

SSB 6078 - H AMD TO APP COMM AMD (H2969.1)
By Representative McIntire

ADOPTED AS AMENDED 04/15/2005

1 On page 1, of the amendment, after line 2, strike the remainder of
2 the amendment and insert:

3 "NEW SECTION. **Sec. 1.** The legislature finds that the citizens of
4 the state benefit from a state expenditure limit that ensures that the
5 state budget operates with stability and predictability, while
6 encouraging the establishment of budget priorities and a periodic
7 review of state programs and the delivery of state services. A state
8 expenditure limit can prevent budgeting crises that can occur because
9 of increased spending levels during periods of revenue surplus followed
10 by drastic reductions in state services in lean years. The citizens of
11 the state are best served by an expenditure limit that keeps pace with
12 the growth in the state's economy yet ensures budget discipline and
13 taxpayer protection. For these reasons, the legislature finds that
14 modifications to the state expenditure limit, after ten years of
15 experience following the initial implementation of Initiative Measure
16 No. 601, will recognize the economic productivity of the state's
17 economy and better balance the needs of the citizens for essential
18 government services with the obligation of the legislature for strict
19 spending accountability and protection of its taxpayers.

20 **Sec. 2.** RCW 43.135.035 and 2001 c 3 s 8 and 2000 2nd sp.s. c 2 s
21 2 are each reenacted and amended to read as follows:

22 (1) After July 1, 1995, any action or combination of actions by the
23 legislature that raises state revenue or requires revenue-neutral tax
24 shifts may be taken only if approved by a two-thirds vote of each
25 house, and then only if state expenditures in any fiscal year,
26 including the new revenue, will not exceed the state expenditure limits
27 established under this chapter. However, for legislation enacted
28 between the effective date of this 2005 act and June 30, 2007, any
29 action or combination of actions by the legislature that raises state

1 revenue or requires revenue-neutral tax shifts may be taken with the
2 approval of a majority of members elected to each house, so long as
3 state expenditures in any fiscal year, including the new revenue, will
4 not exceed the state expenditure limits established under this chapter.

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

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

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

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

30 (b) Additional taxes required for an emergency under this section
31 may be imposed only until thirty days following the next general
32 election, unless an extension is approved at that general election.
33 The additional taxes shall expire upon expiration of the declaration of
34 emergency. The legislature shall not impose additional taxes for
35 emergency purposes under this subsection unless funds in the education
36 construction fund have been exhausted.

37 (c) The state or any political subdivision of the state shall not

1 impose any tax on intangible property listed in RCW 84.36.070 as that
2 statute exists on January 1, 1993.

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

18 (5) If the cost of any state program or function is shifted to the
19 state general fund on or after January 1, 2000, from another source of
20 funding, or if moneys are transferred to the state general fund from
21 another fund or account, the state expenditure limit committee, acting
22 pursuant to RCW 43.135.025(5), shall increase the state expenditure
23 limit to reflect the shift.

24 **Sec. 3.** RCW 43.135.010 and 1994 c 2 s 1 are each amended to read
25 as follows:

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

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

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

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

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

1 (a) Establish a limit on state expenditures that will assure that
2 the growth rate of state expenditures does not exceed the growth rate
3 (~~of inflation and state population~~) in Washington personal income;

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

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

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

11 (e) Establish a procedure for exceeding this limit in emergency
12 situations;

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

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

16 **Sec. 4.** RCW 43.135.025 and 2000 2nd sp.s. c 2 s 1 are each amended
17 to read as follows:

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

21 (2) Except pursuant to a declaration of emergency under RCW
22 43.135.035 or pursuant to an appropriation under RCW 43.135.045(4)(b),
23 the state treasurer shall not issue or redeem any check, warrant, or
24 voucher that will result in a state general fund or related fund
25 expenditure for any fiscal year in excess of the state expenditure
26 limit established under this chapter. A violation of this subsection
27 constitutes a violation of RCW 43.88.290 and shall subject the state
28 treasurer to the penalties provided in RCW 43.88.300.

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

32 (4) For purposes of computing the state expenditure limit for the
33 fiscal year beginning July 1, (~~1995~~) 2007, the phrase "the previous
34 fiscal year's state expenditure limit" means the total state
35 expenditures from the state general fund and related funds, not
36 including federal funds, for the fiscal year beginning July 1, (~~1989~~)

1 2006, plus the fiscal growth factor. (~~(This calculation is then~~
2 ~~computed for the state expenditure limit for fiscal years 1992, 1993,~~
3 ~~1994, and 1995, and as required under RCW 43.135.035(4).))~~)

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

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

22 (7) "Fiscal growth factor" means the average (~~(of the sum of~~
23 ~~inflation and population change for each of the prior three fiscal~~
24 ~~years))~~ growth in state personal income for the prior ten fiscal years.

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

28 (~~(9) "Population change" means the percentage change in state~~
29 ~~population for each fiscal year as reported by the office of financial~~
30 ~~management.))~~ "General fund" means the state general fund.

31 (9) "Related fund" means the health services account, violence
32 reduction and drug enforcement account, public safety and education
33 account, water quality account, or student achievement fund.

34 **Sec. 5.** RCW 43.135.035 and 2005 c ... s 2 (section 2 of this act)
35 are each amended to read as follows:

36 (1) After July 1, 1995, any action or combination of actions by the
37 legislature that raises state revenue or requires revenue-neutral tax

1 shifts may be taken only if approved by a two- thirds vote of each
2 house, and then only if state expenditures in any fiscal year,
3 including the new revenue, will not exceed the state expenditure limits
4 established under this chapter. (~~However, for legislation enacted~~
5 ~~between the effective date of this 2005 act and June 30, 2007, any~~
6 ~~action or combination of actions by the legislature that raises state~~
7 ~~revenue or requires revenue neutral tax shifts may be taken with the~~
8 ~~approval of a majority of members elected to each house, so long as~~
9 ~~state expenditures in any fiscal year, including the new revenue, will~~
10 ~~not exceed the state expenditure limits established under this~~
11 ~~chapter.))~~

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

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

24 "Shall taxes be imposed on in order to allow a
25 spending increase above last year's authorized spending adjusted for
26 (~~inflation and population increases~~) personal income growth?"

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

36 (b) Additional taxes required for an emergency under this section
37 may be imposed only until thirty days following the next general
38 election, unless an extension is approved at that general election.

1 The additional taxes shall expire upon expiration of the declaration of
2 emergency. The legislature shall not impose additional taxes for
3 emergency purposes under this subsection unless funds in the education
4 construction fund have been exhausted.

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

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

24 (5) If the cost of any state program or function (~~(is)~~) and the
25 ongoing revenue necessary to fund the program or function are shifted
26 to the state general fund or a related fund on or after January 1,
27 (~~(2000, from another source of funding, or if moneys are transferred to~~
28 ~~the state general fund from another fund or account))~~ 2007, the state
29 expenditure limit committee, acting pursuant to RCW 43.135.025(5),
30 shall increase the state expenditure limit to reflect the shift.

31 **Sec. 6.** RCW 43.135.045 and 2003 1st sp.s. c 25 s 920 are each
32 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 transfer an amount from the state general fund to the emergency reserve~~

1 fund. The amount transferred shall equal the amount by which total
2 state revenue for the general fund and related funds exceeds the state
3 expenditure limit, multiplied by the percentage that general fund
4 expenditures are of total expenditures from the general fund and
5 related funds. Transfers shall be made at the end of each fiscal
6 quarter based on projections of state revenues, expenditures, and the
7 state expenditure limit. The treasurer shall make transfers between
8 these accounts as necessary to reconcile actual annual revenues and the
9 expenditure limit for fiscal year 2000 and thereafter.

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

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

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

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

13 ~~((6) Earnings of the emergency reserve fund under RCW
14 43.84.092(4)(a) shall be transferred quarterly to the multimodal
15 transportation account, except for those earnings that are in excess of
16 thirty five million dollars each fiscal year. Within thirty days
17 following any fiscal year in which earnings transferred to the
18 multimodal transportation account under this subsection did not total
19 thirty five million dollars, the state treasurer shall transfer from
20 the emergency reserve fund an amount necessary to bring the total
21 deposited in the multimodal transportation account under this
22 subsection to thirty five million dollars. The revenues to the
23 multimodal transportation account reflected in this subsection provide
24 ongoing support for the transportation programs of the state. However,
25 it is the intent of the legislature that any new long term financial
26 support that may be subsequently provided for transportation programs
27 will be used to replace and supplant the revenues reflected in this
28 subsection, thereby allowing those revenues to be returned to the
29 purposes to which they were previously dedicated. No transfers from
30 the emergency reserve fund to the multimodal fund shall be made during
31 the 2003-05 fiscal biennium.))~~

32 NEW SECTION. **Sec. 7.** (1) Sections 1 and 2 of this act are
33 necessary for the immediate preservation of the public peace, health,
34 or safety, or support of the state government and its existing public
35 institutions, and take effect immediately.

36 (2) Sections 3 through 6 of this act take effect July 1, 2007."

1 Correct the title.

EFFECT: Between the effective date of this act and June 30, 2007, a 2/3 vote of both houses is not required for legislative actions that raise revenue if the state expenditures do not exceed the state expenditure limit. Other changes effective July 1, 2007: Bases expenditure limit growth on ten year average of state personal income growth. Continues rebasing of expenditure limit when actual expenditures are below the limit. When revenue exceeds limit transfers money from general fund to emergency reserve fund in proportion to the general fund share of limited funds. Removes requirement to transfer interest earning of the emergency reserve fund to the multimodal transportation account.

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