

SENATE BILL REPORT

SSB 6636

As Amended by House, April 10, 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: Senate Committee on Ways & Means (originally sponsored by Senators Kastama, Zarelli and Tom).

Brief History:

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

First Special Session: Passed Senate: 4/07/12, 30-16.

Passed House: 4/10/12, 79-19.

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.

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 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 persons appointed by the Governor and four persons representing the 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 Substitute Bill: 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.

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.

House Amendment(s): Beginning with the 2013-2015 fiscal biennium, the Legislature must enact a budget bill that leaves a positive ending fund balance in the state General Fund and related funds. In addition, beginning with the 2013-2015 fiscal biennium, the projected maintenance level for the budget in the ensuing biennium may not exceed available fiscal resources. Available fiscal resources are the greater of (1) the official revenue forecast for the ensuing biennium, or (2) an assumed revenue increase of 4.5 percent for each year of the ensuing biennium. The projected maintenance level is the continuing cost of existing programs and services, monies transferred into the Budget Stabilization Account, and excluding, for the 2013-15 and 2015-17 biennia, the cost of enhanced funding for basic education under the McCleary ruling of the state Supreme Court.

"Related funds" means the Washington Opportunity Pathways Account and the Education Legacy Trust Account.

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) an ensuing biennium following a biennium in which monies are withdrawn from the Budget Stabilization Account.

Each November, the Economic and Revenue Forecast Council must submit 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 Economic and Revenue Forecast Council, the Caseload Forecast Council, the Senate Ways and Means Committee, and the House of Representatives Ways and Means Committee.