

# SENATE BILL REPORT

## SB 5073

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As Reported by Senate Committee On:  
Ways & Means, March 23, 2009

**Title:** An act relating to consolidating accounts into the state general fund.

**Brief Description:** Improving budget transparency by consolidating accounts into the state general fund.

**Sponsors:** Senators Zarelli, Swecker, Benton and Parlette.

**Brief History:**

**Committee Activity:** Ways & Means: 2/03/09, 3/23/09 [DPS].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 5073 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Tom, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hobbs, Honeyford, Keiser, Kohl-Welles, McDermott, Oemig, Parlette, Pflug, Regala and Rockefeller.

**Staff:** Steve Jones (786-7440)

**Background:** The Health Services Account was established by the Legislature in 1993 to provide funding for health services including health care for low-income residents, the public health system, tobacco prevention and control, and the basic health plan. The primary revenue sources of the Health Services Account are cigarette and tobacco products taxes, alcohol taxes, a health insurance premium tax, and hospital business and occupation taxes. The Health Services Account is subject to the state expenditure limit under Initiative 601.

The Violence Reduction and Drug Enforcement Account was established by the Legislature in 1989 to provide funding for public safety programs including drug and alcohol abuse prevention programs, juvenile rehabilitation programs, and local public safety grants. The primary revenue sources of the Violence Reduction and Drug Enforcement Account are cigarette and alcohol taxes, firearm license fees, the soda syrup tax, and the proceeds of drug forfeitures and seizures. The Violence Reduction and Drug Enforcement Account is subject to the state expenditure limit under Initiative 601.

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*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.*

The Water Quality Account was established by the Legislature in 1986 to provide funding for grants and loans to public entities for water pollution control facilities and activities. The primary revenue sources of the Water Quality Account are cigarette taxes, sales taxes on components of certain water pollution control facilities, and loan repayments. The Water Quality Account is subject to the state expenditure limit under Initiative 601.

The Public Safety and Education Account was established by the Legislature in 1984 to provide funding for traffic safety education, highway safety, criminal justice training, crime victims' compensation, judicial education and court administration, the judicial information system, civil and criminal legal representation of indigent persons, winter recreation parking, drug court operations, state game programs, and other public safety programs. The primary revenue source for the Public Safety and Education Account is court fines, fees, and forfeitures. Within the Public Safety and Education Account, the Equal Justice Subaccount provides funding for civil and criminal indigent legal representation, representation of parents in dependency and termination proceedings, and contributions to district and municipal judges' salaries. The Public Safety and Education Account is subject to the state expenditure limit under Initiative 601.

The Student Achievement Account was established in 2000 by Initiative 728 for distribution to school districts for class size reductions, extended learning opportunities, professional development for educators, and early learning assistance to children. The primary revenue sources of the Student Achievement Account are a portion of the state property tax levy and appropriations from the Education Legacy Trust Account. The Student Achievement Account is subject to the state expenditure limit under Initiative 601.

The Education Legacy Trust Account was established by the Legislature in 2005 to provide funding for education improvement efforts including deposits into the Student Achievement Fund and expenditures to expand access to higher education through new enrollments and financial aid. The primary revenue sources of the Education Legacy Trust Account are cigarette taxes and estate taxes.

The Pension Funding Stabilization Account was established by the Legislature in 2006 to provide funding for state government employer contributions to state-funded retirement systems. The sole revenue source for the Pension Funding Stabilization Account is state appropriations.

"General state revenues" is defined in the state Constitution as 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. This definition is important because general state revenues are used as the base for purposes of calculating the state debt limit and for calculating the amount of the annual deposit that is required to be made to the Budget Stabilization Account (also known as the "rainy day fund").

Because the seven accounts described above are statutorily dedicated to particular purposes, they are not included in the calculation of general state revenues for purposes of the state debt limit and deposits to the Budget Stabilization Account.

The Health Services Account, the Violence Reduction and Drug Enforcement Account, the Water Quality Account, the Public Safety and Education Account (including the Equal Justice Subaccount), and the Student Achievement Account are included (along with the state General Fund) in the state expenditure limit under Initiative 601. The Education Legacy Trust Account and the Pension Funding Stabilization Account are not included within the state expenditure limit.

**Summary of Bill (Recommended Substitute):** On July 1, 2009, the following state accounts are abolished and any remaining balances are transferred to the state General Fund: the Health Services Account, the Violence Reduction and Drug Enforcement Account, the Water Quality Account, the Public Safety and Education Account (including the Equal Justice Subaccount), and the Student Achievement Account. (These are the accounts that are currently subject to the state expenditure limit.)

Revenues previously deposited to these accounts will be deposited in the state General Fund. The statutory dedications of these revenues are deleted, with the exception of the monies dedicated to student achievement programs.

The addition of these revenues to the state General Fund, to the extent that these revenues are no longer statutorily dedicated to a particular purpose, will increase the state debt limit and the amount of annual deposits to the Budget Stabilization Account.

**EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute):** The Education Legacy Trust Account and the Pension Funding Stabilization Account are retained in statute.

Remaining in the General Fund consolidation are the Health Services Account, the Violence Reduction and Drug Enforcement Account, the Water Quality Account, the Public Safety and Education Account (including the Equal Justice Subaccount), and the Student Achievement Account. The statutory dedications of these revenues are deleted, with the exception of the monies dedicated to student achievement programs.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill contains an emergency clause and takes effect on July 1, 2009.

**Staff Summary of Public Testimony on Original Bill:** PRO: The bill provides greater transparency in the budgeting process, improves state budget forecasting, and increases annual deposits to the Budget Stabilization Account. The consolidation of major state funds simplifies state budgeting and reduces the need to do frequent and numerous fund shifts in the state budget. The bill does not terminate any state funding, but merely simplifies state budgeting.

OTHER: The Water Quality Account was established 22 years ago and has been very successful in providing funding for important water-related projects and programs, including the construction of water treatment facilities and addressing failing septic systems. Although the statutory funding guarantee has not been fully funded in every budget, it has helped by reducing the need for these water quality programs to compete with other programs for state General Fund dollars. With the establishment of the new Puget Sound Partnership, the state is beginning a new era of environmental protection. The Water Quality Account should not be eliminated.

The Violence Reduction and Drug Enforcement Account (VRDE) should not be eliminated because it provides significant dedicated revenues for alcohol and drug treatment and prevention services, as well as many other social, educational, law enforcement, and community programs that reduce violence and drug problems. In 1994, the voters of the state approved the dedicated taxes that fund the VRDE Account, and the dedication of this funding source should be continued.

Crime victims' programs are concerned about the loss of dedicated funding from the Public Safety and Education Account (PSEA) for crime victims compensation, which should be paid from fines levied in criminal prosecutions and not from revenues paid by taxpayers. The Equal justice Subaccount of the PSEA was created as a separate account in 2005 to provide funding for local trial courts by using revenues from court filing fees. This bill appears to eliminate state support for district and municipal court judges' salaries. The creation of the Equal Justice Subaccount was very important to the statewide justice system.

**Persons Testifying:** PRO: Amber Carter, Association of Washington Business.

OTHER: Jeanne Moore, Office of Public Defense; Mellani McAleenan, Board for Judicial Administration; Ed Thorpe, Coalition for Clean Water; Bruce Wishart, People for Puget Sound; Dave Johnson, Washington Coalition of Crime Victim Advocates; Linda Grant, Association of Alcoholism & Addiction Programs; Jim Bamberger, Office of Civil legal Aid.