit the general fund with all the earnings credited to the treasury
22 income account except:

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

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

1 University building account, the Washington State University bond
2 retirement fund, the water pollution control revolving fund, and the
3 Western Washington University capital projects account. Earnings
4 derived from investing balances of the agricultural permanent fund, the
5 normal school permanent fund, the permanent common school fund, the
6 scientific permanent fund, and the state university permanent fund
7 shall be allocated to their respective beneficiary accounts. All
8 earnings to be distributed under this subsection (4)(a) shall first be
9 reduced by the allocation to the state treasurer's service fund
10 pursuant to RCW 43.08.190.

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

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

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

33 (1) RCW 43.33A.220 (Emergency reserve fund--Board's duties) and
34 1999 c 288 s 2; and

35 (2) RCW 43.135.051 (Emergency reserve fund--State investment board
36 authority to invest or manage) and 1999 c 288 s 1.

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