H-4141.2		

HOUSE BILL 2860

60th Legislature

2008 Regular Session

By Representatives Alexander and McCune

State of Washington

Read first time 01/17/08. Referred to Committee on Appropriations.

- 1 AN ACT Relating to the near general fund and requiring revenue
- 2 forecasts thereof; amending RCW 82.33.020, 43.135.025, 43.79.460,
- 3 43.79.465, 43.08.250, 43.72.900, 70.146.030, 43.135.025, and
- 4 83.100.230; reenacting and amending RCW 69.50.520 and 43.135.045; and
- 5 providing an effective date.
- 6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:
- 7 **Sec. 1.** RCW 82.33.020 and 2005 c 319 s 137 are each amended to 8 read as follows:
- 9 (1) Four times each year the supervisor shall prepare, subject to 10 the approval of the economic and revenue forecast council under RCW 11 82.33.010:
- 12 (a) An official state economic and revenue forecast <u>that includes</u>
 13 all near general fund revenues as defined in RCW 43.135.025;
- 14 (b) An unofficial state economic and revenue forecast based on optimistic economic and revenue projections; and
- 16 (c) An unofficial state economic and revenue forecast based on 17 pessimistic economic and revenue projections.
- 18 (2) The supervisor shall submit forecasts prepared under this 19 section, along with any unofficial forecasts provided under RCW

p. 1 HB 2860

- 82.33.010, to the governor and the members of the committees on ways 1 2 and means and the chairs of the committees on transportation of the senate and house of representatives, including one copy to the staff of 3 each of the committees, on or before November 20th, February 20th in 4 5 the even-numbered years, March 20th in the odd-numbered years, June 20th, and September 20th. All forecasts shall include both estimated 6 7 receipts and estimated revenues in conformance with generally accepted accounting principles as provided by RCW 43.88.037. 8
 - (3) All agencies of state government shall provide to the supervisor immediate access to all information relating to economic and revenue forecasts. Revenue collection information shall be available to the supervisor the first business day following the conclusion of each collection period.
 - (4) The economic and revenue forecast supervisor and staff shall co-locate and share information, data, and files with the tax research section of the department of revenue but shall not duplicate the duties and functions of one another.
- 18 (5) As part of its forecasts under subsection (1) of this section, 19 the supervisor shall provide estimated revenue from tuition fees as 20 defined in RCW 28B.15.020.
- 21 **Sec. 2.** RCW 43.135.025 and 2005 c 72 s 4 are each amended to read 22 as follows:
 - (1) The state shall not expend from the <u>near</u> general fund ((and related funds)) during any fiscal year state moneys in excess of the state expenditure limit established under this chapter.
 - (2) Except pursuant to a declaration of emergency under RCW 43.135.035 or pursuant to an appropriation under RCW 43.135.045(((4)(b))) (2)(b), the state treasurer shall not issue or redeem any check, warrant, or voucher that will result in a ((state)) near general fund ((or related fund)) expenditure for any fiscal year in excess of the state expenditure limit established under this chapter. A violation of this subsection constitutes a violation of RCW 43.88.290 and shall subject the state treasurer to the penalties provided in RCW 43.88.300.
- 35 (3) The state expenditure limit for any fiscal year shall be the 36 previous fiscal year's state expenditure limit increased by a 37 percentage rate that equals the fiscal growth factor.

HB 2860 p. 2

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(4) For purposes of computing the state expenditure limit for the fiscal year beginning July 1, 2007, the phrase "the previous fiscal year's state expenditure limit" means the total state expenditures from the ((state)) near general fund ((and related funds)), not including federal funds, for the fiscal year beginning July 1, 2006, plus the fiscal growth factor.

- (5) A state expenditure limit committee is established for the purpose of determining and adjusting the state expenditure limit as provided in this chapter. The members of the state expenditure limit committee are the director of financial management, the attorney general or the attorney general's designee, and the chairs and ranking minority members of the senate committee on ways and means and the house of representatives committee on appropriations. All actions of the state expenditure limit committee taken pursuant to this chapter require an affirmative vote of at least four members.
- (6) Each November, the state expenditure limit committee shall adjust the expenditure limit for the preceding fiscal year based on actual expenditures and known changes in the fiscal growth factor and then project an expenditure limit for the next two fiscal years. If, by November 30th, the state expenditure limit committee has not adopted the expenditure limit adjustment and projected expenditure limit as provided in subsection (5) of this section, the attorney general or his or her designee shall adjust or project the expenditure limit, as necessary.
- (7) "Fiscal growth factor" means the average growth in state personal income for the prior ten fiscal years.
 - (8) (("General fund" means the state general fund.
- (9) "Related)) "Near general fund" means the state general fund,
 health services account, violence reduction and drug enforcement
 account, public safety and education account, water quality account, or
 student achievement fund.
- **Sec. 3.** RCW 43.79.460 and 1998 c 302 s 1 are each amended to read 33 as follows:
- 34 (1) The savings incentive account is created in the custody of the 35 state treasurer. The account shall consist of all moneys appropriated 36 to the account by the legislature. The account is subject to the

p. 3 HB 2860

allotment procedures under chapter 43.88 RCW, but no appropriation is required for expenditures from the account.

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- (2) Within the savings incentive account, the state treasurer may create subaccounts to be credited with incentive savings attributable to individual state agencies, as determined by the office of financial management in consultation with the legislative fiscal committees. Moneys deposited in the subaccounts may be expended only on the authorization of the agency's executive head or designee and only for the purpose of one-time expenditures to improve the quality, efficiency, and effectiveness of services to customers of the state, such as one-time expenditures for employee training, employee incentives, technology improvements, new work processes, or performance measurement. Funds may not be expended from the account to establish new programs or services, expand existing programs or services, or incur ongoing costs that would require future expenditures.
- (3) For purposes of this section, "incentive savings" means ((state)) near general fund appropriations, as defined in RCW 43.135.025, that are unspent as of June 30th of a fiscal year, excluding any amounts included in across-the-board reductions under RCW 43.88.110 and excluding unspent appropriations for:
- (a) Caseload and enrollment in entitlement programs, except to the extent that an agency has clearly demonstrated that efficiencies have been achieved in the administration of the entitlement program. "Entitlement program," as used in this section, includes programs for which specific sums of money are appropriated for pass-through to third parties or other entities;
 - (b) Enrollments in state institutions of higher education;
- (c) A specific amount contained in a condition or limitation to an appropriation in the biennial appropriations act, if the agency did not achieve the specific purpose or objective of the condition or limitation;
 - (d) Debt service on state obligations; and
 - (e) State retirement system obligations.
- 34 (4) The office of ((fiscal [financial])) financial management, 35 after consulting with the legislative fiscal committees, shall report 36 to the treasurer the amount of savings incentives achieved. By 37 December 1, 1998, and each December 1st thereafter, the office of 38 financial management shall submit a report to the fiscal committees of

HB 2860 p. 4

- 1 the legislature on the implementation of this section. The report
- 2 shall (a) evaluate the impact of this section on agency reversions and
- 3 end-of-biennium expenditure patterns, and (b) itemize agency
- 4 expenditures from the savings recovery account.

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5 **Sec. 4.** RCW 43.79.465 and 2004 c 275 s 64 are each amended to read 6 as follows:

The education savings account is created in the state treasury.

The account shall consist of all moneys appropriated to the account by the legislature.

- (1) Ten percent of legislative appropriations to the education savings account shall be distributed as follows: (a) Fifty percent to the distinguished professorship trust fund under RCW 28B.76.565; (b) seventeen percent to the graduate fellowship trust fund under RCW 28B.76.610; and (c) thirty-three percent to the college faculty awards trust fund under RCW 28B.50.837.
- (2) The remaining moneys in the education savings account may be appropriated solely for (a) common school construction projects that are eligible for funding from the common school construction account((τ)) and (b) technology improvements in the common schools((τ) and (c) during the 2001-03 fiscal biennium, technology improvements in public higher education institutions)).
- 22 **Sec. 5.** RCW 43.08.250 and 2007 c 522 s 950 are each amended to 23 read as follows:
 - (1) The money received by the state treasurer from fees, fines, forfeitures, penalties, reimbursements or assessments by any court organized under Title 3 or 35 RCW, or chapter 2.08 RCW, shall be deposited in the public safety and education account which is hereby created in the state treasury. The legislature shall appropriate the funds in the account to promote traffic safety education, highway safety, criminal justice training, crime victims' compensation, judicial education, the judicial information system, civil representation of indigent persons under RCW 2.53.030, winter recreation parking, drug court operations, and state game programs. Appropriations may also be made to the savings incentive account and the education savings account. Through the fiscal biennium ending June 30, 2009, the legislature may appropriate moneys from the public safety

p. 5 HB 2860

and education account for purposes of appellate indigent defense and 1 2 other operations of the office of public defense, the criminal litigation unit of the attorney general's office, the treatment 3 alternatives to street crimes program, crime victims advocacy programs, 4 justice information network telecommunication planning, treatment for 5 supplemental security income clients, sexual assault treatment, 6 7 operations of the administrative office of the courts, security in the common schools, alternative school start-up grants, programs for 8 disruptive students, criminal justice data collection, Washington state 9 10 patrol criminal justice activities, drug court operations, unified family courts, local court backlog assistance, financial assistance to 11 12 jurisdictions for extraordinary costs incurred 13 adjudication of criminal cases, domestic violence treatment and related 14 services, the department of corrections' costs in implementing chapter 196, Laws of 1999, reimbursement of local governments for costs 15 associated with implementing criminal and civil justice legislation, 16 17 the replacement of the department of corrections' offender-based tracking system, secure and semi-secure crisis residential centers, 18 HOPE beds, the family policy council and community public health and 19 safety networks, the street youth program, public notification about 20 21 registered sex offenders, and narcotics or methamphetamine-related 22 enforcement, education, training, and drug and alcohol treatment 23 services. 24

- (2)(a) The equal justice subaccount is created as a subaccount of the public safety and education account. The money received by the state treasurer from the increase in fees imposed by sections 9, 10, 12, 13, 14, 17, and 19, chapter 457, Laws of 2005 shall be deposited in the equal justice subaccount and shall be appropriated only for:
- (i) Criminal indigent defense assistance and enhancement at the trial court level, including a criminal indigent defense pilot program;
- (ii) Representation of parents in dependency and termination proceedings;
 - (iii) Civil legal representation of indigent persons; and
- (iv) Contribution to district court judges' salaries and to eligible elected municipal court judges' salaries.
- 36 (b) ((For the 2005-07 fiscal biennium, an amount equal to twenty-37 five percent of revenues to the equal justice subaccount, less one 38 million dollars, shall be appropriated from the equal justice

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subaccount to the administrator for the courts for purposes of (a)(iv)

this subsection.)) For the 2007-09 fiscal biennium and subsequent

fiscal biennia, an amount equal to fifty percent of revenues to the

equal justice subaccount shall be appropriated from the equal justice

subaccount to the administrator for the courts for the purposes of

(a)(iv) of this subsection.

Sec. 6. RCW 43.72.900 and 2005 c 518 s 930 are each amended to 8 read as follows:

- (1) The health services account is created in the state treasury. Moneys in the account may be spent only after appropriation. Subject to the transfers described in subsection (3) of this section, moneys in the account may be expended only for maintaining and expanding health services access for low-income residents, maintaining and expanding the public health system, maintaining and improving the capacity of the health care system, containing health care costs, ((and)) the regulation, planning, and administering of the health care system, and appropriations to the savings incentive account and the education savings account.
- (2) Funds deposited into the health services account under RCW 82.24.028 and 82.26.028 shall be used solely as follows:
- (a) ((Five million dollars for the state fiscal year beginning July 1, 2002, and five million dollars for the state fiscal year beginning July 1, 2003, shall be appropriated by the legislature for programs that effectively improve the health of low income persons, including efforts to reduce diseases and illnesses that harm low income persons. The department of health shall submit a report to the legislature on March 1, 2002, evaluating the cost effectiveness of programs that improve the health of low income persons and address diseases and illnesses that disproportionately affect low income persons, and making recommendations to the legislature on which of these programs could most effectively utilize the funds appropriated under this subsection.
- (b))) Ten percent of the funds deposited into the health services account under RCW 82.24.028 and 82.26.028 ((remaining after the appropriation under (a) of this subsection)) shall be transferred no less frequently than annually by the treasurer to the tobacco prevention and control account established by RCW 43.79.480. The funds transferred shall be used exclusively for implementation of the

p. 7 HB 2860

Washington state tobacco prevention and control plan and shall be used only to supplement, and not supplant, funds in the tobacco prevention and control account as of January 1, 2001((, however, these funds may be used to replace funds appropriated by the legislature for further implementation of the Washington state tobacco prevention and control plan for the biennium beginning July 1, 2001)). For each state fiscal year beginning on and after July 1, 2002, the legislature shall appropriate no less than twenty-six million two hundred forty thousand tobacco prevention and from the control account implementation of the Washington state tobacco prevention and control plan.

(((c))) (b) Because of its demonstrated effectiveness in improving the health of low-income persons and addressing illnesses and diseases that harm low-income persons, the remainder of the funds deposited into the health services account under RCW 82.24.028 and 82.26.028 shall be appropriated solely for Washington basic health plan enrollment as provided in chapter 70.47 RCW. Funds appropriated under this subsection may be used to support outreach and enrollment activities only to the extent necessary to achieve the enrollment goals described in this section.

- (3) Prior to expenditure for the purposes described in subsection (2) of this section, funds deposited into the health services account under RCW 82.24.028 and 82.26.028 shall first be transferred to the following accounts to ensure the continued availability of previously dedicated revenues for certain existing programs:
- (a) To the violence reduction and drug enforcement account under RCW 69.50.520, ((two million two hundred forty nine thousand five hundred dollars for the state fiscal year beginning July 1, 2001, four million two hundred forty eight thousand dollars for the state fiscal year beginning July 1, 2002, seven million seven hundred eighty nine thousand dollars for the biennium beginning July 1, 2003, six million nine hundred thirty two thousand dollars for the biennium beginning July 1, 2005, and)) six million nine hundred thirty-two thousand dollars for each biennium ((thereafter)), as required by RCW 82.24.020(2);
- 36 (b) To the health services account under this section, ((nine million seventy seven thousand dollars for the state fiscal year beginning July 1, 2001, seventeen million one hundred eighty eight

HB 2860 p. 8

thousand dollars for the state fiscal year beginning July 1, 2002, thirty one million seven hundred fifty-five thousand dollars for the biennium beginning July 1, 2003, twenty-eight million six hundred twenty two thousand dollars for the biennium beginning July 1, 2005, and)) twenty-eight million six hundred twenty-two thousand dollars for each biennium ((thereafter)), as required by RCW 82.24.020(3); and

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(c) To the water quality account under RCW 70.146.030, ((two million two hundred three thousand five hundred dollars for the state fiscal year beginning July 1, 2001, four million two hundred forty four thousand dollars for the state fiscal year beginning July 1, 2002, eight million one hundred eighty two thousand dollars for the biennium beginning July 1, 2003, seven million eight hundred eighty-five thousand dollars for the biennium beginning July 1, 2005, and)) seven million eight hundred eighty-five thousand dollars for each biennium ((thereafter)), as required by RCW 82.24.027(((2)(a).

During the 2005-2007 fiscal biennium, the legislature may transfer from the health services account such amounts as reflect the excess fund balance of the account to the state general fund)).

19 **Sec. 7.** RCW 69.50.520 and 2005 c 518 s 937, 2005 c 514 s 1107, and 20 2005 c 514 s 202 are each reenacted and amended to read as follows:

The violence reduction and drug enforcement account is created in the state treasury. All designated receipts from RCW 9.41.110(8), 66.24.210(4), 66.24.290(2), 69.50.505(9)(a), 82.08.150 (5) (7)(b)(iii), 82.24.020(2), 82.24.026(2)(c), 82.64.020, and section 420, chapter 271, Laws of 1989 shall be deposited into the account. Expenditures from the account may be used only for funding services and programs under chapter 271, Laws of 1989 and chapter 7, Laws of 1994 sp. sess., including state incarceration costs. Funds from the account may also be appropriated to reimburse local governments for costs associated with implementing criminal justice legislation including chapter 338, Laws of 1997. During the 2003-2005 and bienniums, funds from the account may also be used for costs associated with providing grants to local governments in accordance with chapter 338, Laws of 1997, funding drug offender treatment services in accordance with RCW 70.96A.350, maintenance and operating costs of the Washington association of sheriffs and police chiefs jail reporting system, maintenance and operating costs of the juvenile rehabilitation

p. 9 HB 2860

- 1 administration's client activity tracking system, civil indigent legal
- 2 representation, multijurisdictional narcotics task forces, transfers to
- 3 the health services account, and grants to community networks under
- 4 chapter 70.190 RCW by the family policy council. Appropriations may be
- 5 <u>made from the account to the savings incentive account and the</u>
- 6 education savings account.

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- 7 **Sec. 8.** RCW 70.146.030 and 2007 c 522 s 955 are each amended to 8 read as follows:
 - (1) The water quality account is hereby created in the state treasury. Moneys in the account may be used only in a manner consistent with this chapter. Moneys deposited in the account shall be administered by the department of ecology and shall be subject to legislative appropriation. Moneys placed in the account shall include tax receipts as provided in RCW 82.24.027, 82.24.026(2)(d), 82.26.020, and 82.32.390, principal and interest from the repayment of any loans granted pursuant to this chapter, and any other moneys appropriated to the account by the legislature.
 - (2) The department may use or permit the use of any moneys in the account to make grants or loans to public bodies, including grants to public bodies as cost-sharing moneys in any case where federal, local, or other funds are made available on a cost-sharing basis, for water pollution control facilities and activities, or for purposes of assisting a public body to obtain an ownership interest in water pollution control facilities and/or to defray a part of the payments made by a public body to a service provider under a service agreement entered into pursuant to RCW 70.150.060, within the purposes of this chapter and for related administrative expenses. Appropriations may also be made to the savings incentive account and the education savings account. For the period July 1, 2007, to June 30, 2009, moneys in the account may be used to process applications received by the department that seek to make changes to or transfer existing water rights and for other water resources and water quality activities, for water conveyance projects, shoreline technical assistance($(\cdot, \cdot, \cdot, \cdot)$), Puget Sound education and outreach($(\frac{1}{1})$), and for grants and technical assistance to public bodies for watershed planning under chapter 90.82 RCW. No more than three percent of the moneys deposited in the account

HB 2860 p. 10

may be used by the department to pay for the administration of the grant and loan program authorized by this chapter.

- (3) Beginning with the biennium ending June 30, 1997, the department shall present a biennial progress report on the use of moneys from the account to the chairs of the senate committee on ways and means and the house of representatives committee on appropriations. The first report is due June 30, 1996, and the report for each succeeding biennium is due December 31st of the odd-numbered year. The report shall consist of a list of each recipient, project description, and amount of the grant, loan, or both.
- **Sec. 9.** RCW 43.135.045 and 2007 c 520 s 6035 and 2007 c 484 s 5 12 are each reenacted and amended to read as follows:
- 13 (1) The student achievement fund is hereby created in the state 14 treasury.
- 15 (2) The education construction fund is hereby created in the state 16 treasury.
 - (a) Funds may be appropriated from the education construction fund exclusively for common school construction or higher education construction. During the 2007-2009 fiscal biennium, funds may also be used for higher education facilities preservation and maintenance.
 - (b) Funds may be appropriated for any other purpose only if approved by a two-thirds vote of each house of the legislature and if approved by a vote of the people at the next general election. An appropriation approved by the people under this subsection shall result in an adjustment to the state expenditure limit only for the fiscal period for which the appropriation is made and shall not affect any subsequent fiscal period.
 - (3) Funds from the student achievement fund shall be appropriated to the superintendent of public instruction strictly for distribution to school districts to meet the provisions set out in the student achievement act. Allocations shall be made on an equal per full-time equivalent student basis to each school district. Appropriations may also be made to the savings incentive account and the education savings account.
- 35 Sec. 10. RCW 43.135.025 and 2008 c ... s 2 (section 2 of this act) are each amended to read as follows:

p. 11 HB 2860

(1) The state shall not expend from the near general fund during any fiscal year state moneys in excess of the state expenditure limit established under this chapter.

- (2) Except pursuant to a declaration of emergency under RCW 43.135.035 or pursuant to an appropriation under RCW 43.135.045(2)(b), the state treasurer shall not issue or redeem any check, warrant, or voucher that will result in a near general fund expenditure for any fiscal year in excess of the state expenditure limit established under this chapter. A violation of this subsection constitutes a violation of RCW 43.88.290 and shall subject the state treasurer to the penalties provided in RCW 43.88.300.
- (3) The state expenditure limit for any fiscal year shall be the previous fiscal year's state expenditure limit increased by a percentage rate that equals the fiscal growth factor.
- (4) For purposes of computing the state expenditure limit for the fiscal year beginning July 1, ((2007)) 2009, the phrase "the previous fiscal year's state expenditure limit" means the total state expenditures from the near general fund, not including federal funds, for the fiscal year beginning July 1, ((2006)) 2008, plus the fiscal growth factor.
- (5) A state expenditure limit committee is established for the purpose of determining and adjusting the state expenditure limit as provided in this chapter. The members of the state expenditure limit committee are the director of financial management, the attorney general or the attorney general's designee, and the chairs and ranking minority members of the senate committee on ways and means and the house of representatives committee on appropriations. All actions of the state expenditure limit committee taken pursuant to this chapter require an affirmative vote of at least four members.
- (6) Each November, the state expenditure limit committee shall adjust the expenditure limit for the preceding fiscal year based on actual expenditures and known changes in the fiscal growth factor and then project an expenditure limit for the next two fiscal years. If, by November 30th, the state expenditure limit committee has not adopted the expenditure limit adjustment and projected expenditure limit as provided in subsection (5) of this section, the attorney general or his or her designee shall adjust or project the expenditure limit, as necessary.

HB 2860 p. 12

- 1 (7) "Fiscal growth factor" means the average growth in state 2 personal income for the prior ten fiscal years.
- (8) "Near general fund" means the state general fund, health services account, violence reduction and drug enforcement account, public safety and education account, water quality account, ((or)) student achievement fund, and education legacy trust account.
- 7 Sec. 11. RCW 83.100.230 and 2005 c 514 s 1101 are each amended to 8 read as follows:
- The education legacy trust account is created in the state treasury. Money in the account may be spent only after appropriation. Expenditures from the account may be used only for deposit into the student achievement fund, the savings incentive account, and the education savings account and for expanding access to higher education through funding for new enrollments and financial aid, and other educational improvement efforts.
- NEW SECTION. Sec. 12. Sections 10 and 11 of this act take effect July 1, 2009.

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p. 13 HB 2860