
SENATE BILL 6896

State of Washington 59th Legislature 2006 Regular Session

By Senators Prentice, Doumit, Brown and Regala

Read first time 02/14/2006. Referred to Committee on Ways & Means.

1 AN ACT Relating to state funding stabilization; amending RCW
2 43.135.025 and 43.135.035; reenacting and amending RCW 43.84.092 and
3 43.84.092; adding new sections to chapter 41.45 RCW; making
4 appropriations; providing an effective date; providing expiration
5 dates; and declaring an emergency.

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

7 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.45 RCW
8 to read as follows:

9 The pension funding stabilization account is created in the state
10 treasury. Moneys in the account may be spent only after appropriation.
11 Expenditures from the account may be used only for payment of state
12 government employer contributions for members of the public employees'
13 retirement system, the teachers' retirement system, the school
14 employees' retirement system, and the public safety employees'
15 retirement system. The account may not be used to pay for any new
16 benefit or for any benefit increase that takes effect after July 1,
17 2005. An increase that is provided in accordance with a formula that
18 is in existence on July 1, 2005, is not considered a benefit increase
19 for this purpose. Moneys in the account shall be for the exclusive use

1 of the specified retirement systems and invested by the state
2 investment board pursuant to RCW 43.33A.170. For purposes of RCW
3 43.135.035, expenditures from the pension funding stabilization account
4 shall not be considered a state program cost shift from the state
5 general fund to another account.

6 NEW SECTION. **Sec. 2.** A new section is added to chapter 41.45 RCW
7 to read as follows:

8 (1) The state investment board has the full power to invest,
9 reinvest, manage, contract, sell, or exchange investment moneys in the
10 pension funding stabilization account. All investment and operating
11 costs associated with the investment of money shall be paid pursuant to
12 RCW 43.33A.160 and 43.84.160. With the exception of these expenses,
13 the earnings from the investment of the money shall be retained by the
14 account.

15 (2) All investments made by the state investment board shall be
16 made with the exercise of that degree of judgment and care pursuant to
17 RCW 43.33A.140 and the investment policies established by the state
18 investment board.

19 (3) As deemed appropriate by the state investment board, moneys in
20 the account may be commingled for investment with other funds subject
21 to investment by the board.

22 NEW SECTION. **Sec. 3.** A new section is added to chapter 41.45 RCW
23 to read as follows:

24 (1) It is the intent of the legislature to provide for the
25 systematic funding of the plan 1 unfunded accrued actuarial liabilities
26 in a manner that promotes contribution rate adequacy and stability for
27 the affected systems. The rates established in this section shall be
28 collected in addition to the rates established pursuant to RCW
29 41.45.062.

30 (2) Beginning September 1, 2006, a 1.29 percent contribution is
31 established as part of the basic state and employer contribution rate
32 for the teachers' retirement system, to be used for the sole purpose of
33 amortizing the unfunded accrued actuarial liability in the teachers'
34 retirement system plan 1.

35 (3) Beginning September 1, 2006, a 1.75 percent contribution is
36 established as part of the basic state and employer contribution rate

1 for the school employees' retirement system, to be used for the sole
2 purpose of amortizing the unfunded accrued actuarial liability in the
3 public employees' retirement system plan 1.

4 (4) Beginning January 1, 2007, a 1.80 percent contribution is
5 established as part of the basic state and employer contribution rate
6 for the public employees' retirement system and the public safety
7 employees' retirement system, to be used for the sole purpose of
8 amortizing the unfunded accrued actuarial liability in the public
9 employees' retirement system plan 1.

10 (5) The contribution rates in this section shall be collected
11 through June 30, 2007, for the public employees' retirement system and
12 the public safety employees' retirement system and August 31, 2007, for
13 the teachers' retirement system and the school employees' retirement
14 system.

15 NEW SECTION. **Sec. 4.** The sum of million dollars is
16 appropriated for the fiscal year ending June 30, 2006, from the general
17 fund to the pension funding stabilization account for the purposes of
18 section 1 of this act.

19 NEW SECTION. **Sec. 5.** The sum of million dollars is
20 appropriated for the fiscal year ending June 30, 2006, from the general
21 fund to the health services account for the purposes of providing
22 fiscal stability for the account.

23 NEW SECTION. **Sec. 6.** The sum of million dollars is
24 appropriated for the fiscal year ending June 30, 2006, from the general
25 fund to the common school construction account for the purposes of
26 providing fiscal stability for the account.

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

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

32 (2) Except pursuant to a declaration of emergency under RCW
33 43.135.035 or pursuant to an appropriation under RCW 43.135.045(4)(b),
34 the state treasurer shall not issue or redeem any check, warrant, or

1 voucher that will result in a state general fund expenditure for any
2 fiscal year in excess of the state expenditure limit established under
3 this chapter. A violation of this subsection constitutes a violation
4 of RCW 43.88.290 and shall subject the state treasurer to the penalties
5 provided in RCW 43.88.300.

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

9 (4) For purposes of computing the state expenditure limit for the
10 fiscal year beginning July 1, 1995, the phrase "the previous fiscal
11 year's state expenditure limit" means the total state expenditures from
12 the state general fund, not including federal funds, for the fiscal
13 year beginning July 1, 1989, plus the fiscal growth factor. This
14 calculation is then computed for the state expenditure limit for fiscal
15 years 1992, 1993, 1994, and 1995, and as required under RCW
16 43.135.035(4).

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

26 (6) Each November, the state expenditure limit committee shall
27 adjust the expenditure limit for the preceding fiscal year based on
28 actual expenditures and known changes in the fiscal growth factor and
29 then project an expenditure limit for the next two fiscal years. For
30 fiscal year 2006, the calculation shall include the fiscal year 2006
31 state general fund appropriations to the pension funding stabilization
32 account, the health services account, and the common school
33 construction account in chapter . . . , Laws of 2006 (this act). If, by
34 November 30th, the state expenditure limit committee has not adopted
35 the expenditure limit adjustment and projected expenditure limit as
36 provided in subsection (5) of this section, the attorney general or his
37 or her designee shall adjust or project the expenditure limit, as
38 necessary.

1 (7) "Fiscal growth factor" means the average of the sum of
2 inflation and population change for each of the prior three fiscal
3 years.

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

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

10 **Sec. 8.** RCW 43.135.035 and 2005 c 72 s 2 are each amended to read
11 as follows:

12 (1) After July 1, 1995, any action or combination of actions by the
13 legislature that raises state revenue or requires revenue-neutral tax
14 shifts may be taken only if approved by a two-thirds vote of each
15 house, and then only if state expenditures in any fiscal year,
16 including the new revenue, will not exceed the state expenditure limits
17 established under this chapter. However, for legislation enacted
18 between the effective date of this 2005 act and June 30, 2007, any
19 action or combination of actions by the legislature that raises state
20 revenue or requires revenue-neutral tax shifts may be taken with the
21 approval of a majority of members elected to each house, so long as
22 state expenditures in any fiscal year, including the new revenue, will
23 not exceed the state expenditure limits established under this chapter.

24 (2)(a) If the legislative action under subsection (1) of this
25 section will result in expenditures in excess of the state expenditure
26 limit, then the action of the legislature shall not take effect until
27 approved by a vote of the people at a November general election. The
28 state expenditure limit committee shall adjust the state expenditure
29 limit by the amount of additional revenue approved by the voters under
30 this section. This adjustment shall not exceed the amount of revenue
31 generated by the legislative action during the first full fiscal year
32 in which it is in effect. The state expenditure limit shall be
33 adjusted downward upon expiration or repeal of the legislative action.

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

36 "Shall taxes be imposed on in order to allow a

1 spending increase above last year's authorized spending adjusted for
2 inflation and population increases?"

3 (3)(a) The state expenditure limit may be exceeded upon declaration
4 of an emergency for a period not to exceed twenty-four months by a law
5 approved by a two-thirds vote of each house of the legislature and
6 signed by the governor. The law shall set forth the nature of the
7 emergency, which is limited to natural disasters that require immediate
8 government action to alleviate human suffering and provide humanitarian
9 assistance. The state expenditure limit may be exceeded for no more
10 than twenty-four months following the declaration of the emergency and
11 only for the purposes contained in the emergency declaration.

12 (b) Additional taxes required for an emergency under this section
13 may be imposed only until thirty days following the next general
14 election, unless an extension is approved at that general election.
15 The additional taxes shall expire upon expiration of the declaration of
16 emergency. The legislature shall not impose additional taxes for
17 emergency purposes under this subsection unless funds in the education
18 construction fund have been exhausted.

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

22 (4) If the cost of any state program or function is shifted from
23 the state general fund on or after January 1, 1993, to another source
24 of funding, or if moneys are transferred from the state general fund to
25 another fund or account, the state expenditure limit committee, acting
26 pursuant to RCW 43.135.025(5), shall lower the state expenditure limit
27 to reflect the shift. For purposes of this section, expenditures from
28 the pension funding stabilization account shall not be considered a
29 state program cost shift from the state general fund to another
30 account. For the purposes of this section, a transfer of money from
31 the state general fund to another fund or account includes any state
32 legislative action taken that has the effect of reducing revenues from
33 a particular source, where such revenues would otherwise be deposited
34 into the state general fund, while increasing the revenues from that
35 particular source to another state or local government account. This
36 subsection does not apply to the dedication or use of lottery revenues
37 under RCW 67.70.240(3) or property taxes under RCW 84.52.068, in
38 support of education or education expenditures.

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

7 **Sec. 9.** RCW 43.84.092 and 2005 c 514 s 1105, 2005 c 353 s 3, 2005
8 c 339 s 22, 2005 c 314 s 109, 2005 c 312 s 7, and 2005 c 94 s 1 are
9 each reenacted and amended to read as follows:

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

13 (2) The treasury income account shall be utilized to pay or receive
14 funds associated with federal programs as required by the federal cash
15 management improvement act of 1990. The treasury income account is
16 subject in all respects to chapter 43.88 RCW, but no appropriation is
17 required for refunds or allocations of interest earnings required by
18 the cash management improvement act. Refunds of interest to the
19 federal treasury required under the cash management improvement act
20 fall under RCW 43.88.180 and shall not require appropriation. The
21 office of financial management shall determine the amounts due to or
22 from the federal government pursuant to the cash management improvement
23 act. The office of financial management may direct transfers of funds
24 between accounts as deemed necessary to implement the provisions of the
25 cash management improvement act, and this subsection. Refunds or
26 allocations shall occur prior to the distributions of earnings set
27 forth in subsection (4) of this section.

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

36 (4) Monthly, the state treasurer shall distribute the earnings

1 credited to the treasury income account. The state treasurer shall
2 credit the general fund with all the earnings credited to the treasury
3 income account except:

4 (a) The following accounts and funds shall receive their
5 proportionate share of earnings based upon each account's and fund's
6 average daily balance for the period: The capitol building
7 construction account, the Cedar River channel construction and
8 operation account, the Central Washington University capital projects
9 account, the charitable, educational, penal and reformatory
10 institutions account, the common school construction fund, the county
11 criminal justice assistance account, the county sales and use tax
12 equalization account, the data processing building construction
13 account, the deferred compensation administrative account, the deferred
14 compensation principal account, the department of retirement systems
15 expense account, the developmental disabilities community trust
16 account, the drinking water assistance account, the drinking water
17 assistance administrative account, the drinking water assistance
18 repayment account, the Eastern Washington University capital projects
19 account, the education construction fund, the education legacy trust
20 account, the election account, the emergency reserve fund, The
21 Evergreen State College capital projects account, the federal forest
22 revolving account, the freight mobility investment account, the health
23 services account, the public health services account, the health system
24 capacity account, the personal health services account, the state
25 higher education construction account, the higher education
26 construction account, the highway infrastructure account, the high-
27 occupancy toll lanes operations account, the industrial insurance
28 premium refund account, the judges' retirement account, the judicial
29 retirement administrative account, the judicial retirement principal
30 account, the local leasehold excise tax account, the local real estate
31 excise tax account, the local sales and use tax account, the medical
32 aid account, the mobile home park relocation fund, the multimodal
33 transportation account, the municipal criminal justice assistance
34 account, the municipal sales and use tax equalization account, the
35 natural resources deposit account, the oyster reserve land account, the
36 pension funding stabilization account, the perpetual surveillance and
37 maintenance account, the public employees' retirement system plan 1
38 account, the public employees' retirement system combined plan 2 and

1 plan 3 account, the public facilities construction loan revolving
2 account beginning July 1, 2004, the public health supplemental account,
3 the Puyallup tribal settlement account, the real estate appraiser
4 commission account, the regional transportation investment district
5 account, the resource management cost account, the rural Washington
6 loan fund, the site closure account, the small city pavement and
7 sidewalk account, the special wildlife account, the state employees'
8 insurance account, the state employees' insurance reserve account, the
9 state investment board expense account, the state investment board
10 commingled trust fund accounts, the supplemental pension account, the
11 Tacoma Narrows toll bridge account, the teachers' retirement system
12 plan 1 account, the teachers' retirement system combined plan 2 and
13 plan 3 account, the tobacco prevention and control account, the tobacco
14 settlement account, the transportation infrastructure account, the
15 transportation partnership account, the tuition recovery trust fund,
16 the University of Washington bond retirement fund, the University of
17 Washington building account, the volunteer fire fighters' and reserve
18 officers' relief and pension principal fund, the volunteer fire
19 fighters' and reserve officers' administrative fund, the Washington
20 fruit express account, the Washington judicial retirement system
21 account, the Washington law enforcement officers' and fire fighters'
22 system plan 1 retirement account, the Washington law enforcement
23 officers' and fire fighters' system plan 2 retirement account, the
24 Washington school employees' retirement system combined plan 2 and 3
25 account, the Washington state health insurance pool account, the
26 Washington state patrol retirement account, the Washington State
27 University building account, the Washington State University bond
28 retirement fund, the water pollution control revolving fund, and the
29 Western Washington University capital projects account. Earnings
30 derived from investing balances of the agricultural permanent fund, the
31 normal school permanent fund, the permanent common school fund, the
32 scientific permanent fund, and the state university permanent fund
33 shall be allocated to their respective beneficiary accounts. All
34 earnings to be distributed under this subsection (4)(a) shall first be
35 reduced by the allocation to the state treasurer's service fund
36 pursuant to RCW 43.08.190.

37 (b) The following accounts and funds shall receive eighty percent
38 of their proportionate share of earnings based upon each account's or

1 fund's average daily balance for the period: The aeronautics account,
2 the aircraft search and rescue account, the county arterial
3 preservation account, the department of licensing services account, the
4 essential rail assistance account, the ferry bond retirement fund, the
5 grade crossing protective fund, the high capacity transportation
6 account, the highway bond retirement fund, the highway safety account,
7 the motor vehicle fund, the motorcycle safety education account, the
8 pilotage account, the public transportation systems account, the Puget
9 Sound capital construction account, the Puget Sound ferry operations
10 account, the recreational vehicle account, the rural arterial trust
11 account, the safety and education account, the special category C
12 account, the state patrol highway account, the transportation 2003
13 account (nickel account), the transportation equipment fund, the
14 transportation fund, the transportation improvement account, the
15 transportation improvement board bond retirement account, and the urban
16 arterial trust account.

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

20 **Sec. 10.** RCW 43.84.092 and 2005 c 514 s 1106, 2005 c 353 s 4, 2005
21 c 339 s 23, 2005 c 314 s 110, 2005 c 312 s 8, and 2005 c 94 s 2 are
22 each reenacted and amended to read as follows:

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

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

1 cash management improvement act, and this subsection. Refunds or
2 allocations shall occur prior to the distributions of earnings set
3 forth in subsection (4) of this section.

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

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

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

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

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

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

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

33 NEW SECTION. **Sec. 11.** Section 9 of this act expires July 1, 2006.

34 NEW SECTION. **Sec. 12.** Sections 7 and 8 of this act expire July 1,
35 2007.

1 NEW SECTION. **Sec. 13.** This act is necessary for the immediate
2 preservation of the public peace, health, or safety, or support of the
3 state government and its existing public institutions, and takes effect
4 immediately, except section 10 of this act, which takes effect July 1,
5 2006.

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