

SENATE BILL REPORT

SB 5408

As of February 4, 2009

Title: An act relating to the elimination of the health services account, violence reduction and drug enforcement account, and water quality account.

Brief Description: Eliminating the health services account, violence reduction and drug enforcement account, and water quality account.

Sponsors: Senators Tom, Zarelli and Parlette; by request of Office of Financial Management.

Brief History:

Committee Activity: Ways & Means: 2/03/09.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Steve Jones (786-7440)

Background: The Health Services Account was established by the Legislature in 1993 to provide funding for health services, including health care for low-income residents, the public health system, tobacco prevention and control, and the basic health plan. The primary revenue sources of the Health Services Account are cigarette and tobacco products taxes, alcohol taxes, a health insurance premium tax, and hospital business and occupation taxes. The Health Services Account is subject to the state expenditure limit under Initiative 601.

The Violence Reduction and Drug Enforcement Account was established by the Legislature in 1989 to provide funding for public safety programs, including drug and alcohol abuse prevention programs, juvenile rehabilitation programs, and local public safety grants. The primary revenue sources of the Violence Reduction and Drug Enforcement Account are cigarette and alcohol taxes, firearm license fees, the soda syrup tax, and the proceeds of drug forfeitures and seizures. The Violence Reduction and Drug Enforcement Account is subject to the state expenditure limit under Initiative 601.

The Water Quality Account was established by the Legislature in 1986 to provide funding for grants and loans to public entities for water pollution control facilities and activities. The primary revenue sources of the Water Quality Account are cigarette taxes, sales taxes on components of certain water pollution control facilities, and loan repayments. The Water Quality Account is subject to the state expenditure limit under Initiative 601.

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.

"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. This definition is important because general state revenues are used as the base for purposes of calculating the state debt limit and for calculating the amount of the annual deposit that is required to be made to the Budget Stabilization Account (also known as the "rainy day fund").

Because the Health Services Account, the Violence Reduction and Drug Enforcement Account, and the Water Quality Account are statutorily dedicated to particular purposes, they are not included in the calculation of general state revenues for purposes of the state debt limit and deposits to the Budget Stabilization Account.

Summary of Bill: On July 1, 2009, the following state accounts are abolished and any remaining balances are transferred to the state General Fund: the Health Services Account, the Violence Reduction and Drug Enforcement Account, and the Water Quality Account. Revenues previously deposited to these accounts will be deposited in the state General Fund.

The addition of these revenues to the state General Fund, to the extent that these revenues are no longer statutorily dedicated to a particular purpose, will increase the state debt limit and the amount of annual deposits to the Budget Stabilization Account.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2009.

Staff Summary of Public Testimony: PRO: The bill provides greater transparency in the budgeting process, improves state budget forecasting, and increases annual deposits to the Budget Stabilization Account. The consolidation of major state funds simplifies state budgeting and reduces the need to do frequent and numerous fund shifts in the state budget. The bill does not terminate any state funding, but merely simplifies state budgeting.

OTHER: The Water Quality Account was established 22 years ago and has been very successful in providing funding for important water-related projects and programs, including the construction of water treatment facilities and addressing failing septic systems. Although the statutory funding guarantee has not been fully funded in every budget, it has helped by reducing the need for these water quality programs to compete with other programs for state General Fund dollars. With the establishment of the new Puget Sound Partnership, the state is beginning a new era of environmental protection. The Water Quality Account should not be eliminated.

The Violence Reduction and Drug Enforcement Account (VRDE) should not be eliminated because it provides significant dedicated revenues for alcohol and drug treatment and prevention services, as well as many other social, educational, law enforcement, and

community programs that reduce violence and drug problems. In 1994 the voters of the state approved the dedicated taxes that fund the VRDE Account, and the dedication of this funding source should be continued.

Persons Testifying: PRO: Julie Murray, Office of Financial Management; Amber Carter, Association of Washington Business.

OTHER: Ed Thorpe, Coalition for Clean Water; Bruce Wishart, People for Puget Sound; Linda Grant, Association of Alcoholism & Addiction Programs.