
HOUSE BILL 1835

State of Washington

59th Legislature

2005 Regular Session

By Representatives Alexander, Anderson, Clements, Crouse, Condotta, Schindler, Ahern, Ericksen, Newhouse, Kristiansen, Nixon, Roach, Hinkle, Bailey, Talcott, Cox, Holmquist, Woods, Strow, Dunn, Buri, Curtis, Shabro, Sump, Haler, Pearson and McCune

Read first time 02/08/2005. Referred to Committee on Appropriations.

1 AN ACT Relating to strengthening the state expenditure limit;
2 amending RCW 43.135.025 and 43.135.045; reenacting and amending RCW
3 43.135.035 and 43.135.045; providing an effective date; providing an
4 expiration date; and declaring an emergency.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

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

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

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

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

4 (4) For purposes of computing the state expenditure limit for the
5 fiscal year beginning July 1, ~~((1995))~~ 2005, the phrase "the previous
6 fiscal year's state expenditure limit" means the total state
7 expenditures from the state general fund(~~(, not including federal
8 funds,)~~) for the fiscal year beginning July 1, ~~((1989))~~ 2004, plus the
9 fiscal growth factor. ~~((This calculation is then computed for the
10 state expenditure limit for fiscal years 1992, 1993, 1994, and 1995,
11 and as required under RCW 43.135.035(4).))~~

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

21 (6) Each November, the state expenditure limit committee shall
22 adjust the expenditure limit for the preceding fiscal year based on
23 actual expenditures and known changes in the fiscal growth factor and
24 then project an expenditure limit for the next two fiscal years. If,
25 by November 30th, the state expenditure limit committee has not adopted
26 the expenditure limit adjustment and projected expenditure limit as
27 provided in subsection (5) of this section, the attorney general or his
28 or her designee shall adjust or project the expenditure limit, as
29 necessary.

30 (7) "Fiscal growth factor" means the average of the sum of
31 inflation and population change for each of the ~~((prior))~~ three fiscal
32 years prior to the year for which the state expenditure limit is being
33 adopted.

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

37 (9) "Population change" means the percentage change in state

1 population for each fiscal year as reported by the office of financial
2 management.

3 **Sec. 2.** RCW 43.135.035 and 2001 c 3 s 8 and 2000 2nd sp.s. c 2 s
4 2 are each reenacted and amended to read as follows:

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

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

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

1 election, unless an extension is approved at that general election.
2 The additional taxes shall expire upon expiration of the declaration of
3 emergency. The legislature shall not impose additional taxes for
4 emergency purposes under this subsection unless funds in the education
5 construction fund have been exhausted.

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

9 (4) If the cost of any state program or function is shifted from
10 the state general fund (~~(on or after January 1, 1993,)~~) to another
11 source of funding, or if moneys are transferred from the state general
12 fund to another fund or account, the state expenditure limit committee,
13 acting pursuant to RCW 43.135.025(5), shall lower the state expenditure
14 limit to reflect the shift. For the purposes of this section, a
15 transfer of money from the state general fund to another fund or
16 account includes any state legislative action taken after July 1, 2000,
17 that has the effect of reducing revenues from a particular source,
18 where such revenues would otherwise be deposited into the state general
19 fund, while increasing the revenues from that particular source to
20 another state or local government account. For purposes of this
21 section, a shift of program costs means the shift of any portion of the
22 program cost, including the shift of any expenditure growth in the
23 program. This subsection does not apply to the dedication or use of
24 lottery revenues under RCW 67.70.240(3) or property taxes under RCW
25 84.52.068, in support of education or education expenditures.

26 (5) If the cost of any state program or function is shifted to the
27 state general fund on or after January 1, (~~(2000)~~) 2005, from another
28 source of funding, (~~(or if moneys are transferred to the state general~~
29 ~~fund from another fund or account,)~~) the state expenditure limit
30 committee, acting pursuant to RCW 43.135.025(5), shall increase the
31 state expenditure limit to reflect the shift. However, the limit may
32 be increased for such a program cost shift only if:

33 (a) The legislature requires the deposit in the general fund of an
34 ongoing revenue source that would otherwise be deposited in the fund or
35 account that previously supported the program, in an amount equal to
36 the cost of the program shifted; and

37 (b) The redirection of the ongoing revenue source takes effect on
38 the same date that the cost of the program is shifted.

1 **Sec. 3.** RCW 43.135.045 and 2003 1st sp.s. c 26 s 919 and 2003 1st
2 sp.s. c 25 s 920 are each reenacted and amended to read as follows:

3 (1) The emergency reserve fund is established in the state
4 treasury. During each fiscal year, the state treasurer shall deposit
5 in the emergency reserve fund all general fund--state revenues in
6 excess of the state expenditure limit for that fiscal year. Deposits
7 shall be made at the end of each fiscal quarter based on projections of
8 state revenues and the state expenditure limit. The treasurer shall
9 make transfers between these accounts as necessary to reconcile actual
10 annual revenues and the expenditure limit for fiscal year 2000 and
11 thereafter.

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

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

35 (4) The education construction fund is hereby created in the state
36 treasury.

37 (a) Funds may be appropriated from the education construction fund
38 exclusively for common school construction or higher education

1 construction. During the fiscal years beginning July 1, 2003, and
2 ending June 30, 2005, funds may also be used for higher education
3 facilities preservation and maintenance.

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

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

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

35 **Sec. 4.** RCW 43.135.045 and 2003 1st sp.s. c 25 s 920 are each
36 amended to read as follows:

37 (1) The emergency reserve fund is established in the state

1 treasury. During each fiscal year, the state treasurer shall deposit
2 in the emergency reserve fund all general fund--state revenues in
3 excess of the state expenditure limit for that fiscal year. Deposits
4 shall be made at the end of each fiscal quarter based on projections of
5 state revenues and the state expenditure limit. The treasurer shall
6 make transfers between these accounts as necessary to reconcile actual
7 annual revenues and the expenditure limit for fiscal year 2000 and
8 thereafter.

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

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

32 (4) The education construction fund is hereby created in the state
33 treasury.

34 (a) Funds may be appropriated from the education construction fund
35 exclusively for common school construction or higher education
36 construction.

37 (b) Funds may be appropriated for any other purpose only if
38 approved by a two-thirds vote of each house of the legislature and if

1 approved by a vote of the people at the next general election. An
2 appropriation approved by the people under this subsection shall result
3 in an adjustment to the state expenditure limit only for the fiscal
4 period for which the appropriation is made and shall not affect any
5 subsequent fiscal period.

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

11 ~~((6) Earnings of the emergency reserve fund under RCW
12 43.84.092(4)(a) shall be transferred quarterly to the multimodal
13 transportation account, except for those earnings that are in excess of
14 thirty five million dollars each fiscal year. Within thirty days
15 following any fiscal year in which earnings transferred to the
16 multimodal transportation account under this subsection did not total
17 thirty five million dollars, the state treasurer shall transfer from
18 the emergency reserve fund an amount necessary to bring the total
19 deposited in the multimodal transportation account under this
20 subsection to thirty five million dollars. The revenues to the
21 multimodal transportation account reflected in this subsection provide
22 ongoing support for the transportation programs of the state. However,
23 it is the intent of the legislature that any new long term financial
24 support that may be subsequently provided for transportation programs
25 will be used to replace and supplant the revenues reflected in this
26 subsection, thereby allowing those revenues to be returned to the
27 purposes to which they were previously dedicated. No transfers from
28 the emergency reserve fund to the multimodal fund shall be made during
29 the 2003-05 fiscal biennium.))~~

30 NEW SECTION. **Sec. 5.** Section 3 of this act expires June 30, 2005.

31 NEW SECTION. **Sec. 6.** This act is necessary for the immediate
32 preservation of the public peace, health, or safety, or support of the
33 state government and its existing public institutions, and takes effect
34 immediately, except for section 4 of this act which takes effect June

1 30, 2005.

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