

SENATE BILL REPORT

SB 6636

As Reported by Senate Committee On:
Ways & Means, April 6, 2012

Title: An act relating to requiring a balanced state budget for the current and ensuing fiscal biennium.

Brief Description: Requiring a balanced state budget for the current and ensuing fiscal biennium.

Sponsors: Senators Kastama, Zarelli and Tom.

Brief History:

Committee Activity: Ways & Means: 4/06/12 [DPS, DNP, w/oRec].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6636 be substituted therefor, and the substitute bill do pass.

Signed by Senators Kilmer, Vice Chair, Capital Budget Chair; Zarelli, Ranking Minority Member; Parlette, Ranking Minority Member Capital; Baumgartner, Hatfield, Holmquist Newbry, Honeyford, Kastama, Padden, Pflug, Schoesler and Tom.

Minority Report: Do not pass.

Signed by Senators Conway, Harper and Kohl-Welles.

Minority Report: That it be referred without recommendation.

Signed by Senators Keiser, Pridemore and Regala.

Staff: Steve Jones (786-7440)

Background: The expenses of the agencies, institutions, and programs of state government are appropriated by the Legislature in a biennial appropriations act. The state Budget and Accounting Act requires the Governor to submit to the Legislature a biennial budget proposal that is balanced within the state's existing revenues. However, neither state law nor the state Constitution require the Legislature to enact a balanced state budget act.

The Economic and Revenue Forecast Council was established in 1984 to prepare an official state revenue forecast for use in budget preparation by the Governor and the Legislature. The council consists of two person appointed by the Governor and four persons representing the

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four political caucuses of the Senate and House of Representatives. An Economic and Revenue Forecast Work Group provides technical assistance to the council in the preparation of revenue forecasts. The work group consists of staff representatives from relevant legislative and executive agencies.

The Budget Stabilization Account, also known as the Rainy Day Fund, was created in the state Constitution in 2007. One percent of general state revenues are deposited to the account each fiscal year. Monies may be withdrawn from the account and appropriated by the Legislature under three circumstances: (1) if the Governor declares an emergency resulting from a catastrophic event; (2) if annual state employment growth is forecast to be less than one percent; or (3) the appropriation is made by a sixty-percent vote of each house of the Legislature.

Summary of Bill (Recommended Substitute): Beginning with the 2013-2015 fiscal biennium, the Legislature must enact a budget bill that makes appropriations from the state General Fund and related funds for that fiscal biennium in an amount that does not exceed state General Fund and related fund revenues, as forecast by the Economic and Revenue Forecast Council.

In addition, beginning with the 2013-2015 fiscal biennium, the Legislature must enact a budget bill that does not require appropriations from the state General Fund and related funds to maintain the continuing costs of current program and service levels in the next ensuing fiscal biennium in an amount that does not exceed state General Fund and related fund revenues for that fiscal biennium, as forecast by the Economic and Revenue Forecast Council.

"Related funds" means the Washington Opportunity Pathways Account, the Education Legacy Trust Account, and such other funds and accounts as deemed appropriate by the Economic and Revenue Forecast Council.

The balanced budget requirement does not apply to (1) an "early action" budget bill that makes net reductions in appropriations and is enacted between July 1 and February 15 of any year; (2) a budget bill that is enacted by a sixty-percent vote in each house of the Legislature; or (3) a fiscal biennium in which monies are withdrawn from the Budget Stabilization Account.

Four times each year, the Economic and Revenue Forecast Council must prepare a budget outlook document for state revenues and expenditures for the General Fund and related funds for the current biennium and the next ensuing biennium. The council must also prepare a budget outlook document for the Governor's proposed budget and for the budget enacted by the Legislature.

To assist the council in the preparation of the state budget outlooks, a State Budget Outlook Work Group is created, consisting of one staff person from the Office of Financial Management, the Legislative Evaluation and Accountability Program Committee, the Office of the State Treasurer, the Office of the State Actuary, the Senate Ways and Means Committee, and the House of Representatives Ways and Means Committee.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute): Technical changes are made to the quarterly dates on which the State Budget Outlook is required to be prepared.

Appropriation: None.

Fiscal Note: Requested on April 3, 2012.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: PRO: This bill makes fiscal common sense and is a positive move forward toward a sustainable budget. The state budget must reflect solutions to long-term economic conditions instead of reacting to short-term problems. Please resist any effort to place a sunset on this bill; it needs to be permanent.

OTHER: Economic and budget forecasts over a four-year period are not reliable. Legislative budgets need more flexibility. A sunset clause expiring the bill would be appropriate. The Economic & Revenue Forecast Council does not have the best expertise to perform this function, and this proposal compromises the independence of the Council. The bill needs a technical change to reflect new dates established for other state revenue forecasts.

Persons Testifying: PRO: Senator Jim Kastama, prime sponsor; Amber Carter, Assoc. of Washington Business.

OTHER: Nick Federicci, Our Economic Future Coalition; Desiree Carson, Economic & Revenue Forecast Council; Cyn Andrene, citizen.