
SENATE BILL 6471

State of Washington 59th Legislature 2006 Regular Session

By Senators Zarelli, Hewitt, Sheldon, Parlette, Brandland, Stevens, Morton, Finkbeiner, Schmidt, Pflug, Esser, Carrell, Mulliken, Schoesler, Benton, Deccio, Oke, Honeyford, Johnson and Roach

Read first time 01/12/2006. Referred to Committee on Ways & Means.

1 AN ACT Relating to a rainy day reserve fund; amending RCW
2 43.135.045; reenacting and amending RCW 43.84.092, 43.135.045, and
3 43.135.045; adding a new section to chapter 43.79 RCW; adding a new
4 section to chapter 82.33 RCW; repealing RCW 43.33A.220 and 43.135.051;
5 providing contingent effective dates; and providing an expiration date.

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

7 NEW SECTION. **Sec. 1.** A new section is added to chapter 43.79 RCW
8 to read as follows:

9 (1) A rainy day reserve fund shall be established and maintained in
10 the state treasury pursuant to Article VII, section . . . (2006 Senate
11 Joint Resolution No., S-3779/06).

12 (2) The state investment board has the full power to invest,
13 reinvest, manage, contract, sell, or exchange investment moneys in the
14 rainy day reserve fund. All investment and operating costs associated
15 with the investment of money shall be paid pursuant to RCW 43.33A.160
16 and 43.84.160. With the exception of these expenses, the earnings from
17 the investment of the money shall be retained by the fund. All
18 investments made by the state investment board shall be made with the
19 exercise of that degree of judgment and care pursuant to RCW 43.33A.140

1 and the investment policies established by the state investment board.
2 As deemed appropriate by the state investment board, moneys in the fund
3 may be commingled for investment with other funds subject to investment
4 by the board.

5 (3) When the balance in the rainy day reserve fund, including
6 investment earnings, equals more than ten percent of the estimated
7 general state revenues in the prior fiscal year, the legislature may,
8 at any time for any fiscal year, by the favorable of a majority of the
9 members elected to each house, withdraw and appropriate amounts in the
10 fund to the extent that the balance of the fund exceeds ten percent.
11 If, as determined by the state actuary, unfunded liabilities exist in
12 state retirement systems administered by the department of retirement
13 systems, such appropriations may be made solely for the purpose of
14 funding the liabilities.

15 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.33 RCW
16 to read as follows:

17 The economic and revenue forecast council shall perform the state
18 employment growth and general state revenue forecasts and estimates
19 required by Article VII, section . . . (2006 Senate Joint Resolution
20 No., S-3779/06).

21 **Sec. 3.** RCW 43.84.092 and 2005 c 514 s 1106, 2005 c 353 s 4, 2005
22 c 339 s 23, 2005 c 314 s 110, 2005 c 312 s 8, and 2005 c 94 s 2 are
23 each reenacted and amended to read as follows:

24 (1) All earnings of investments of surplus balances in the state
25 treasury shall be deposited to the treasury income account, which
26 account is hereby established in the state treasury.

27 (2) The treasury income account shall be utilized to pay or receive
28 funds associated with federal programs as required by the federal cash
29 management improvement act of 1990. The treasury income account is
30 subject in all respects to chapter 43.88 RCW, but no appropriation is
31 required for refunds or allocations of interest earnings required by
32 the cash management improvement act. Refunds of interest to the
33 federal treasury required under the cash management improvement act
34 fall under RCW 43.88.180 and shall not require appropriation. The
35 office of financial management shall determine the amounts due to or
36 from the federal government pursuant to the cash management improvement

1 act. The office of financial management may direct transfers of funds
2 between accounts as deemed necessary to implement the provisions of the
3 cash management improvement act, and this subsection. Refunds or
4 allocations shall occur prior to the distributions of earnings set
5 forth in subsection (4) of this section.

6 (3) Except for the provisions of RCW 43.84.160, the treasury income
7 account may be utilized for the payment of purchased banking services
8 on behalf of treasury funds including, but not limited to, depository,
9 safekeeping, and disbursement functions for the state treasury and
10 affected state agencies. The treasury income account is subject in all
11 respects to chapter 43.88 RCW, but no appropriation is required for
12 payments to financial institutions. Payments shall occur prior to
13 distribution of earnings set forth in subsection (4) of this section.

14 (4) Monthly, the state treasurer shall distribute the earnings
15 credited to the treasury income account. The state treasurer shall
16 credit the general fund with all the earnings credited to the treasury
17 income account except:

18 (a) The following accounts and funds shall receive their
19 proportionate share of earnings based upon each account's and fund's
20 average daily balance for the period: The capitol building
21 construction account, the Cedar River channel construction and
22 operation account, the Central Washington University capital projects
23 account, the charitable, educational, penal and reformatory
24 institutions account, the common school construction fund, the county
25 criminal justice assistance account, the county sales and use tax
26 equalization account, the data processing building construction
27 account, the deferred compensation administrative account, the deferred
28 compensation principal account, the department of retirement systems
29 expense account, the developmental disabilities community trust
30 account, the drinking water assistance account, the drinking water
31 assistance administrative account, the drinking water assistance
32 repayment account, the Eastern Washington University capital projects
33 account, the education construction fund, the education legacy trust
34 account, the election account, (~~the emergency reserve fund,~~) The
35 Evergreen State College capital projects account, the federal forest
36 revolving account, the freight mobility investment account, the health
37 services account, the public health services account, the health system
38 capacity account, the personal health services account, the state

1 higher education construction account, the higher education
2 construction account, the highway infrastructure account, the high-
3 occupancy toll lanes operations account, the industrial insurance
4 premium refund account, the judges' retirement account, the judicial
5 retirement administrative account, the judicial retirement principal
6 account, the local leasehold excise tax account, the local real estate
7 excise tax account, the local sales and use tax account, the medical
8 aid account, the mobile home park relocation fund, the multimodal
9 transportation account, the municipal criminal justice assistance
10 account, the municipal sales and use tax equalization account, the
11 natural resources deposit account, the oyster reserve land account, the
12 perpetual surveillance and maintenance account, the public employees'
13 retirement system plan 1 account, the public employees' retirement
14 system combined plan 2 and plan 3 account, the public facilities
15 construction loan revolving account beginning July 1, 2004, the public
16 health supplemental account, the public works assistance account, the
17 Puyallup tribal settlement account, the rainy day reserve fund, the
18 real estate appraiser commission account, the regional transportation
19 investment district account, the resource management cost account, the
20 rural Washington loan fund, the site closure account, the small city
21 pavement and sidewalk account, the special wildlife account, the state
22 employees' insurance account, the state employees' insurance reserve
23 account, the state investment board expense account, the state
24 investment board commingled trust fund accounts, the supplemental
25 pension account, the Tacoma Narrows toll bridge account, the teachers'
26 retirement system plan 1 account, the teachers' retirement system
27 combined plan 2 and plan 3 account, the tobacco prevention and control
28 account, the tobacco settlement account, the transportation
29 infrastructure account, the transportation partnership account, the
30 tuition recovery trust fund, the University of Washington bond
31 retirement fund, the University of Washington building account, the
32 volunteer fire fighters' and reserve officers' relief and pension
33 principal fund, the volunteer fire fighters' and reserve officers'
34 administrative fund, the Washington fruit express account, the
35 Washington judicial retirement system account, the Washington law
36 enforcement officers' and fire fighters' system plan 1 retirement
37 account, the Washington law enforcement officers' and fire fighters'
38 system plan 2 retirement account, the Washington public safety

1 employees' plan 2 retirement account, the Washington school employees'
2 retirement system combined plan 2 and 3 account, the Washington state
3 health insurance pool account, the Washington state patrol retirement
4 account, the Washington State University building account, the
5 Washington State University bond retirement fund, the water pollution
6 control revolving fund, and the Western Washington University capital
7 projects account. Earnings derived from investing balances of the
8 agricultural permanent fund, the normal school permanent fund, the
9 permanent common school fund, the scientific permanent fund, and the
10 state university permanent fund shall be allocated to their respective
11 beneficiary accounts. All earnings to be distributed under this
12 subsection (4)(a) shall first be reduced by the allocation to the state
13 treasurer's service fund pursuant to RCW 43.08.190.

14 (b) The following accounts and funds shall receive eighty percent
15 of their proportionate share of earnings based upon each account's or
16 fund's average daily balance for the period: The aeronautics account,
17 the aircraft search and rescue account, the county arterial
18 preservation account, the department of licensing services account, the
19 essential rail assistance account, the ferry bond retirement fund, the
20 grade crossing protective fund, the high capacity transportation
21 account, the highway bond retirement fund, the highway safety account,
22 the motor vehicle fund, the motorcycle safety education account, the
23 pilotage account, the public transportation systems account, the Puget
24 Sound capital construction account, the Puget Sound ferry operations
25 account, the recreational vehicle account, the rural arterial trust
26 account, the safety and education account, the special category C
27 account, the state patrol highway account, the transportation 2003
28 account (nickel account), the transportation equipment fund, the
29 transportation fund, the transportation improvement account, the
30 transportation improvement board bond retirement account, and the urban
31 arterial trust account.

32 (5) In conformance with Article II, section 37 of the state
33 Constitution, no treasury accounts or funds shall be allocated earnings
34 without the specific affirmative directive of this section.

35 **Sec. 4.** RCW 43.135.045 and 2005 c 488 s 920 and 2005 c 314 s 401
36 are each reenacted and 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 is
19 hereby created in the state treasury (~~and twenty five percent to the~~
20 ~~general 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~~)) (2) The education construction fund is hereby created in
33 the state treasury.

34 (a) Funds may be appropriated from the education construction fund
35 exclusively for common school construction or higher education
36 construction. During the fiscal years beginning July 1, 2005, and
37 ending June 30, 2007, funds may also be used for higher education
38 facilities preservation and maintenance.

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

8 ~~((+5))~~ (3) Funds from the student achievement fund shall be
9 appropriated to the superintendent of public instruction strictly for
10 distribution to school districts to meet the provisions set out in the
11 student achievement act. Allocations shall be made on an equal per
12 full-time equivalent student basis to each school district.

13 **Sec. 5.** RCW 43.135.045 and 2005 c 518 s 931 are each amended to
14 read as follows:

15 (1) ~~((The emergency reserve fund is established in the state
16 treasury. During each fiscal year, the state treasurer shall deposit
17 in the emergency reserve fund all general fund state revenues in
18 excess of the state expenditure limit for that fiscal year. Deposits
19 shall be made at the end of each fiscal quarter based on projections of
20 state revenues and the state expenditure limit. The treasurer shall
21 make transfers between these accounts as necessary to reconcile actual
22 annual revenues and the expenditure limit for fiscal year 2000 and
23 thereafter.~~

24 (2) ~~The legislature may appropriate moneys from the emergency
25 reserve fund only with approval of at least two thirds of the members
26 of each house of the legislature, and then only if the appropriation
27 does not cause total expenditures to exceed the state expenditure limit
28 under this chapter.~~

29 (3) ~~The emergency reserve fund balance shall not exceed five
30 percent of annual general fund state revenues as projected by the
31 official state revenue forecast. Any balance in excess of five percent
32 shall be transferred on a quarterly basis by the state treasurer as
33 follows: Seventy five percent to)) The student achievement fund is
34 hereby created in the state treasury ~~((and twenty five percent to the
35 general fund balance. The treasurer shall make transfers between these
36 accounts as necessary to reconcile actual annual revenues for fiscal
37 year 2000 and thereafter. When per student state funding for the~~~~

1 ~~maintenance and operation of K-12 education meets a level of no less~~
2 ~~than ninety percent of the national average of total funding from all~~
3 ~~sources per student as determined by the most recent published data~~
4 ~~from the national center for education statistics of the United States~~
5 ~~department of education, as calculated by the office of financial~~
6 ~~management, further deposits to the student achievement fund shall be~~
7 ~~required only to the extent necessary to maintain the ninety percent~~
8 ~~level. Remaining funds are part of the general fund balance and these~~
9 ~~funds are subject to the expenditure limits of this chapter)).~~

10 ((+4)) (2) The education construction fund is hereby created in
11 the state treasury.

12 (a) Funds may be appropriated from the education construction fund
13 exclusively for common school construction or higher education
14 construction.

15 (b) Funds may be appropriated for any other purpose only if
16 approved by a two-thirds vote of each house of the legislature and if
17 approved by a vote of the people at the next general election. An
18 appropriation approved by the people under this subsection shall result
19 in an adjustment to the state expenditure limit only for the fiscal
20 period for which the appropriation is made and shall not affect any
21 subsequent fiscal period.

22 ((+5)) (3) Funds from the student achievement fund shall be
23 appropriated to the superintendent of public instruction strictly for
24 distribution to school districts to meet the provisions set out in the
25 student achievement act. Allocations shall be made on an equal per
26 full-time equivalent student basis to each school district.

27 ((+6)) ~~Earnings of the emergency reserve fund under RCW~~
28 ~~43.84.092(4)(a) shall be transferred quarterly to the multimodal~~
29 ~~transportation account, except for those earnings that are in excess of~~
30 ~~thirty five million dollars each fiscal year. Within thirty days~~
31 ~~following any fiscal year in which earnings transferred to the~~
32 ~~multimodal transportation account under this subsection did not total~~
33 ~~thirty five million dollars, the state treasurer shall transfer from~~
34 ~~the emergency reserve fund an amount necessary to bring the total~~
35 ~~deposited in the multimodal transportation account under this~~
36 ~~subsection to thirty five million dollars. The revenues to the~~
37 ~~multimodal transportation account reflected in this subsection provide~~
38 ~~ongoing support for the transportation programs of the state. However,~~

1 ~~it is the intent of the legislature that any new long-term financial~~
2 ~~support that may be subsequently provided for transportation programs~~
3 ~~will be used to replace and supplant the revenues reflected in this~~
4 ~~subsection, thereby allowing those revenues to be returned to the~~
5 ~~purposes to which they were previously dedicated. No transfers from~~
6 ~~the emergency reserve fund to the multimodal fund shall be made during~~
7 ~~the 2005-2007 fiscal biennium.))~~

8 **Sec. 6.** RCW 43.135.045 and 2005 c 314 s 401 and 2005 c 72 s 6 are
9 each reenacted and amended to read as follows:

10 (1) ~~((The emergency reserve fund is established in the state~~
11 ~~treasury. During each fiscal year, the state treasurer shall transfer~~
12 ~~an amount from the state general fund to the emergency reserve fund.~~
13 ~~The amount transferred shall equal the amount by which total state~~
14 ~~revenue for the general fund and related funds exceeds the state~~
15 ~~expenditure limit, multiplied by the percentage that general fund~~
16 ~~expenditures are of total expenditures from the general fund and~~
17 ~~related funds. Transfers shall be made at the end of each fiscal~~
18 ~~quarter based on projections of state revenues, expenditures, and the~~
19 ~~state expenditure limit. The treasurer shall make transfers between~~
20 ~~these accounts as necessary to reconcile actual annual revenues and the~~
21 ~~expenditure limit for fiscal year 2000 and thereafter.~~

22 (2) ~~The legislature may appropriate moneys from the emergency~~
23 ~~reserve fund only with approval of at least two thirds of the members~~
24 ~~of each house of the legislature, and then only if the appropriation~~
25 ~~does not cause total expenditures to exceed the state expenditure limit~~
26 ~~under this chapter.~~

27 (3) ~~The emergency reserve fund balance shall not exceed five~~
28 ~~percent of annual general fund state revenues as projected by the~~
29 ~~official state revenue forecast. Any balance in excess of five percent~~
30 ~~shall be transferred on a quarterly basis by the state treasurer as~~
31 ~~follows: Seventy five percent to)) The student achievement fund is~~
32 ~~hereby created in the state treasury ((and twenty five percent to the~~
33 ~~general fund balance. The treasurer shall make transfers between these~~
34 ~~accounts as necessary to reconcile actual annual revenues for fiscal~~
35 ~~year 2000 and thereafter. When per student state funding for the~~
36 ~~maintenance and operation of K-12 education meets a level of no less~~
37 ~~than ninety percent of the national average of total funding from all~~

1 ~~sources per student as determined by the most recent published data~~
2 ~~from the national center for education statistics of the United States~~
3 ~~department of education, as calculated by the office of financial~~
4 ~~management, further deposits to the student achievement fund shall be~~
5 ~~required only to the extent necessary to maintain the ninety percent~~
6 ~~level. Remaining funds are part of the general fund balance and these~~
7 ~~funds are subject to the expenditure limits of this chapter)).~~

8 ((+4)) (2) The education construction fund is hereby created in
9 the state treasury.

10 (a) Funds may be appropriated from the education construction fund
11 exclusively for common school construction or higher education
12 construction.

13 (b) Funds may be appropriated for any other purpose only if
14 approved by a two-thirds vote of each house of the legislature and if
15 approved by a vote of the people at the next general election. An
16 appropriation approved by the people under this subsection shall result
17 in an adjustment to the state expenditure limit only for the fiscal
18 period for which the appropriation is made and shall not affect any
19 subsequent fiscal period.

20 ((+5)) (3) Funds from the student achievement fund shall be
21 appropriated to the superintendent of public instruction strictly for
22 distribution to school districts to meet the provisions set out in the
23 student achievement act. Allocations shall be made on an equal per
24 full-time equivalent student basis to each school district.

25 NEW SECTION. **Sec. 7.** On the effective date of this act, all money
26 remaining in the emergency reserve fund shall be transferred to the
27 rainy day reserve fund.

28 NEW SECTION. **Sec. 8.** The following acts or parts of acts are each
29 repealed:

30 (1) RCW 43.33A.220 (Emergency reserve fund--Board's duties) and
31 1999 c 288 s 2; and

32 (2) RCW 43.135.051 (Emergency reserve fund--State investment board
33 authority to invest or manage) and 1999 c 288 s 1.

34 NEW SECTION. **Sec. 9.** This act takes effect June 1, 2007, except
35 section 6 of this act which takes effect July 1, 2007, if the proposed

1 amendment to Article VII of the state Constitution (2006 Senate Joint
2 Resolution No., S-3779/06) is validly submitted to and is
3 approved and ratified by the voters at a general election held in
4 November 2006. If the proposed amendment is not approved and ratified,
5 this act is void in its entirety.

6 NEW SECTION. **Sec. 10.** Section 4 of this act expires June 30,
7 2007.

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