

HOUSE BILL REPORT

SJR 8206

As Reported by House Committee On: Ways & Means

Brief Description: Requiring extraordinary revenue growth to be transferred to the budget stabilization account.

Sponsors: Senators Zarelli, Brown, Pridemore, Tom, Kilmer, White and Parlette.

Brief History:

Committee Activity:

Ways & Means: 3/9/11, 5/20/11 [DPA].

Brief Summary of Bill (As Amended by House)

- Transfers three quarters of "extraordinary revenue growth" to the Budget Stabilization Account.

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended. Signed by 20 members: Representatives Hunter, Chair; Darneille, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Carlyle, Chandler, Cody, Haigh, Haler, Kagi, Kenney, Parker, Ross, Schmick, Seaquist, Springer, Sullivan and Wilcox.

Minority Report: Do not pass. Signed by 5 members: Representatives Hasegawa, Vice Chair; Dickerson, Hudgins, Hunt and Ormsby.

Staff: Kristen Fraser (786-7148).

Background:

The state Constitution (Constitution) was amended in 2007 to establish a Budget Stabilization Account. Each fiscal year, 1 percent of general state revenues is transferred to the Budget Stabilization Account. "General state revenues" is defined in the Constitution as all state revenues that are not dedicated to a particular purpose. Thus, general state revenues

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consist of all revenues to the State General Fund, with the exception of property tax revenues, which are dedicated to the common school system. In 2009 a number of accounts were consolidated into the State General Fund, causing these accounts' revenue to become general state revenues.

Moneys may be appropriated from the Budget Stabilization Account by a majority vote of each house of the Legislature if: (1) forecasted state employment growth for any fiscal year is less than 1 percent; or (2) the Governor declares an emergency resulting from a catastrophic event that requires government action to protect life or public safety. Other withdrawals from the Budget Stabilization Account may be made only with a three-fifths vote of the Legislature. To the extent that the balance of the Budget Stabilization Account exceeds 10 percent of general state revenues, the Legislature may appropriate the excess balance to the Education Construction Fund (which is statutorily dedicated to K-12 and higher education construction projects).

Employment forecasts and revenue estimates for the Budget Stabilization Account are made by the Economic and Revenue Forecast Council.

Summary of Amended Bill:

The Constitution is amended to transfer three quarters of any extraordinary revenue growth to the Budget Stabilization Account at the end of each fiscal biennium. The transfer of extraordinary revenue growth is in addition to the existing 1 percent transfer and will be made only to the extent that it exceeds that transfer. "Extraordinary revenue growth" is defined as the amount by which the growth in general state revenues exceeds by one-third the average biennial growth in general state revenues over the prior five biennia. The transfer of extraordinary revenue growth will not take place in a fiscal biennium following a fiscal biennium in which state employment growth averaged less than 1 percent. In determining whether extraordinary revenue growth has occurred, historical general state revenues must be adjusted to reflect statutory changes to revenue dedication.

Amended Bill Compared to Original Bill:

Three quarters of the amount defined as extraordinary revenue growth, rather than the entire amount, must be transferred biennially to the Budget Stabilization Account.

Appropriation: None.

Fiscal Note: Not requested.

Staff Summary of Public Testimony:

(In support) This resolution builds on lessons learned in the last decade. When the economy causes an extraordinary spike in revenue growth, it is difficult for the Legislature to

recognize that the growth will not continue. The Legislature should not budget to the spike—it should budget to historical revenues. This resolution is a tool to set money aside and would have captured this money prior to the current shortfall. Because revenue growth spikes when the state comes out of a recession, there is an exception in this resolution that allows revenue to "catch up" to align with historical patterns. Hindsight is 20/20, and support for the resolution is urged.

(Opposed) None.

Persons Testifying: Senator Zarelli, prime sponsor; and Amber Carter, Association of Washington Business.

Persons Signed In To Testify But Not Testifying: None.