

ESSB 6896 - H AMD 1187

By Representative Alexander

SCOPE AND OBJECT 3/7/2006

1 Beginning on page 4, line 9, strike all of sections 7 and 8 and
2 insert the following:

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

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

8 (2) Except pursuant to a declaration of emergency under RCW
9 43.135.035 or pursuant to an appropriation under RCW
10 43.135.045(4)(b), the state treasurer shall not issue or redeem any
11 check, warrant, or voucher that will result in a state general fund
12 expenditure for any fiscal year in excess of the state expenditure
13 limit established under this chapter. A violation of this
14 subsection constitutes a violation of RCW 43.88.290 and shall
15 subject the state treasurer to the penalties provided in RCW
16 43.88.300.

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

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

28 (5) A state expenditure limit committee is established for the
29 purpose of determining and adjusting the state expenditure limit as
30 provided in this chapter. The members of the state expenditure

1 limit committee are the director of financial management, the
2 attorney general or the attorney general's designee, and the chairs
3 and ranking minority members of the senate committee on ways and
4 means and the house of representatives committee on appropriations.
5 All actions of the state expenditure limit committee taken pursuant
6 to this chapter require an affirmative vote of at least (~~three~~)
7 four members.

8 (6)(a) Prior to final passage of the omnibus operating budget
9 by the legislature, the expenditure limit committee shall meet to
10 adjust the expenditure limit for transfers and cost shifts under
11 RCW 43.135.035 (4) and (5) and 43.135.060(2). If necessary, the
12 committee shall make further adjustments after the governor signs
13 the omnibus operating budget.

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

23 (7) "Fiscal growth factor" means the average of the sum of
24 inflation and population change for each of the prior three fiscal
25 years.

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

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

32 **Sec. 8.** RCW 43.135.025 and 2005 c 72 s 4 are each amended to
33 read as follows:

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

37 (2) Except pursuant to a declaration of emergency under RCW
38 43.135.035 or pursuant to an appropriation under RCW

1 43.135.045(4)(b), the state treasurer shall not issue or redeem any
2 check, warrant, or voucher that will result in a state general fund
3 or related fund expenditure for any fiscal year in excess of the
4 state expenditure limit established under this chapter. A
5 violation of this subsection constitutes a violation of RCW
6 43.88.290 and shall subject the state treasurer to the penalties
7 provided in RCW 43.88.300.

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

11 (4) For purposes of computing the state expenditure limit for
12 the fiscal year beginning July 1, 2007, the phrase "the previous
13 fiscal year's state expenditure limit" means the total state
14 expenditures from the state general fund and related funds, not
15 including federal funds, for the fiscal year beginning July 1,
16 2006, plus the fiscal growth factor.

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

27 (6)(a) Prior to final passage of the omnibus operating budget
28 by the legislature, the expenditure limit committee shall meet to
29 adjust the expenditure limit for transfers and cost shifts under
30 RCW 43.135.035 (4) and (5) and 43.135.060(2). If necessary, the
31 committee shall make further adjustments after the governor signs
32 the omnibus operating budget.

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

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

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

7 (8) "General fund" means the state general fund.

8 (9) "Related fund" means the health services account, violence
9 reduction and drug enforcement account, public safety and education
10 account, water quality account, education legacy trust account, or
11 student achievement fund.

12 **Sec. 9.** RCW 43.135.035 and 2005 c 72 s 2 are each amended to
13 read as follows:

14 (1) After July 1, 1995, any action or combination of actions by
15 the legislature that raises state revenue or requires revenue-
16 neutral tax shifts may be taken only if approved by a two-thirds
17 vote of each house, and then only if state expenditures in any
18 fiscal year, including the new revenue, will not exceed the state
19 expenditure limits established under this chapter. However, for
20 legislation enacted between the effective date of this 2005 act and
21 June 30, (~~(2007)~~) 2006, any action or combination of actions by the
22 legislature that raises state revenue or requires revenue-neutral
23 tax shifts may be taken with the approval of a majority of members
24 elected to each house, so long as state expenditures in any fiscal
25 year, including the new revenue, will not exceed the state
26 expenditure limits established under this chapter.

27 (2)(a) (~~(If the legislative action under subsection (1) of this~~
28 ~~section will result in expenditures in excess of the state~~
29 ~~expenditure limit, then the action of the legislature shall not~~
30 ~~take effect until~~) Except as provided in subsection (3) of this
31 section, total expenditures from the state general fund and related
32 funds may exceed the expenditure limit only after the expenditures
33 are approved by a vote of the people at a November general
34 election. (~~The state expenditure limit committee shall adjust the~~
35 ~~state expenditure limit by the amount of additional revenue~~
36 ~~approved by the voters under this section. This adjustment shall~~
37 ~~not exceed the amount of revenue generated by the legislative~~
38 ~~action during the first full fiscal year in which it is in effect.~~

1 ~~The state expenditure limit shall be adjusted downward upon~~
2 ~~expiration or repeal of the legislative action.))~~

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

5 "Shall ~~((taxes be imposed on in order to allow~~
6 ~~a)) state spending ((increase)) be increased~~ above last year's
7 authorized spending adjusted for inflation and population
8 increases?"

9 (3)(a) The state expenditure limit may be exceeded upon
10 declaration of an emergency for a period not to exceed twenty-four
11 months by a law approved by a ~~((two-thirds))~~ three-fifths vote of
12 each house of the legislature and signed by the governor. The law
13 shall set forth the nature of the emergency(~~(, which is limited to~~
14 ~~natural disasters that require immediate government action to~~
15 ~~alleviate human suffering and provide humanitarian assistance)).~~
16 The state expenditure limit may be exceeded for no more than
17 twenty-four months following the declaration of the emergency and
18 only for the purposes contained in the emergency declaration.

19 (b) ~~((Additional taxes required for an emergency under this~~
20 ~~section may be imposed only until thirty days following the next~~
21 ~~general election, unless an extension is approved at that general~~
22 ~~election. The additional taxes shall expire upon expiration of the~~
23 ~~declaration of emergency. The legislature shall not impose~~
24 ~~additional taxes for emergency purposes under this subsection~~
25 ~~unless funds in the education construction fund have been~~
26 ~~exhausted.~~

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

30 (4) If the cost of any state program or function is shifted
31 from the state general fund on or after January 1, 1993, to another
32 source of funding, or if moneys are transferred from the state
33 general fund to another fund or account, the state expenditure
34 limit committee, acting pursuant to RCW 43.135.025(5), shall lower
35 the state expenditure limit to reflect the shift. For the purposes
36 of this section, a transfer of money from the state general fund to
37 another fund or account includes any state legislative action taken
38 that has the effect of reducing revenues from a particular source,

1 where such revenues would otherwise be deposited into the state
2 general fund, while increasing the revenues from that particular
3 source to another state or local government account. This
4 subsection does not apply to the dedication or use of lottery
5 revenues under RCW 67.70.240(3) or property taxes under RCW
6 84.52.068, in support of education or education expenditures.

7 (5) If the cost of any state program or function is shifted to
8 the state general fund on or after January 1, 2000, from another
9 source of funding, or if moneys are transferred to the state
10 general fund from another fund or account, the state expenditure
11 limit committee, acting pursuant to RCW 43.135.025(5), shall
12 increase the state expenditure limit to reflect the shift.

13 **Sec. 10.** RCW 43.135.035 and 2005 c 72 s 5 are each amended to
14 read as follows:

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

21 ~~(2)(a) ((If the legislative action under subsection (1) of this~~
22 ~~section will result in expenditures in excess of the state~~
23 ~~expenditure limit, then the action of the legislature shall not~~
24 ~~take effect until)) Except as provided in subsection (3) of this~~
25 ~~section, total expenditures from the state general fund and related~~
26 ~~funds may exceed the expenditure limit only after the expenditures~~
27 ~~are approved by a vote of the people at a November general~~
28 ~~election. ((The state expenditure limit committee shall adjust the~~
29 ~~state expenditure limit by the amount of additional revenue~~
30 ~~approved by the voters under this section. This adjustment shall~~
31 ~~not exceed the amount of revenue generated by the legislative~~
32 ~~action during the first full fiscal year in which it is in effect.~~
33 ~~The state expenditure limit shall be adjusted downward upon~~
34 ~~expiration or repeal of the legislative action.))~~

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

1 ~~"Shall ((taxes be imposed on in order to allow~~
2 a)) state spending ((~~increase~~)) be increased above last year's
3 authorized spending adjusted for ((~~personal income growth~~))
4 inflation and population increases?"

5 (3)(a) The state expenditure limit may be exceeded upon
6 declaration of an emergency for a period not to exceed twenty-four
7 months by a law approved by a ((~~two-thirds~~)) three-fifths vote of
8 each house of the legislature and signed by the governor. The law
9 shall set forth the nature of the emergency((, ~~which is limited to~~
10 ~~natural disasters that require immediate government action to~~
11 ~~alleviate human suffering and provide humanitarian assistance~~)).
12 The state expenditure limit may be exceeded for no more than
13 twenty-four months following the declaration of the emergency and
14 only for the purposes contained in the emergency declaration.

15 (b) ((~~Additional taxes required for an emergency under this~~
16 ~~section may be imposed only until thirty days following the next~~
17 ~~general election, unless an extension is approved at that general~~
18 ~~election. The additional taxes shall expire upon expiration of the~~
19 ~~declaration of emergency. The legislature shall not impose~~
20 ~~additional taxes for emergency purposes under this subsection~~
21 ~~unless funds in the education construction fund have been~~
22 ~~exhausted.~~

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

26 (4) If the cost of any state program or function is shifted
27 from the state general fund or a related fund to another source of
28 funding, or if moneys are transferred from the state general fund
29 or a related fund to another fund or account, the state expenditure
30 limit committee, acting pursuant to RCW 43.135.025(5), shall lower
31 the state expenditure limit to reflect the shift. For the purposes
32 of this section, a transfer of money from the state general fund or
33 a related fund to another fund or account includes any state
34 legislative action taken that has the effect of reducing revenues
35 from a particular source, where such revenues would otherwise be
36 deposited into the state general fund or a related fund, while
37 increasing the revenues from that particular source to another
38 state or local government account. This subsection does not apply

1 to the dedication or use of lottery revenues under RCW 67.70.240(3)
2 or property taxes under RCW 84.52.068, in support of education or
3 education expenditures.

4 (5) If the cost of any state program or function and the
5 ongoing revenue necessary to fund the program or function are
6 shifted to the state general fund or a related fund on or after
7 January 1, 2007, the state expenditure limit committee, acting
8 pursuant to RCW 43.135.025(5), shall increase the state expenditure
9 limit to reflect the shift.

10 NEW SECTION. **Sec. 11.** 2005 c 72 s 3 is repealed.

11 NEW SECTION. **Sec. 12.** Sections 7 and 9 of this act expire
12 July 1, 2007.

13 NEW SECTION. **Sec. 13.** Sections 8 and 10 of this act take
14 effect July 1, 2007.

15 NEW SECTION. **Sec. 14.** Sections 9 and 10 of this take effect
16 if the proposed amendment to Article VIII, section . . . of the
17 state Constitution (HJR 4219) is validly submitted to and is
18 approved and ratified by the voters at a general election held in
19 November 2006. If the proposed amendment is not approved and
20 ratified, sections 9 and 10 of this act are void in their
21 entirety."

22 Renumber remaining sections consecutively and correct the title
23 and internal references accordingly.

24 On page 14, beginning on line 14, strike all of section 12

25 Renumber remaining sections consecutively and correct the title
26 and internal references accordingly.

EFFECT: Strikes the amendments to I-601 expenditure limit laws
that would have adjusted the limit upward for the
appropriations in the bill and avoided a decrease in the limit
for program cost shifts. Adds revisions to the expenditure
limit laws as follows: 1) Adds ranking minority members of

Senate Ways & Means and House Appropriations to the Expenditure Limit Committee effective in 2006; 2) Requires the ELC to agree on adjustments to the limit prior to adoption of a final legislative budget, 3) Restores the prior definition of the I-601 fiscal growth factor of IPD inflation plus population growth; 4) Adds the Education Legacy Trust Account to the funds covered by the limit as of 7/1/07, and 5) Requires a vote of the people before expenditures may exceed the limit, except in the case of emergencies as approved by a vote of 3/5 of the members elected to both houses. The vote of the people requirement takes effect only if the constitutional amendments in HJR 4219 (constitutional expenditure limit) are approved.