

HOUSE BILL REPORT

SSB 6636

As of Second Reading

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:

None.

Brief Summary of Substitute Bill

- Requires the Legislature to enact a balanced budget in the current and ensuing fiscal biennia.
- Requires the Economic and Revenue Forecast Council to prepare a state budget outlook.

HOUSE COMMITTEE ON WAYS & MEANS

Staff: Kristen Fraser (786-7148).

Background:

Balanced Budget.

Most states have some type of balanced budget requirement. These requirements may be constitutional or statutory or both, and they generally take one of three forms:

- requirement for the Governor to propose a balanced budget to the Legislature;
- requirement for the Legislature to enact a balanced budget; or
- prohibition on carrying a deficit from one fiscal period to another.

Washington does not have an express constitutional balanced budget requirement. The Budget and Accounting Act contains two statutory requirements that address balancing the

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budget. First, the Governor must submit a budget proposal to the Legislature that reflects existing revenue laws and forecasts. (The Governor may also submit a "Book 2" proposal that relies on proposed changes to revenue laws.) Second, if the Governor projects a deficit in any account, he or she must make across-the-board reductions in allotments of appropriations from that account. This requirement does not apply if the Legislature has directed that the deficit be liquidated over more than one fiscal period.

State Forecasting.

Budget-related forecasts are made by two councils. First, the Economic and Revenue Forecast Council (ERFC) provides economic and revenue forecasts four times per year. Second, the Caseload Forecast Council (CFC) provides forecasts of caseloads in state programs such as public assistance and corrections at least three times per year. Each council consists of six members, four legislators, and two gubernatorial appointees. Both the ERFC and the CFC have workgroups comprising legislative and executive staff to provide technical support to the councils. In addition, the Office of Financial Management and the legislative fiscal committees may prepare informal budget projections on an *ad hoc* basis.

Summary of Bill:

Balanced Budget.

Beginning in the 2013-15 fiscal biennium, the Legislature must enact a general fund and related funds appropriations bill that is balanced in the current biennium. When combined with appropriations in other bills and the amounts to be transferred to the Budget Stabilization Account, appropriations in the budget bill may not exceed beginning fund balance and any enacted resources and revenues to those funds.

Beginning in the 2013-15 fiscal biennium, the legislature must enact a general fund and related funds appropriations bill that is balanced in the ensuing biennium. The appropriations bill must require that, in the ensuing biennium, the appropriations from the general fund and related funds that are necessary to maintain the costs of continuing program and service levels either funded in the budget or mandated by law, when combined with other appropriations and the amounts to be transferred to the Budget Stabilization Account, do not exceed enacted revenues and resources to those funds for that ensuing biennium.

The balanced budget requirements do not apply to "early action" budget bills that make net reductions in general fund and related fund appropriations, and they do not apply to bills approved by a 3/5 vote of both houses. The requirement for balance in the ensuing biennium does not apply in a year in which moneys are appropriated from the Budget Stabilization Account. "Related funds" are the Opportunity Pathways Account and the Education Legacy Trust Account.

Budget Outlook

A state budget outlook ("Outlook") process is established to facilitate compliance with the balanced budget requirements. Four times per year, the Economic and Revenue Forecast Council must prepare a budget outlook for revenues and expenditures of the state general fund and related funds for the current biennium and the ensuing biennium. The ERFC must

prepare an Outlook in January for the governor's proposed budget, and it must update the Outlook for the enacted budget.

Approval of the Outlook requires an affirmative vote from four of the six ERFC members; if the ERFC cannot approve the Outlook, the ERFC forecast supervisor submits the Outlook without approval.

An Outlook work group is created to assist the ERFC in preparing the Outlook. It consists of staff from various state agencies and legislative committees.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) None.

(Opposed) None.

Persons Testifying: None.

Persons Signed In To Testify But Not Testifying: None.