

# HOUSE BILL REPORT

## HB 1787

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### As Reported By House Committee On:

Transportation

**Title:** An act relating to interest on accounts and funds.

**Brief Description:** Restoring certain provisions deleted in 1993.

**Sponsors:** Representatives K. Schmidt, R. Fisher, Johnson, Elliot, Buck, Blanton, Robertson, D. Schmidt, Mitchell, Skinner, Tokuda, Benton, Romero, Brown, Hankins, Cairnes, Hatfield, Scott, Quall, Backlund, Ogden, McMahan, Horn, Koster, Schoesler and Mielke.

### **Brief History:**

#### **Committee Activity:**

Transportation: 2/22/95 [DPS].

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## HOUSE COMMITTEE ON TRANSPORTATION

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 27 members: Representatives K. Schmidt, Chairman; Benton, Vice Chairman; Mitchell, Vice Chairman; Skinner, Vice Chairman; R. Fisher, Ranking Minority Member; Hatfield, Assistant Ranking Minority Member; Backlund; Blanton; Brown; Buck; Cairnes; Chandler; Chopp; Elliot; Hankins; Horn; Johnson; Koster; McMahan; Ogden; Patterson; Quall; Robertson; Romero; D. Schmidt; Scott and Tokuda.

**Staff:** Jeff Doyle (786-7322).

**Background:** During the 1993 legislative session, the interest earned on transportation-related accounts was transferred from those accounts to the general fund-state (GF-S) basic account and spent on general government purposes. Only two accounts, the motor vehicle fund and the transportation fund, were permitted to keep their interest earnings.

The transfer of all interest earnings to the GF-S account was done because the general fund was projecting a revenue shortfall for the 1993-95 biennium.

Under Initiative 601 (I-601), the general fund spending limit takes effect on July 1, 1995. Currently, the projected revenue flowing into the GF-S basic account is greater than the amount that can be spent during the 1995-97 biennium.

The I-601 spending limit applies only to general fund expenditures. The initiative does not restrict expenditures from the transportation-related accounts.

There are some accounts that contain gas tax revenues, which are restricted to use for highway purposes— under the 18th Amendment to the state constitution. The interest on these moneys, however, is being swept away to the general fund and spent on general government purposes. It is likely that this use of 18th Amendment money for non-highway purposes is unconstitutional.

If the interest earnings are restored to the transportation-related accounts prior to July 1, 1995, the Office of Financial Management has ruled that the general fund spending limit does not need to be lowered.

**Summary of Substitute Bill:** Eighty percent of interest earnings on transportation-related accounts will remain in those accounts, rather than being transferred to the general fund-state to be spent for general government purposes. This restores the law as it existed prior to the 1993 legislative session.

**Substitute Bill Compared to Original Bill:** The substitute bill includes accounts that are entitled to receive interest earnings as a result of legislative action taken during the 1994 session. These accounts were omitted in the original bill.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill contains an emergency clause and takes effect on June 1, 1995.

**Testimony For:** The money returned to the transportation-related accounts is approximately \$25 million for the 1995-97 biennium, equivalent to a one-half cent increase in the gas tax.

**Testimony Against:** None.

**Testified:** Amy Arnis, Department of Transportation; Jerry Fay, Transportation Improvement Board; Eric Berger, County Road Administration Board; and Curt Eschels, Washington Association of Counties.