
SUBSTITUTE SENATE BILL 6078

State of Washington

59th Legislature

2005 Regular Session

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

READ FIRST TIME 03/08/05.

1 AN ACT Relating to state expenditure limitations; amending RCW
2 43.135.03901, 43.135.080, 82.32.470, 43.135.010, 43.135.025, and
3 43.135.035; reenacting and amending RCW 43.135.035; creating a new
4 section; providing an effective date; and declaring an emergency.

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

6 NEW SECTION. **Sec. 1.** The legislature finds that the citizens of
7 the state benefit from a state expenditure limit that ensures that the
8 state budget operates with stability and predictability, while
9 encouraging the establishment of budget priorities and a periodic
10 review of state programs and the delivery of state services. A state
11 expenditure limit can prevent budgeting crises that can occur because
12 of increased spending levels during periods of revenue surplus followed
13 by drastic reductions in state services in lean years. The citizens of
14 the state are best served by an expenditure limit that keeps pace with
15 the growth in the state's economy yet ensures budget discipline and
16 taxpayer protection. For these reasons, the legislature finds that
17 modifications to the state expenditure limit, after ten years of
18 experience following the initial implementation of Initiative Measure
19 No. 601, will recognize the economic productivity of the state's

1 economy and better balance the needs of the citizens for essential
2 government services with the obligation of the legislature for strict
3 spending accountability and protection of its taxpayers.

4 **Sec. 2.** RCW 43.135.035 and 2001 c 3 s 8 and 2000 2nd sp.s. c 2 s
5 2 are each reenacted and amended to read as follows:

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

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

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

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

28 (~~(3)~~) (2)(a) The state expenditure limit may be exceeded upon
29 declaration of an emergency for a period not to exceed twenty-four
30 months by a law approved by a two-thirds vote of each house of the
31 legislature and signed by the governor. The law shall set forth the
32 nature of the emergency, which is limited to natural disasters that
33 require immediate government action to alleviate human suffering and
34 provide humanitarian assistance. The state expenditure limit may be
35 exceeded for no more than twenty-four months following the declaration
36 of the emergency and only for the purposes contained in the emergency
37 declaration.

1 (b) Additional taxes required for an emergency under this section
2 may be imposed only until thirty days following the next general
3 election, unless an extension is approved at that general election.
4 The additional taxes shall expire upon expiration of the declaration of
5 emergency. The legislature shall not impose additional taxes for
6 emergency purposes under this subsection unless funds in the education
7 construction fund have been exhausted.

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

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

26 ~~((+5))~~ (4) If the cost of any state program or function is shifted
27 to the state general fund on or after January 1, 2000, 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.

32 **Sec. 3.** RCW 43.135.03901 and 2002 c 290 s 5 are each amended to
33 read as follows:

34 RCW 43.135.035~~((+4))~~ (3) does not apply to the transfers
35 established in RCW 70.96A.350.

1 **Sec. 4.** RCW 43.135.080 and 1998 c 321 s 14 are each amended to
2 read as follows:

3 (1) Initiative Measure No. 601 (chapter 43.135 RCW, as amended by
4 chapter 321, Laws of 1998 and the amendatory changes enacted by section
5 6, chapter 2, Laws of 1994) is hereby reenacted and reaffirmed. The
6 legislature also adopts chapter 321, Laws of 1998 to continue the
7 general fund revenue and expenditure limitations contained in this
8 chapter 43.135 RCW after this one-time transfer of funds.

9 (2) RCW 43.135.035(~~(+4)~~) (3) does not apply to sections 5 through
10 13, chapter 321, Laws of 1998.

11 **Sec. 5.** RCW 82.32.470 and 2002 c 56 s 407 are each amended to read
12 as follows:

13 (1) The tax imposed and collected under chapters 82.08 and 82.12
14 RCW, less any credits allowed under chapter 82.14 RCW, on initial
15 construction for a transportation project to be constructed under
16 chapter 36.120 RCW, must be transferred to the transportation project
17 to defray costs or pay debt service on that transportation project. In
18 the case of a toll project, this transfer or credit must be used to
19 lower the overall cost of the project and thereby the corresponding
20 tolls.

21 (2) This transaction is exempt from the requirements in RCW
22 43.135.035(~~(+4)~~) (3).

23 (3) Government entities constructing transportation projects under
24 chapter 36.120 RCW shall report to the department the amount of state
25 sales or use tax covered under this section.

26 **Sec. 6.** RCW 43.135.010 and 1994 c 2 s 1 are each amended to read
27 as follows:

28 The people of the state of Washington hereby find and declare:

29 (1) The continuing increases in our state tax burden and the
30 corresponding growth of state government is contrary to the interest of
31 the people of the state of Washington.

32 (2) It is necessary to limit the rate of growth of state government
33 while assuring adequate funding of essential services, including basic
34 education as defined by the legislature.

35 (3) The current budgetary system in the state of Washington lacks

1 stability. The system encourages crisis budgeting and results in
2 cutbacks during lean years and overspending during surplus years.

3 (4) It is therefore the intent of this chapter to:

4 (a) Establish a limit on state expenditures that will assure that
5 the growth rate of state expenditures does not exceed ninety percent of
6 the growth rate (~~(of inflation and state population)~~) in Washington
7 personal income;

8 (b) Assure that local governments are provided funds adequate to
9 render those services deemed essential by their citizens;

10 (c) Assure that the state does not impose responsibility on local
11 governments for new programs or increased levels of service under
12 existing programs unless the costs thereof are paid by the state;

13 (d) Provide for adjustment of the limit when costs of a program are
14 transferred between the state and another political entity;

15 (e) Establish a procedure for exceeding this limit in emergency
16 situations;

17 (f) Provide for voter approval of tax increases; and

18 (g) Avoid overfunding and underfunding state programs by providing
19 stability, consistency, and long-range planning.

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

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

25 (2) Except pursuant to a declaration of emergency under RCW
26 43.135.035 or pursuant to an appropriation under RCW 43.135.045(4)(b),
27 the state treasurer shall not issue or redeem any check, warrant, or
28 voucher that will result in a state general fund or related fund
29 expenditure for any fiscal year in excess of the state expenditure
30 limit established under this chapter. A violation of this subsection
31 constitutes a violation of RCW 43.88.290 and shall subject the state
32 treasurer to the penalties provided in RCW 43.88.300.

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

36 (4) For purposes of computing the state expenditure limit for the
37 fiscal year beginning July 1, (~~(1995)~~) 2007, the phrase "the previous

1 fiscal year's state expenditure limit" means the total state
2 expenditures from the state general fund and related funds, not
3 including federal funds, for the fiscal year beginning July 1, ~~((1989))~~
4 2006, plus the fiscal growth factor. ~~((This calculation is then~~
5 ~~computed for the state expenditure limit for fiscal years 1992, 1993,~~
6 ~~1994, and 1995, and as required under RCW 43.135.035(4).))~~

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

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

25 (7) "Fiscal growth factor" means ninety percent of the average of
26 the sum of ~~((inflation and population change))~~ the growth in Washington
27 personal income for each of the prior three fiscal years.

28 ~~((("Inflation" means the percentage change in the implicit price~~
29 ~~deflator for the United States for each fiscal year as published by the~~
30 ~~federal bureau of labor statistics.~~

31 ~~((9) "Population change" means the percentage change in state~~
32 ~~population for each fiscal year as reported by the office of financial~~
33 ~~management.))~~ "General fund" means the state general fund.

34 (9) "Related fund" means the health services account, violence
35 reduction and drug enforcement account, public safety and education
36 account, water quality account, or student achievement fund.

1 **Sec. 8.** RCW 43.135.035 and 2005 c . . . s 2 (section 2 of this
2 act) are each amended to read as follows:

3 (1)(a) Any action or combination of actions by the legislature that
4 raises state revenue to the general fund or related funds and will
5 result in expenditures in excess of the state expenditure limit shall
6 not take effect until approved by a vote of the people at a November
7 general election. The state expenditure limit committee shall adjust
8 the state expenditure limit by the amount of additional revenue
9 approved by the voters under this section. This adjustment shall not
10 exceed the amount of revenue generated by the legislative action during
11 the first full fiscal year in which it is in effect. The state
12 expenditure limit shall be adjusted downward upon expiration or repeal
13 of the legislative action.

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

16 "Shall taxes be imposed on in order to allow a
17 spending increase above last year's authorized spending adjusted for
18 (~~inflation and population increases~~) personal income growth?"

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

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

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

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

17 (4) If the cost of any state program or function (~~(is)~~) and the
18 ongoing revenue necessary to fund the program or function are shifted
19 to the state general fund or a related fund on or after January 1,
20 (~~(2000, from another source of funding, or if moneys are transferred to~~
21 ~~the state general fund from another fund or account))~~ 2007, the state
22 expenditure limit committee, acting pursuant to RCW 43.135.025(5),
23 shall increase the state expenditure limit to reflect the shift.

24 NEW SECTION. Sec. 9. (1) Sections 1 through 5 of this act are
25 necessary for the immediate preservation of the public peace, health,
26 or safety, or support of the state government and its existing public
27 institutions, and take effect immediately.

28 (2) Sections 6 through 8 of this act take effect July 1, 2007.

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