

FINAL BILL REPORT

SSB 6078

C 72 L 05

Synopsis as Enacted

Brief Description: Controlling state expenditures.

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

Senate Committee on Ways & Means

House Committee on Appropriations

Background: Initiative 601, enacted in 1993, established a state General Fund expenditure limit and restrictions on state fee and revenue increases.

Under the initiative, a two-thirds vote of the Legislature is required for any action of the Legislature that raises state revenue. The annual growth in state General Fund expenditures is limited to the "fiscal growth factor" (the average rate of state population increase and inflation during the prior three fiscal years). The State Expenditure Limit Committee calculates the expenditure limit each November and projects an expenditure limit for the next two fiscal years. The State Expenditure Limit Committee consists of the Director of Financial Management, a designee of the Attorney General, and the chairs of the Senate Ways & Means Committee and the Appropriations Committee of the House of Representatives.

The state expenditure limit is adjusted downward to reflect the extent to which actual General Fund expenditures in prior years are less than the maximum amount allowed under the expenditure limit. Other downward adjustments to the spending limit are required when state program costs or moneys are shifted out of the General Fund to other dedicated accounts. Upward adjustments to the spending limit occur if state program costs or moneys are transferred to the state General Fund from other accounts. Other adjustments occur if federal or local government costs are shifted to or from the state General Fund.

Summary: Effective immediately and continuing until June 30, 2007, the Legislature may enact legislation increasing state revenue by a majority vote. After June 30, 2007, legislative actions increasing state revenue will require a two-thirds vote of each house of the Legislature.

Effective for the 2007-09 biennium and thereafter, the state expenditure limit will apply 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 State Expenditure Limit Committee will include the ranking minority members of the Senate Ways & Means Committee and the Appropriations Committee of the House of Representatives. The fiscal growth factor will be based on a ten-year average of state personal income growth. 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.

When revenue exceeds the state expenditure limit, the excess revenue is transferred from the General Fund to the Emergency Reserve Fund in proportion to the General Fund share of the excess revenue. The requirement that interest earnings of the Emergency Reserve Fund be transferred to the Multimodal Transportation Account is eliminated.

Votes on Final Passage:

Senate	25	21	
House	50	43	(House amended)
Senate	25	16	(Senate concurred)

Effective: April 18, 2005 (Sections 1 and 2)
July 1, 2007 (Sections 3-6)