

1 **ESSB 5967** - H AMDS TO REV COMM AMD (H2487.6) **000550 LOST 4-16-93**
2 By Representative Mielke

3 On page 61, after line 34, insert the following:

4 **"Part VIII**

5 **Limiting State Revenue**

6 NEW SECTION. **Sec. 801.** FINDINGS AND DECLARATIONS. The
7 legislature of the state of Washington finds and declares that:

8 (1) The continued growth in the burden of tax levies and other
9 revenue generating assessments imposed on the citizens and
10 businesses of the state of Washington and the corresponding growth
11 in state government is contrary to the interests of the people of
12 the state of Washington.

13 (2) It is necessary to reaffirm the people's will to limit the
14 rate of growth of state government while assuring adequate funding
15 of essential services, including basic education as required by
16 Article IX, section 1 of the state Constitution.

17 (3) During periods of severe economic downturns or fiscal
18 emergencies, receipts of state revenue collections may decline
19 below the state revenue collection limit established in this
20 chapter and, therefore, it is necessary and vital for the state of
21 Washington to maintain an adequate reserve of state revenue
22 collections to provide a resource for the stable financing of
23 essential state services during such periods.

24 (4) A state tax limitation was passed by a vote of the people
25 at the November 6, 1979, state general election. However, because
26 of a high base calculation, that state tax limitation has not been
27 effective in carrying out the intent of the people to limit
28 revenues and the growth of state government.

29 NEW SECTION. **Sec. 802.** INTENT. It is the intent of the

1 legislature of the state of Washington to:

2 (1) Establish a limitation that will assure that the growth
3 rate of state revenue collections does not exceed an established
4 percentage of the economy as represented by total state personal
5 income;

6 (2) Reaffirm that the state shall not impose upon any
7 political subdivision of the state the responsibility for new
8 programs, programs previously offered by the state, or increased
9 levels of service unless the costs of these programs or services
10 are paid or reimbursed by the state;

11 (3) Provide for adjustment of the state revenue collection
12 limit when the costs of a federal, state, or political subdivision
13 program, service, project, facility, or activity are transferred in
14 such a manner that the result is an increase or decrease in state
15 revenue collections;

16 (4) Establish a responsible and fiscally sound revenue reserve
17 fund for use in severe economic downturns or fiscal emergencies;

18 (5) Establish procedures for the disposition of amounts
19 collected in excess of this limit;

20 (6) Establish procedures for use when estimated state revenues
21 collections fall below the state revenue collection limit; and

22 (7) Establish procedures for exceeding this limit in emergency
23 situations.

24 NEW SECTION. **Sec. 803.** DEFINITIONS. Unless the context
25 clearly requires otherwise, the definitions in this section apply
26 throughout this chapter.

27 (1) "Estimated state revenue collections" means the estimated
28 state revenue collections as published in the most recent official
29 economic and revenue forecast prepared under RCW 82.33.020.

30 (2) "Fiscal year" means the year beginning July 1st and ending
31 the following June 30th.

32 (3) "General obligation debt reduction account" means the

1 general obligation debt reduction account created by this chapter.

2 (4) "Political subdivision" means any division of the state
3 made by proper authorities thereof, acting within their
4 constitutional or legislatively authorized powers, for the purpose
5 of carrying out the administration of governmental powers of a
6 subordinate or local nature.

7 (5) "Revenue measure" means any tax, fee, license, charge,
8 assessment, tariff, toll, duty, or other encumbrance levied, set,
9 imposed, or exacted on persons, income, property, or activities or
10 any expansion of the base of any existing tax, fee, license,
11 charge, assessment, tariff, toll, duty, or other encumbrance
12 levied, set, imposed, or exacted on persons, income, property, or
13 activities.

14 (6) "Revenue reserve fund" means the revenue reserve fund
15 created by this chapter.

16 (7) "State revenue collections" means all moneys received,
17 collected, or owed from each and every source as required by law or
18 rule, whether or not such funds are otherwise subject to
19 legislative appropriation, including funds maintained or deposited
20 outside the state treasury. Unless otherwise stated to the
21 contrary, the following shall not be included in this definition:

22 (a) Moneys received as a gift, grant, donation, aid, or
23 assistance from any person, firm, or corporation, public or
24 private, when the terms and conditions of such gift, grant,
25 donation, aid, or assistance require the application and
26 disbursement of such moneys otherwise than for the general purposes
27 of the state of Washington;

28 (b) Moneys received as a gift, grant, donation, aid, or
29 assistance from the United States or any department, agency,
30 bureau, or corporation of the United States;

31 (c) Moneys derived from the investment of funds under the
32 authority of the state investment board pursuant to chapter 43.33A
33 RCW;

1 (d) Moneys received from performance bonds and deposits;

2 (e) Moneys paid into or received from the accident fund
3 established under RCW 51.44.010, the medical aid fund established
4 under RCW 51.44.020, the reserve fund established under RCW
5 51.44.030, the supplemental pension fund established under RCW
6 51.44.033, and the second injury fund established under RCW
7 51.44.040, for the purposes authorized as of December 31, 1992;

8 (f) Moneys paid into or received from trust funds that were
9 created or established prior to December 31, 1992;

10 (g) Moneys paid into or received from a permanent and
11 irreducible fund of the state that was created or established prior
12 to December 31, 1992;

13 (h) Moneys received from the sale of bonds or other evidences
14 of indebtedness;

15 (i) Moneys paid into or deposited to funds or accounts by the
16 state for disbursement to political subdivisions of the state.
17 However, these funds or accounts must have been created or
18 established prior to December 31, 1992;

19 (j) Moneys dedicated under Article 2, section 40 of the state
20 Constitution;

21 (k) Moneys paid into or received from the revenue reserve
22 fund; or

23 (l) Moneys paid into or received from the general obligation
24 debt reduction account.

25 (8) "State revenue collection limit" or "limit" means the
26 limitation created by this chapter.

27 (9) "Limitation factor" means the percentage created by
28 dividing the sum of total state revenue collections for the fiscal
29 years 1988 through 1992 by the sum of total state personal income
30 for the fiscal years 1988 through 1992.

31 (10) "Total state personal income" means the estimated total
32 personal income for the state during a fiscal year as published by
33 the United States department of commerce, bureau of economic

1 analysis, or its successor, and as reported in the most recent
2 official economic and revenue forecast prepared under RCW
3 82.33.020.

4 (11) "Undesignated fund balance" means any unreserved and
5 undesignated current assets or other resources available for
6 expenditure over and above any current liabilities that are
7 expected to be incurred by the close of a fiscal year.

8 NEW SECTION. **Sec. 804.** Within thirty days after the
9 effective date of sections 801 through 816 and 819 of this act, the
10 economic and revenue forecast supervisor, as defined in RCW
11 82.33.010(2), shall compute the limitation factor defined under
12 section 803 of this act. Upon computing the limitation factor, the
13 economic and revenue forecast supervisor shall make and file with
14 the secretary of state, a certificate containing the results of the
15 computation and any amendment or adjustment thereof. Copies of the
16 certificate shall be sent to each elected official of the state and
17 each member of the legislature.

18 NEW SECTION. **Sec. 805.** STATE REVENUE COLLECTION LIMIT--
19 CALCULATION. (1) Unless otherwise provided for in this chapter,
20 the state revenue collection limit for the fiscal year beginning
21 July 1, 1993, and for each fiscal year thereafter, shall be the
22 limitation factor multiplied by the total state personal income for
23 the fiscal year for which the limit is being calculated.

24 (2) To establish the revenue collection limit for the fiscal
25 year beginning July 1, 1993, the economic and revenue forecast
26 supervisor shall use total state personal income as published by
27 the United States department of commerce, bureau of economic
28 analysis, or its successor, and as reported in the November 1992
29 official economic and revenue forecast prepared under RCW
30 82.33.020. For each fiscal year thereafter, the state revenue
31 collection limit shall be established by the economic and revenue

1 forecast supervisor on November 20 of the year immediately
2 preceding the fiscal year for which the limit is being calculated.

3 NEW SECTION. **Sec. 806.** REVENUE MEASURES--ESTIMATED STATE
4 REVENUE COLLECTIONS TO BE WITHIN LIMIT. Except as otherwise
5 provided for in this chapter, all state revenue measures from which
6 state revenue collections are derived shall be imposed, levied, or
7 set by law or rule in such a manner that estimated state revenue
8 collections for each fiscal year will not exceed the state revenue
9 collection limit established for the corresponding fiscal year.

10 NEW SECTION. **Sec. 807.** EXPENDITURE REQUIREMENTS. (1) The
11 state shall not expend funds derived from state revenue collections
12 for any fiscal year in excess of the state revenue collection limit
13 established for the corresponding fiscal year.

14 (2) Except pursuant to an appropriation provided for a
15 declaration of emergency under section 810 of this act, the state
16 treasurer shall not issue or redeem any check, warrant, or voucher
17 from funds derived from state revenue collections that would result
18 in an expenditure for any fiscal year in excess of the state
19 revenue collection limit for the corresponding fiscal year. A
20 violation of this subsection constitutes a violation of RCW
21 43.88.290.

22 (3) In addition to the penalties provided in RCW 43.88.300 for
23 a judgment against the state treasurer for violating RCW 43.88.290,
24 the attorney general may take civil action for such violations.

25 NEW SECTION. **Sec. 808.** REVENUE RESERVE FUND. (1) A revenue
26 reserve fund is created in the custody of the state treasurer.
27 Only the state treasurer may transfer moneys to or from the fund as
28 provided in this chapter. On the effective date of sections 801
29 through 816 and section 819 of this section, all funds currently
30 contained, or on deposit, in the budget stabilization account

1 created under RCW 43.88.525 shall be transferred into the revenue
2 reserve fund.

3 (2) The state treasurer is authorized to and shall transfer to
4 the revenue reserve fund a sum equal to the amount of any state
5 revenue collections in excess of the state revenue collection
6 limit. Deposits authorized under this subsection shall be made on
7 the last day of each fiscal year based on estimated state revenue
8 collections for that fiscal year.

9 (3) Upon the completion of any fiscal year for which there is
10 an undesignated fund balance, the state treasurer is hereby
11 authorized to and shall transfer to the revenue reserve fund a sum
12 equal to the amount of any undesignated fund balance.

13 (4) The state treasurer is authorized to and shall transfer to
14 the revenue reserve fund any other amounts the legislature may from
15 time to time direct to be deposited or transferred into the fund.

16 (5) The balance of the revenue reserve fund at the end of a
17 fiscal year shall not exceed two and one-half percent of the
18 immediately preceding fiscal year's state revenue collection limit.
19 Any amount in excess of this two and one-half percent limit shall
20 be transferred by the state treasurer to the general obligation
21 debt reduction account.

22 NEW SECTION. **Sec. 809.** ESTIMATED STATE REVENUE COLLECTIONS
23 BELOW LIMIT--PROCEDURES FOR IMPOSITION OF REVENUE MEASURES. (1)
24 If, at the time the state revenue collection limit is established
25 as required by section 805(2) of this act, the estimated state
26 revenue collections for the corresponding fiscal year are projected
27 to be below the state revenue collection limit, the state treasurer
28 shall immediately transfer to the state general fund from amounts
29 available in the revenue reserve fund a sum equal to the difference
30 between estimated state revenue collections and the state revenue
31 collection limit for use during such fiscal year.

32 (2) If the procedure required under subsection (1) of this

1 section has been implemented and there remains a difference between
2 the state revenue collection limit and estimated revenue
3 collections, the legislature may, by an affirmative vote of sixty
4 percent of each house, enact revenue measures necessary to generate
5 any sum that is equal to or below the state revenue collection
6 limit less the state revenue collections.

7 (3) Any revenue measure enacted pursuant to subsection (2) of
8 this section may be imposed, levied, or set by law or rule for a
9 period not to exceed twenty-four months from the effective date of
10 such revenue measure.

11 NEW SECTION. **Sec. 810.** WHEN STATE REVENUE COLLECTION LIMIT
12 MAY BE EXCEEDED--CONDITIONS. (1) The state revenue collection
13 limit may be exceeded upon declaration of an emergency by the
14 governor and a law approved by an affirmative vote of seventy-five
15 percent of each house of the legislature. The declaration of
16 emergency shall set forth the circumstances constituting the
17 emergency and the amount of state revenue collections in excess of
18 the applicable state revenue collection limit necessary to meet the
19 emergency.

20 (2) A declaration of emergency for the purposes of exceeding
21 the state revenue collection limit shall not exceed twenty-four
22 months.

23 (3) The state revenue collection limit may be exceeded by an
24 amount no greater than that indicated by the governor in his or her
25 emergency declaration.

26 (4) The amount of state revenue collections authorized under
27 this section in excess of the state revenue collection limit is not
28 subject to the provisions of section 808(2) of this act.

29 (5) Revenue measures enacted to meet the costs of an emergency
30 under this section may be imposed, levied, or set by law or rule
31 for a period not to exceed twenty-four months from the effective
32 date of the revenue measures. However, all revenue measures

1 enacted to meet the cost of an emergency under this section shall
2 expire immediately upon the expiration of the declaration of
3 emergency.

4 NEW SECTION. **Sec. 811.** STATE REVENUE COLLECTION LIMIT--
5 ADJUSTMENTS. (1) If by order of any court, the costs of a federal,
6 state, or political subdivision program, service, project,
7 facility, or activity are transferred in such a manner that the
8 result is an increase or decrease in state revenue collections, the
9 limitation factor shall be adjusted and the state revenue
10 collection limit recalculated as provided in this section. The
11 office of financial management shall determine the total dollar
12 amount of any increase or decrease in state revenue collections
13 caused by such a transfer.

14 (2) For the purpose of this section, "adjusted limitation
15 factor" means the total dollar amount of any such increase or
16 decrease in state revenue collections for the fiscal year in which
17 the increase or decrease is effective divided by the corresponding
18 fiscal year's total state personal income plus or minus the
19 limitation factor or the most recent adjusted limitation factor.

20 (3) For the fiscal year in which any such increase or decrease
21 is effective and for each fiscal year thereafter, the state revenue
22 collection limit shall be the adjusted limitation factor multiplied
23 by total state personal income for the fiscal year for which the
24 limit is being recalculated or calculated.

25 (4) For the fiscal year in which any state revenue collections
26 increase or decrease required by subsection (1) of this section
27 become effective, the state revenue collection limit as adjusted in
28 this section shall be recalculated by the economic and revenue
29 forecast supervisor prior to the beginning of that fiscal year.
30 For the fiscal years thereafter, the state revenue collection limit
31 shall be established by the economic and revenue forecast
32 supervisor on November 20 of the year immediately preceding the

1 fiscal year for which the state revenue collection limit is being
2 calculated.

3 NEW SECTION. **Sec. 812.** GENERAL OBLIGATION DEBT REDUCTION
4 ACCOUNT. The general obligation debt reduction account is created
5 in the state treasury. Moneys in the account may be spent only
6 following appropriation by law and shall be used solely for the
7 purposes of reducing the outstanding principle and interest of the
8 general obligation indebtedness of the state of Washington.

9 **Sec. 813.** RCW 43.135.060 and 1990 2nd ex.s. c 1 s 601 are
10 each amended to read as follows:

11 (1) The legislature shall not impose responsibility for new
12 programs, programs previously provided by the state, or increased
13 levels of service under existing programs on any ~~((taxing~~
14 ~~district))~~ political subdivision of the state unless the
15 ~~((districts))~~ costs of the program or increased service are
16 reimbursed ~~((for the costs thereof))~~ by the state.

17 (2) The amount of increased local revenue and state
18 appropriations and distributions that are received or could be
19 received by a ~~((taxing district))~~ political subdivision of the
20 state as a result of legislative enactments after 1979 shall be
21 included as reimbursement under subsection (1) of this section.
22 This subsection does not affect litigation pending on January 1,
23 1990.

24 (3) ~~((If by order of any court, or legislative enactment, the~~
25 ~~costs of a federal or taxing district program are transferred to or~~
26 ~~from the state, the otherwise applicable state tax revenue limit~~
27 ~~shall be increased or decreased, as the case may be, by the dollar~~
28 ~~amount of the costs of the program.~~

29 (4) ~~The legislature, in consultation with the office of~~
30 ~~financial management or its successor agency, shall determine the~~
31 ~~costs of any new programs or increased levels of service under~~

1 ~~existing programs imposed on any taxing district or transferred to~~
2 ~~or from the state.~~

3 (5)) Subsection (1) of this section does not apply to the
4 costs incurred for voting devices or machines under RCW 29.04.200.

5 (4) No portion of the reimbursement provided under subsection
6 (1) of this section by the state to a political subdivision may be
7 in the form of authorization for a new or increased revenue
8 measure.

9 NEW SECTION. Sec. 814. A new section is added to chapter
10 82.33 RCW to read as follows:

11 The official, optimistic, and pessimistic revenue forecasts
12 prepared under RCW 82.33.020 shall include revenue estimates for
13 all state revenue collections as defined in chapter 43.135 RCW.

14 **Sec. 815.** RCW 43.84.092 and 1992 c 235 s 4 are each amended
15 to read as follows:

16 (1) All earnings of investments of surplus balances in the
17 state treasury shall be deposited to the treasury income account,
18 which account is hereby established in the state treasury.

19 (2) Monthly, the state treasurer shall distribute the earnings
20 credited to the treasury income account. The state treasurer shall
21 credit the general fund with all the earnings credited to the
22 treasury income account except:

23 (a) The following accounts and funds shall receive their
24 proportionate share of earnings based upon each account's and
25 fund's average daily balance for the period: The capitol building
26 construction account, the Cedar River channel construction and
27 operation account, the Central Washington University capital
28 projects account, the charitable, educational, penal and
29 reformatory institutions account, the common school construction
30 fund, the county criminal justice assistance account, the county
31 sales and use tax equalization account, the data processing

1 building construction account, the deferred compensation
2 administrative account, the deferred compensation principal
3 account, the department of retirement systems expense account, the
4 Eastern Washington University capital projects account, the federal
5 forest revolving account, the general obligation debt reduction
6 account, the industrial insurance premium refund account, the
7 judges' retirement account, the judicial retirement administrative
8 account, the judicial retirement principal account, the local
9 leasehold excise tax account, the local sales and use tax account,
10 the medical aid account, the municipal criminal justice assistance
11 account, the municipal sales and use tax equalization account, the
12 natural resources deposit account, the perpetual surveillance and
13 maintenance account, the public employees' retirement system plan
14 I account, the public employees' retirement system plan II account,
15 the Puyallup tribal settlement account, the resource management
16 cost account, the revenue reserve fund, the site closure account,
17 the special wildlife account, the state employees' insurance
18 account, the state employees' insurance reserve account, the state
19 investment board expense account, the state investment board
20 commingled trust fund accounts, the supplemental pension account,
21 the teachers' retirement system plan I account, the teachers'
22 retirement system plan II account, the University of Washington
23 bond retirement fund, the University of Washington building
24 account, the volunteer fire fighters' relief and pension principal
25 account, the volunteer fire fighters' relief and pension
26 administrative account, the Washington judicial retirement system
27 account, the Washington law enforcement officers' and fire
28 fighters' system plan I retirement account, the Washington law
29 enforcement officers' and fire fighters' system plan II retirement
30 account, the Washington state patrol retirement account, the
31 Washington State University building account, the Washington State
32 University bond retirement fund, and the Western Washington
33 University capital projects account. Earnings derived from

1 investing balances of the agricultural permanent fund, the normal
2 school permanent fund, the permanent common school fund, the
3 scientific permanent fund, and the state university permanent fund
4 shall be allocated to their respective beneficiary accounts. All
5 earnings to be distributed under this subsection (2)(a) shall first
6 be reduced by the allocation to the state treasurer's service fund
7 pursuant to RCW 43.08.190.

8 (b) The following accounts and funds shall receive eighty
9 percent of their proportionate share of earnings based upon each
10 account's or fund's average daily balance for the period: The
11 central Puget Sound public transportation account, the city
12 hardship assistance account, the county arterial preservation
13 account, the economic development account, the essential rail
14 assistance account, the essential rail banking account, the ferry
15 bond retirement fund, the grade crossing protective fund, the high
16 capacity transportation account, the highway bond retirement fund,
17 the highway construction stabilization account, the highway safety
18 account, the motor vehicle fund, the motorcycle safety education
19 account, the pilotage account, the public transportation systems
20 account, the Puget Sound capital construction account, the Puget
21 Sound ferry operations account, the recreational vehicle account,
22 the rural arterial trust account, the special category C account,
23 the state patrol highway account, the transfer relief account, the
24 transportation capital facilities account, the transportation
25 equipment fund, the transportation fund, the transportation
26 improvement account, and the urban arterial trust account.

27 (3) In conformance with Article II, section 37 of the state
28 Constitution, no treasury accounts or funds shall be allocated
29 earnings without the specific affirmative directive of this
30 section.

31 NEW SECTION. **Sec. 816.** A new section is added to chapter
32 43.88 RCW to read as follows:

1 The budget document submitted by the governor to the
2 legislature under RCW 43.88.030 shall reflect the state revenue
3 collection limit established under chapter 43.135 RCW and shall not
4 propose expenditures from funds derived from state revenue
5 collections in excess of the state revenue collection limit
6 established for the fiscal year or years to which the budget
7 pertains.

8 NEW SECTION. **Sec. 817.** REVENUE MEASURES REPEAL. (1) Upon
9 the effective date of this section, all actions or combinations of
10 actions by the state relating to state revenue measures that
11 increase revenue over those in effect on December 31, 1992, revert
12 to those in effect on December 31, 1992, except for those under
13 sections 809 and 810 of this act.

14 (2) The code reviser, in cooperation with the fiscal
15 committees of the house of representatives and the senate, shall
16 develop a correction bill to reflect the changes required by
17 subsection (1) of this section. The correction bill shall be
18 introduced during the legislative session immediately following the
19 effective date of this section.

20 (3) Prior to the adoption of the correction bill required
21 under this section, the governor may utilize any means provided by
22 law to ensure that the expenditure of funds derived from state
23 revenue collections does not exceed the state revenue collection
24 limit.

25 NEW SECTION. **Sec. 818.** Section 817 of this act shall be
26 submitted to the people for their adoption and ratification, or
27 rejection, at the next succeeding general election to be held in
28 this state, in accordance with Article II, section 1 of the state
29 Constitution, as amended, and the laws adopted to facilitate the
30 operation thereof.

1 NEW SECTION. **Sec. 819.** REPEALER. The following acts or
2 parts of acts are each repealed:

3 (1) RCW 43.88.520 and 1981 c 280 s 1;

4 (2) RCW 43.88.525 and 1991 sp.s. c 13 s 13, 1985 c 57 s 52, &
5 1981 c 280 s 2;

6 (3) RCW 43.88.530 and 1982 1st ex.s. c 36 s 2 & 1981 c 280 s
7 3;

8 (4) RCW 43.88.535 and 1982 1st ex.s. c 36 s 3 & 1981 c 280 s
9 4;

10 (5) RCW 43.88.540 and 1984 c 138 s 11 & 1981 c 280 s 5;

11 (6) RCW 43.135.010 and 1980 c 1 s 1;

12 (7) RCW 43.135.020 and 1980 c 1 s 2;

13 (8) RCW 43.135.030 and 1980 c 1 s 3;

14 (9) RCW 43.135.040 and 1980 c 1 s 4;

15 (10) RCW 43.135.050 and 1980 c 1 s 5;

16 (11) RCW 43.135.070 and 1980 c 1 s 7;

17 (12) RCW 43.135.900 and 1980 c 1 s 8; and

18 (13) RCW 43.135.901 and 1980 c 1 s 9.

19 NEW SECTION. **Sec. 820.** CODIFICATION INSTRUCTIONS. Sections
20 801 through 812 of this act are each added to chapter 43.135 RCW."

21 Renumber remaining sections consecutively and correct internal
22 references accordingly.

23 On page 62, line 8 of the amendment, after "institutions,"
24 insert "except sections 817 and 818 of this act,"

25 On page 62, line 11, strike "and 501 through 601" and insert
26 "501 through 601, 801 through 816 and 819"

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EFFECT: Establishes a revenue collection limit; refers to the people the repeal of revenue increases and new revenue measures enacted after December 31, 1992.