
Appropriations Committee

SSB 6078

Brief Description: Controlling state expenditures.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Regala and Kohl-Welles).

Brief Summary of Substitute Bill

- Authorizes the Legislature to take actions that raise state revenues with a majority rather than a two-thirds vote.
- Applies the expenditure limit in total to several other accounts in addition to the state general fund (Health Services Account; Violence Reduction & Drug Enforcement Account; Public Safety & Education Account; Water Quality Account; and Student Achievement Fund)
- Calculates the fiscal growth factor using 90 percent of personal income growth instead of a three year rolling average of inflation plus population.
- Narrows the circumstances that trigger upward adjustments to the expenditure limit.
- Removes the requirement to rebase the expenditure limit each year to the prior years actual expenditures.
- Expands the membership of the expenditure limit committee to include the ranking minority members of Senate Ways & Means and House Appropriations Committees.

Hearing Date:

Staff: Dave Johnson (786-7154).

Background:

Initiative 601, enacted in 1993, established an expenditure limit for the state general fund and placed restrictions on state fees and taxes.

Under the initiative, a two-thirds vote of the Legislature is required for any action of the Legislature that raises state revenue or for an action that constitutes a revenue neutral tax shift.

The expenditure limit applies only to the state general fund. The annual growth in state general fund expenditures is limited to the "fiscal growth factor" plus any adjustments as set forth in statute. The fiscal growth factor is defined as the average rate of state population increase and inflation, as measured by the implicit price deflator, during the prior three fiscal years.

The expenditure limit is adjusted downward annually to reflect the extent to which actual general fund expenditures in the prior year are less than the maximum amount allowed under the expenditure limit. This is sometimes referred to as rebasing. Other downward adjustments to the spending limit are required when program costs or moneys are shifted out of the general fund to other dedicated accounts.

Upward adjustments to the spending limit occur if program costs or moneys are transferred into the state general fund from other accounts. Other adjustments (both upward and downward) occur if federal or local government costs are shifted to or from the state general fund.

The Expenditure Limit Committee calculates the expenditure limit each November and projects an expenditure limit for the next two fiscal years. The Expenditure Limit Committee consists of the Director of Financial Management, a designee of the Attorney General, and the chairs of the Senate Ways & Means and the House Appropriations Committees.

Summary of Bill:

Effective immediately, the Legislature may enact legislation that increases state revenue or constitutes a revenue neutral tax shift by a majority vote.

Effective for the 2007-2009 biennium and thereafter, the state expenditure limit will apply cumulatively to the state general fund and five additional funds: Health Services Account; Violence Reduction & Drug Enforcement Account; Public Safety & Education Account; Water Quality Account; and Student Achievement Fund.

The fiscal growth factor will be based on 90 percent of the average growth in state personal income over the prior three years. The expenditure limit will not be recalculated (rebased) based on actual expenditures in the prior fiscal year. Transferring money to the general fund will not increase the state expenditure limit, and the shift of program costs to the general fund will not raise the limit unless the necessary revenues are also transferred.

The Expenditure Limit Committee will increase from four to six members by adding the ranking minority members of the Senate Ways & Means and the House Appropriations Committees. Actions taken by the committee would require the affirmative vote of four members rather than three members.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill contains an emergency clause and takes effect immediately, except for sections 6 through 8, which take effect July 1, 2007.