

SENATE BILL REPORT

SJR 8206

As of February 24, 2011

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: 2/22/11.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Steve Jones (786-7440)

Background: The state Constitution was amended in 2007 to establish a Budget Stabilization Account. Each fiscal year, 1 percent of general state revenues are deposited to the Budget Stabilization Account. "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.

Monies 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 by a three-fifths vote of the Legislature.

To the extent that the balance of the Budget Stabilization Account exceeds ten 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 Bill: At the end of each fiscal biennium, any extraordinary growth in state revenue is transferred to the Budget Stabilization Account. "Extraordinary revenue growth"

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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 be made only to the extent that it exceeds the automatic 1 percent transfer of general state revenues.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: The resolution takes effect upon ratification by the voters.

Staff Summary of Public Testimony: PRO: We must learn from past periods of budget instability in order to provide more fiscal stability in the future. This measure would avoid large budget bow waves in years of revenue growth by capturing excess revenues, which can then be applied to deficits in future years, as we are facing today. This measure enhances the Rainy Day Fund.

Persons Testifying: PRO: Senator Zarelli, prime sponsor.