
Appropriations Committee

ESSJR 8206

Brief Description: Creating the budget stabilization account in the state Constitution.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Brown, Zarelli, Eide, Hewitt, Haugen, Franklin, Kilmer, Kauffman, Marr, Rasmussen, Berkey, Sheldon, Keiser, Tom, McAuliffe, Parlette and Rockefeller; by request of Governor Gregoire).

Brief Summary of Engrossed Substitute Bill

- Amends the state constitution to establish a Budget Stabilization Account, into which one percent of general state revenues is deposited annually.
- Authorizes the Legislature to appropriate from the Budget Stabilization Account with a majority vote if forecasted employment growth is less than 1 percent or upon a declaration of emergency due to a catastrophic event, and with a three-fifths vote otherwise.

Hearing Date:

Staff: Kristen Fraser (786-7148).

Background:

Initiative 601, adopted by the voters in 1993, established by statute a state General Fund (GFS) expenditure limit and created the Emergency Reserve Fund (ERF). All GFS revenues in excess of the state expenditure limit are deposited in the ERF. (After July 1, 2007, GFS revenues in excess of GFS's proportionate share of expenditures from the GFS and related funds will be deposited in the ERF.) Appropriations from the ERF require a two-thirds vote of both houses of the Legislature.

I-601 established an expenditure limit that applies to the GFS, and, after July 1, 2007, also to certain related funds. Under the expenditure limit laws, the limit is lowered if moneys are transferred from the GFS or a related fund to another fund or account, or if program costs are shifted from the GFS or a related fund to another fund or account.

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 term "general state revenues" is defined in the state Constitution as being all state revenues that are not dedicated to a particular purpose. General state revenues thus consist of all revenues to the GFS, with the exception of property tax revenues, which are dedicated to the common school system.

Summary of Bill:

The state Constitution is amended to establish a Budget Stabilization Account. Each fiscal year, 1 percent of general state revenues is deposited in the Budget Stabilization Account.

The Legislature may appropriate moneys in the Budget Stabilization Account with a constitutional majority for a particular fiscal year if:

- (1) Forecasted state employment growth is less than one percent; or
- (2) The Governor declares an emergency due to a catastrophic event that necessitates government action to protect life or public safety, and the appropriation is limited to the purposes of the declaration.

Other withdrawals from the Budget Stabilization Account may be made only by a three-fifths vote of each house of the Legislature.

The Budget Stabilization Account retains its own investment earnings. 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.

The Legislature may enact legislation to implement the Constitutional amendment.

Appropriation: None.

Fiscal Note: Not requested.