

ESSB 6896 - H AMD 1172

By Representative Anderson

FAILED 3/7/2006

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

3 "NEW SECTION. **Sec. 7.** A new section is added to chapter
4 43.135 RCW to read as follows:

5 (1) Quarterly during each fiscal year, the treasurer shall
6 transfer from the state general fund or any successor fund to the
7 required reserve fund an amount equal to one percent of the
8 forecasted general state revenues for that fiscal year. Nothing in
9 this subsection prevents the appropriation of additional amounts to
10 the required reserve fund. Amounts in the required reserve fund
11 may be invested as provided by law and interest earnings retained
12 in that fund.

13 (2) If the forecasted growth of general state revenues for any
14 fiscal year, excluding legislation, is estimated to be less than
15 one percent, as adjusted for inflation, then for that fiscal year
16 moneys may be appropriated from the required reserve fund by a
17 majority vote of the members elected to each house of the
18 legislature, and then only if the appropriation does not cause
19 total expenditures to exceed the state expenditure limit under this
20 chapter. Any amount may be appropriated from the required reserve
21 fund at any time by the favorable vote of at least three-fifths of
22 the members elected to each house of the legislature.

23 (3) When the balance in the required reserve fund, including
24 investment earnings, equals more than ten percent of the estimated
25 general state revenues in the prior fiscal year, then any amounts
26 in excess of ten percent of the estimated general state revenues in
27 the prior fiscal year may be appropriated only for costs of capital
28 construction in public schools and higher education.

29 (4) Transfers of general state revenue to the required reserve
30 fund are general revenue for purposes of the debt limit
31 calculation. Neither transfers of general state revenue to nor

1 expenditures from the required reserve fund shall result in an
2 adjustment to any state expenditure limit.

3 (5) As used in this section, "general state revenues" has the
4 meaning set forth in Article VIII, section 1 of the state
5 Constitution. As used in this section, "inflation" means the
6 implicit price deflator for the United States as published by the
7 United States department of commerce. Forecasts and estimates
8 shall be those made by the state economic and revenue forecast
9 council or its successor agency.

10 **Sec. 8.** RCW 39.42.070 and 2003 1st sp.s. c 9 s 1 are each
11 amended to read as follows:

12 (1) On or after the effective date of this act, the treasurer
13 shall compute general state revenues for the three fiscal years
14 immediately preceding such date and shall determine the arithmetic
15 mean thereof. As soon as is practicable after the close of each
16 fiscal year thereafter, he or she shall do likewise. In
17 determining the amount of general state revenues, the treasurer
18 shall include all state money received in the treasury from each
19 and every source whatsoever except: (a) Fees and revenues derived
20 from the ownership or operation of any undertaking, facility or
21 project; (b) moneys received as gifts, grants, donations, aid or
22 assistance or otherwise from the United States or any department,
23 bureau or corporation thereof, or any person, firm or corporation,
24 public or private, when the terms and conditions of such gift,
25 grant, donation, aid or assistance require the application and
26 disbursement of such moneys otherwise than for the general purposes
27 of the state of Washington; (c) moneys to be paid into and received
28 from retirement system funds, and performance bonds and deposits;
29 (d) moneys to be paid into and received from trust funds including
30 but not limited to moneys received from taxes levied for specific
31 purposes and the several permanent and irreducible funds of the
32 state and the moneys derived therefrom but excluding bond
33 redemption funds; (e) proceeds received from the sale of bonds or
34 other evidences of indebtedness. Upon computing general state
35 revenues, the treasurer shall make and file in the office of the
36 secretary of state, a certificate containing the results of such
37 computations. Copies of said certificate shall be sent to each
38 elected official of the state and each member of the legislature.

1 The treasurer shall, at the same time, advise each elected official
2 and each member of the legislature of the current available debt
3 capacity of the state, and may make estimated projections for one
4 or more years concerning debt capacity.

5 (2) For purposes of this chapter, general state revenues shall
6 also include revenues that are deposited in the general fund under
7 RCW 82.45.180(2), lottery revenues as provided in RCW 67.70.240(3),
8 revenues paid into the general fund under RCW 84.52.067, revenues
9 deposited in the required reserve fund under section 6 of this act,
10 and revenues deposited into the student achievement fund and
11 distributed to school districts as provided in RCW 84.52.068.

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 approved by a vote of the people at a November
31 general election. The state expenditure limit committee shall
32 adjust the state expenditure limit by the amount of additional
33 revenue approved by the voters under this section. This adjustment
34 shall not exceed the amount of revenue generated by the legislative
35 action during the first full fiscal year in which it is in effect.
36 The state expenditure limit shall be adjusted downward upon
37 expiration or repeal of the legislative action.

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

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

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

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

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

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

1 subsection does not apply to the dedication or use of lottery
2 revenues under RCW 67.70.240(3) or property taxes under RCW
3 84.52.068, in support of education or education expenditures. This
4 subsection does not apply to transfers to the required reserve
5 fund.

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

12 **Sec. 10.** RCW 43.135.035 and 2005 c 72 s 5 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.

20 (2)(a) If the legislative action under subsection (1) of this
21 section will result in expenditures in excess of the state
22 expenditure limit, then the action of the legislature shall not
23 take effect until approved by a vote of the people at a November
24 general election. The state expenditure limit committee shall
25 adjust the state expenditure limit by the amount of additional
26 revenue approved by the voters under this section. This adjustment
27 shall not exceed the amount of revenue generated by the legislative
28 action during the first full fiscal year in which it is in effect.
29 The state expenditure limit shall be adjusted downward upon
30 expiration or repeal of the legislative action.

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

33 "Shall taxes be imposed on in order to allow a
34 spending increase above last year's authorized spending adjusted
35 for personal income growth?"

36 (3)(a) The state expenditure limit may be exceeded upon
37 declaration of an emergency for a period not to exceed twenty-four

1 months by a law approved by a two-thirds vote of each house of the
2 legislature and signed by the governor. The law shall set forth
3 the nature of the emergency, which is limited to natural disasters
4 that require immediate government action to alleviate human
5 suffering and provide humanitarian assistance. The state
6 expenditure limit may be exceeded for no more than twenty-four
7 months following the declaration of the emergency and only for the
8 purposes contained in the emergency declaration.

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

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

20 (4) If the cost of any state program or function is shifted
21 from the state general fund or a related fund to another source of
22 funding, or if moneys are transferred from the state general fund
23 or a related fund to another fund or account, the state expenditure
24 limit committee, acting pursuant to RCW 43.135.025(5), shall lower
25 the state expenditure limit to reflect the shift. For the purposes
26 of this section, a transfer of money from the state general fund or
27 a related fund to another fund or account includes any state
28 legislative action taken that has the effect of reducing revenues
29 from a particular source, where such revenues would otherwise be
30 deposited into the state general fund or a related fund, while
31 increasing the revenues from that particular source to another
32 state or local government account. This subsection does not apply
33 to the dedication or use of lottery revenues under RCW 67.70.240(3)
34 or property taxes under RCW 84.52.068, in support of education or
35 education expenditures. This subsection does not apply to
36 transfers to the required reserve fund.

37 (5) If the cost of any state program or function and the
38 ongoing revenue necessary to fund the program or function are
39 shifted to the state general fund or a related fund on or after

1 January 1, 2007, the state expenditure limit committee, acting
2 pursuant to RCW 43.135.025(5), shall increase the state expenditure
3 limit to reflect the shift.

4 NEW SECTION. **Sec. 11.** A new section is added to chapter
5 28A.505 RCW to read as follows:

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

11 (2) When per-student state funding for the maintenance and
12 operation of K-12 education meets a level of no less than ninety
13 percent of the national average of total funding from all sources
14 per student as determined by the most recent published data from
15 the national center for education statistics of the United States
16 department of education, as calculated by the office of financial
17 management, further deposits to the student achievement fund shall
18 be required only to the extent necessary to maintain the ninety-
19 percent level. Remaining funds are part of the general fund
20 balance and these funds are subject to the expenditure limits of
21 chapter 43.135 RCW.

22 NEW SECTION. **Sec. 12.** A new section is added to chapter 43.79
23 RCW to read as follows:

24 The education construction fund is hereby created in the state
25 treasury.

26 (1) Funds may be appropriated from the education construction
27 fund exclusively for common school construction or higher education
28 construction. During the fiscal years beginning July 1, 2005, and
29 ending June 30, 2007, funds may also be used for higher education
30 facilities preservation and maintenance.

31 (2) An excess balance in the required reserve fund under
32 Article VIII, section . . . (HJR 4220) shall be deposited into the
33 education construction fund and may be appropriated only for costs
34 of capital construction in public schools and higher education.

35 **Sec. 13.** RCW 43.135.051 and 1999 c 288 s 1 are each amended to
36 read as follows:

1 (1) The state investment board has the full power to invest,
2 reinvest, manage, contract, sell, or exchange investment moneys in
3 the ((emergency)) required reserve fund. All investment and
4 operating costs associated with the investment of money shall be
5 paid pursuant to RCW 43.33A.160 and 43.84.160. With the exception
6 of these expenses, the earnings from the investment of the money
7 shall be retained by the fund.

8 (2) All investments made by the state investment board shall be
9 made with the exercise of that degree of judgment and care pursuant
10 to RCW 43.33A.140 and the investment policies established by the
11 state investment board.

12 (3) As deemed appropriate by the state investment board, moneys
13 in the fund may be commingled for investment with other funds
14 subject to investment by the board.

15 NEW SECTION. **Sec. 14.** RCW 43.135.045 (Emergency reserve
16 fund-- Excess balance to education construction fund--Appropriation
17 conditions--Transfer of earnings to multimodal transportation
18 account) and 2005 c 518 s 931, 2005 c 488 s 920, 2005 c 314 s 401,
19 2005 c 72 s 6, & 2003 1st sp.s. c 25 s 920 are each repealed.

20 NEW SECTION. **Sec. 15.** Section 9 of this act expires July 1,
21 2007.

22 NEW SECTION. **Sec. 16.** Section 10 of this act takes effect
23 July 1, 2007.

24
25 NEW SECTION. **Sec. 17.** Sections 7 through 16 of this act take
26 effect if the proposed amendment to Article VIII, section . . . of
27 the state Constitution (HJR 4220) is validly submitted to and is
28 approved and ratified by the voters at a general election held in
29 November 2006. If the proposed amendment is not approved and
30 ratified, sections 7 through 16 of this act are void in their
31 entirety."

32 Renumber remaining sections consecutively and correct title and
33 internal references accordingly.

1 On page 9, line 1, strike "the emergency reserve fund," and
2 insert "~~((the emergency reserve fund,))~~"

3 On page 9, at the beginning of line 24, after "account," insert
4 "the required reserve fund,"

5 On page 12, line 12, strike "the emergency reserve fund," and
6 insert "~~((the emergency reserve fund,))~~"

7 On page 12, line 35, after "district account," insert "the
8 required reserve fund,"

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

10 Renumber remaining sections consecutively and correct title and
11 internal references accordingly.

EFFECT: Strikes the amendments to I-601 that would have adjusted the limit upward for the appropriations in the bill and avoided a decrease in the limit for program cost shifts. Contingent upon the adoption of the constitutional amendment in 4220(required reserve fund) the amendment establishes the Required Reserve Fund in lieu of the Emergency Reserve Fund, which is repealed. The State Treasurer must transfer 1% of forecasted annual revenues to the Required Reserve Fund. If forecasted growth in state revenues is less than 1% as adjusted by the IPD, the legislature may appropriate from the Required Reserve Fund. Under other circumstances, appropriations from the Required Reserve Fund require a 3/5 vote of both houses. If the balance in the fund exceeds 10% of forecasted revenues then the excess may be appropriated for capital costs of K-12 and higher education.