

SENATE BILL REPORT

SJR 8201

As of January 31, 2007

Brief Description: Amending the state Constitution to provide for a revenue stabilization fund.

Sponsors: Senator Franklin.

Brief History:

Committee Activity: Ways & Means: 1/30/07.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Steve Jones (786-7440)

Background: Initiative 601, adopted by the voters in 1993, established by statute a State General Fund expenditure limit and created the Emergency Reserve Fund. The Emergency Reserve Fund receives all State General Fund revenues in excess of the state expenditure limit. Appropriations may be made from the Emergency Reserve Fund only by a two-thirds vote of the Legislature.

"General state revenues" is defined in the State Constitution as being all state revenues that are not dedicated to a particular purpose. Thus, general state revenues consist of all revenues to the State General Fund, with the exception of property tax revenues, which are dedicated to the common school system.

Summary of Bill: The State Constitution is amended to establish a Revenue Stabilization Fund. In any year in which there is forecasted growth in general state revenues, adjusted for inflation, one percent of general state revenues are deposited to the Revenue Stabilization Fund. If general state revenues are forecasted to drop, the amount of the shortfall is appropriated from the Revenue Stabilization Fund to the General Fund. Other withdrawals from the Revenue Stabilization Fund may be made only by a three-fifths vote of the Legislature. Investment earnings are retained by the fund. When the Revenue Stabilization Fund exceeds ten percent of general state revenues, withdrawals may be made with a simple majority vote of the Legislature. The Legislature may enact legislation to implement the Constitutional amendment. By a three-fifths vote of the Legislature, the revenue growth trigger for deposits and withdrawals from the Revenue Stabilization Fund may be amended, but the revenue growth trigger cannot be more than 1 percent or less than negative 1 percent.

Appropriation: None.

Fiscal Note: Not requested.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect the third fiscal year after approval by the voters.

Staff Summary of Public Testimony: PRO: A rainy day reserve fund will provide for the structural sustainability of state budgets over time. The current economic conditions provide a strategic opportunity for the creation of a budget reserve, which will improve the state's bond rating and save state debt service costs by lowering the interest rate paid on state bonds. Just as a family saves a portion of its income for a rainy day, the state should not spend all of its income during periods of economic growth. A downturn in the economic cycle is inevitable. Establishing the reserve fund in the State Constitution on a bipartisan basis will enforce good budgeting discipline by restricting access to the monies held in reserve. Small businesses are excited about this proposal because it will help avoid tax increases during economic downturns, when businesses are vulnerable. The criteria for legislative withdrawals from the fund should be very strict.

Persons Testifying: PRO: Senator Rosa Franklin, prime sponsor; Senator Lisa Brown; Senator Joseph Zarelli; Victor Moore, Office of Financial Management; Jason Mercier, Evergreen Freedom Foundation; Carolyn Logue, National Federation of Independent Businesses.