
HOUSE BILL 3008

State of Washington

59th Legislature

2006 Regular Session

By Representatives Alexander, Orcutt, Haler, McDonald, Armstrong, Clements, Hinkle, Dunn, Ahern, Newhouse, Holmquist, Ericksen, McCune, Serben, Kristiansen, Bailey, Roach, Nixon, Anderson, Campbell, Condotta, Shabro, Rodne, Woods, Schindler and Pearson

Read first time 01/18/2006. Referred to Committee on Appropriations.

1 AN ACT Relating to placing limitations on state expenditures;
2 amending RCW 43.135.025, 43.135.025, 43.135.035, and 43.135.035;
3 repealing 2005 c 72 s 3; providing an effective date; providing a
4 contingent effective date; and providing an expiration date.

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, the phrase "the previous fiscal
6 year's state expenditure limit" means the total state expenditures from
7 the state general fund, not including federal funds, for the fiscal
8 year beginning July 1, 1989, plus the fiscal growth factor. This
9 calculation is then computed for the state expenditure limit for fiscal
10 years 1992, 1993, 1994, and 1995, and as required under RCW
11 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 members of the state expenditure limit
15 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)(a) Prior to final passage of the omnibus operating budget by
22 the legislature, the expenditure limit committee shall meet to adjust
23 the expenditure limit for transfers and cost shifts under RCW
24 43.135.035 (4) and (5) and 43.135.060(2). If necessary, the committee
25 shall make further adjustments after the governor signs the omnibus
26 operating budget.

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

36 (7) "Fiscal growth factor" means the average of the sum of
37 inflation and population change for each of the prior three fiscal
38 years.

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

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

7 **Sec. 2.** RCW 43.135.025 and 2005 c 72 s 4 are each amended to read
8 as follows:

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

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

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

23 (4) For purposes of computing the state expenditure limit for the
24 fiscal year beginning July 1, 2007, the phrase "the previous fiscal
25 year's state expenditure limit" means the total state expenditures from
26 the state general fund and related funds, not including federal funds,
27 for the fiscal year beginning July 1, 2006, plus the fiscal growth
28 factor.

29 (5) A state expenditure limit committee is established for the
30 purpose of determining and adjusting the state expenditure limit as
31 provided in this chapter. The members of the state expenditure limit
32 committee are the director of financial management, the attorney
33 general or the attorney general's designee, and the chairs and ranking
34 minority members of the senate committee on ways and means and the
35 house of representatives committee on appropriations. All actions of
36 the state expenditure limit committee taken pursuant to this chapter
37 require an affirmative vote of at least four members.

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

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

16 (7) "Fiscal growth factor" means the average (~~(growth in state~~
17 ~~personal income for the prior ten fiscal years)) of the sum of
18 inflation and population change for each of the prior three fiscal
19 years.~~

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

21 (9) "Related fund" means the health services account, violence
22 reduction and drug enforcement account, public safety and education
23 account, water quality account, education legacy accountant, or student
24 achievement fund.

25 **Sec. 3.** RCW 43.135.035 and 2005 c 72 s 2 are each amended to read
26 as follows:

27 (1) After July 1, 1995, any action or combination of actions by the
28 legislature that raises state revenue or requires revenue-neutral tax
29 shifts may be taken only if approved by a two-thirds vote of each
30 house, and then only if state expenditures in any fiscal year,
31 including the new revenue, will not exceed the state expenditure limits
32 established under this chapter. However, for legislation enacted
33 between the effective date of this 2005 act and June 30, 2007, any
34 action or combination of actions by the legislature that raises state
35 revenue or requires revenue-neutral tax shifts may be taken with the
36 approval of a majority of members elected to each house, so long as

1 state expenditures in any fiscal year, including the new revenue, will
2 not exceed the state expenditure limits established under this chapter.

3 ~~(2)(a) ((If the legislative action under subsection (1) of this~~
4 ~~section will result in expenditures in excess of the state expenditure~~
5 ~~limit, then the action of the legislature shall not take effect until))~~
6 Except as provided in subsection (3) of this section, total
7 expenditures from the state general fund and related funds may exceed
8 the expenditure limit only after the expenditures are approved by a
9 vote of the people at a November general election. ((The state
10 expenditure limit committee shall adjust the state expenditure limit by
11 the amount of additional revenue approved by the voters under this
12 section. This adjustment shall not exceed the amount of revenue
13 generated by the legislative action during the first full fiscal year
14 in which it is in effect. The state expenditure limit shall be
15 adjusted downward upon expiration or repeal of the legislative
16 action.))

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

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

22 (3)(a) The state expenditure limit may be exceeded upon declaration
23 of an emergency for a period not to exceed twenty-four months by a law
24 approved by a ~~((two-thirds))~~ three-fifths vote of each house of the
25 legislature and signed by the governor. The law shall set forth the
26 nature of the emergency~~((, which is limited to natural disasters that~~
27 ~~require immediate government action to alleviate human suffering and~~
28 ~~provide humanitarian assistance))~~. The state expenditure limit may be
29 exceeded for no more than twenty-four months following the declaration
30 of the emergency and only for the purposes contained in the emergency
31 declaration.

32 (b) ~~((Additional taxes required for an emergency under this section~~
33 ~~may be imposed only until thirty days following the next general~~
34 ~~election, unless an extension is approved at that general election.~~
35 ~~The additional taxes shall expire upon expiration of the declaration of~~
36 ~~emergency. The legislature shall not impose additional taxes for~~
37 ~~emergency purposes under this subsection unless funds in the education~~
38 ~~construction fund have been exhausted.~~

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

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

18 (5) If the cost of any state program or function is shifted to the
19 state general fund on or after January 1, 2000, from another source of
20 funding, or if moneys are transferred to the state general fund from
21 another fund or account, the state expenditure limit committee, acting
22 pursuant to RCW 43.135.025(5), shall increase the state expenditure
23 limit to reflect the shift.

24 **Sec. 4.** RCW 43.135.035 and 2005 c 72 s 5 are each amended to read
25 as follows:

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

32 (2)(a) ~~((If the legislative action under subsection (1) of this~~
33 ~~section will result in expenditures in excess of the state expenditure~~
34 ~~limit, then the action of the legislature shall not take effect until))~~
35 Except as provided in subsection (3) of this section, total
36 expenditures from the state general fund and related funds may exceed
37 the expenditure limit only after the expenditures are approved by a

1 vote of the people at a November general election. ((The state
2 expenditure limit committee shall adjust the state expenditure limit by
3 the amount of additional revenue approved by the voters under this
4 section. This adjustment shall not exceed the amount of revenue
5 generated by the legislative action during the first full fiscal year
6 in which it is in effect. The state expenditure limit shall be
7 adjusted downward upon expiration or repeal of the legislative
8 action.))

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

11 "Shall ((taxes be imposed on in order to allow a))
12 state spending ((increase)) be increased above last year's authorized
13 spending adjusted for ((personal income growth)) inflation and
14 population increases?"

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

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

32 (e)) The state or any political subdivision of the state shall not
33 impose any tax on intangible property listed in RCW 84.36.070 as that
34 statute exists on January 1, 1993.

35 (4) If the cost of any state program or function is shifted from
36 the state general fund or a related fund to another source of funding,
37 or if moneys are transferred from the state general fund or a related
38 fund to another fund or account, the state expenditure limit committee,

1 acting pursuant to RCW 43.135.025(5), shall lower the state expenditure
2 limit to reflect the shift. For the purposes of this section, a
3 transfer of money from the state general fund or a related fund to
4 another fund or account includes any state legislative action taken
5 that has the effect of reducing revenues from a particular source,
6 where such revenues would otherwise be deposited into the state general
7 fund or a related fund, while increasing the revenues from that
8 particular source to another state or local government account. This
9 subsection does not apply to the dedication or use of lottery revenues
10 under RCW 67.70.240(3) or property taxes under RCW 84.52.068, in
11 support of education or education expenditures.

12 (5) If the cost of any state program or function and the ongoing
13 revenue necessary to fund the program or function are shifted to the
14 state general fund or a related fund on or after January 1, 2007, the
15 state expenditure limit committee, acting pursuant to RCW
16 43.135.025(5), shall increase the state expenditure limit to reflect
17 the shift.

18 NEW SECTION. **Sec. 5.** 2005 c 72 s 3 is repealed.

19 NEW SECTION. **Sec. 6.** Sections 1 and 3 of this act expire July 1,
20 2007.

21 NEW SECTION. **Sec. 7.** Sections 2 and 4 of this act take effect
22 July 1, 2007.

23 NEW SECTION. **Sec. 8.** Except for sections 1, 2, and 5 of this act,
24 this act takes effect if the proposed amendment to Article VIII,
25 section . . . of the state Constitution (HJR, H-4189/06) is
26 validly submitted to and is approved and ratified by the voters at a
27 general election held in November 2006. If the proposed amendment is
28 not approved and ratified, sections 3 and 4 of this act are void in
29 their entirety.

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