
HOUSE BILL 2092

State of Washington**53rd Legislature****1993 Regular Session**

By Representatives Tate, Silver, Mielke, Vance, Brumsickle, Brough, Stevens, Dyer, Talcott, Carlson, Horn, Cooke, Chandler, Ballasiotes, Lisk, Morton, Ballard, Fuhrman, Van Luven, Schoesler, Sehlin, Padden, Sheahan and Casada

Read first time 03/03/93. Referred to Committee on Revenue.

1 AN ACT Relating to limitations on state revenues; amending RCW
2 43.135.060 and 43.84.092; adding new sections to chapter 43.135 RCW;
3 adding a new section to chapter 82.33 RCW; adding a new section to
4 chapter 43.88 RCW; creating new sections; repealing RCW 43.88.520,
5 43.88.525, 43.88.530, 43.88.535, 43.88.540, 43.135.010, 43.135.020,
6 43.135.030, 43.135.040, 43.135.050, 43.135.070, 43.135.900, and
7 43.135.901; and declaring an emergency.

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

9 NEW SECTION. **Sec. 1.** FINDINGS AND DECLARATIONS. The legislature
10 of the state of Washington finds and declares that:

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

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

1 (3) During periods of severe economic downturns or fiscal
2 emergencies, receipts of state revenue collections may decline below
3 the state revenue collection limit established in this chapter and,
4 therefore, it is necessary and vital for the state of Washington to
5 maintain an adequate reserve of state revenue collections to provide a
6 resource for the stable financing of essential state services during
7 such periods.

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

13 NEW SECTION. **Sec. 2.** INTENT. It is the intent of the legislature
14 of the state of Washington to:

15 (1) Establish a limitation that will assure that the growth rate of
16 state revenue collections does not exceed an established percentage of
17 the economy as represented by total state personal income.

18 (2) Reaffirm that the state shall not impose upon any political
19 subdivision of the state the responsibility for new programs, programs
20 previously offered by the state, or increased levels of service unless
21 the costs of these programs or services are paid or reimbursed by the
22 state.

23 (3) Provide for adjustment of the state revenue collection limit
24 when the costs of a federal, state, or political subdivision program,
25 service, project, facility, or activity are transferred in such a
26 manner that the result is an increase or decrease in state revenue
27 collections.

28 (4) Establish a responsible and fiscally sound revenue reserve fund
29 for use in severe economic downturns or fiscal emergencies.

30 (5) Establish procedures for the disposition of amounts collected
31 in excess of this limit.

32 (6) Establish procedures for use when estimated state revenues
33 collections fall below the state revenue collection limit.

34 (7) Establish procedures for exceeding this limit in emergency
35 situations.

1 NEW SECTION. **Sec. 3.** DEFINITIONS. Unless the context clearly
2 requires otherwise, the definitions in this section apply throughout
3 this chapter.

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

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

9 (3) "General obligation debt reduction account" means the general
10 obligation debt reduction account created by this chapter.

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

15 (5) "Revenue measure" means any tax, fee, license, charge,
16 assessment, tariff, toll, duty, or other encumbrance levied, set,
17 imposed, or exacted on persons, income, property, or activities or any
18 expansion of the base of any existing tax, fee, license, charge,
19 assessment, tariff, toll, duty, or other encumbrance levied, set,
20 imposed, or exacted on persons, income, property, or activities.

21 (6) "Revenue reserve fund" means the revenue reserve fund created
22 by this chapter.

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

29 (a) Moneys received as a gift, grant, donation, aid, or assistance
30 from any person, firm, or corporation, public or private, when the
31 terms and conditions of such gift, grant, donation, aid, or assistance
32 require the application and disbursement of such moneys otherwise than
33 for the general purposes of the state of Washington;

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

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

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

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

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

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

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

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

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

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

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

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

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

29 (10) "Total state personal income" means the estimated total
30 personal income for the state during a fiscal year as published by the
31 United States department of commerce, bureau of economic analysis, or
32 its successor, and as reported in the most recent official economic and
33 revenue forecast prepared under RCW 82.33.020.

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

1 **NEW SECTION.** **Sec. 4.** Within thirty days after the effective date
2 of this act, the economic and revenue forecast supervisor, as defined
3 in RCW 82.33.010(2), shall compute the limitation factor defined under
4 section 3 of this act. Upon computing the limitation factor, the
5 economic and revenue forecast supervisor shall make and file with the
6 secretary of state, a certificate containing the results of the
7 computation and any amendment or adjustment thereof. Copies of the
8 certificate shall be sent to each elected official of the state and
9 each member of the legislature.

10 **NEW SECTION.** **Sec. 5.** STATE REVENUE COLLECTION LIMIT--CALCULATION.
11 (1) Unless otherwise provided for in this chapter, the state revenue
12 collection limit for the fiscal year beginning July 1, 1993, and for
13 each fiscal year thereafter, shall be the limitation factor multiplied
14 by the total state personal income for the fiscal year for which the
15 limit is being calculated.

16 (2) To establish the revenue collection limit for the fiscal year
17 beginning July 1, 1993, the economic and revenue forecast supervisor
18 shall use total state personal income as published by the United States
19 department of commerce, bureau of economic analysis, or its successor,
20 and as reported in the November 1992 official economic and revenue
21 forecast prepared under RCW 82.33.020. For each fiscal year
22 thereafter, the state revenue collection limit shall be established by
23 the economic and revenue forecast supervisor on November 20 of the year
24 immediately preceding the fiscal year for which the limit is being
25 calculated.

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

33 **NEW SECTION.** **Sec. 7.** EXPENDITURE REQUIREMENTS. (1) The state
34 shall not expend funds derived from state revenue collections for any
35 fiscal year in excess of the state revenue collection limit established
36 for the corresponding fiscal year.

1 (2) Except pursuant to an appropriation provided for a declaration
2 of emergency under section 10 of this act, the state treasurer shall
3 not issue or redeem any check, warrant, or voucher from funds derived
4 from state revenue collections that would result in an expenditure for
5 any fiscal year in excess of the state revenue collection limit for the
6 corresponding fiscal year. A violation of this subsection constitutes
7 a violation of RCW 43.88.290.

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

11 NEW SECTION. **Sec. 8.** REVENUE RESERVE FUND. (1) A revenue reserve
12 fund is created in the custody of the state treasurer. Only the state
13 treasurer may transfer moneys to or from the fund as provided in this
14 chapter. On the effective date of this act, all funds currently
15 contained, or on deposit, in the budget stabilization account created
16 under RCW 43.88.525 shall be transferred into the revenue reserve fund.

17 (2) The state treasurer is authorized to and shall transfer to the
18 revenue reserve fund a sum equal to the amount of any state revenue
19 collections in excess of the state revenue collection limit. Deposits
20 authorized under this subsection shall be made on the last day of each
21 fiscal year based on estimated state revenue collections for that
22 fiscal year.

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

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

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

35 NEW SECTION. **Sec. 9.** ESTIMATED STATE REVENUE COLLECTIONS BELOW
36 LIMIT--PROCEDURES FOR IMPOSITION OF REVENUE MEASURES. (1) If, at the
37 time the state revenue collection limit is established as required by

1 section 5(2) of this act, the estimated state revenue collections for
2 the corresponding fiscal year are projected to be below the state
3 revenue collection limit, the state treasurer shall immediately
4 transfer to the state general fund from amounts available in the
5 revenue reserve fund a sum equal to the difference between estimated
6 state revenue collections and the state revenue collection limit for
7 use during such fiscal year.

8 (2) If the procedure required under subsection (1) of this section
9 has been implemented and there remains a difference between the state
10 revenue collection limit and estimated revenue collections, the
11 legislature may, by an affirmative vote of sixty percent of each house,
12 enact revenue measures necessary to generate any sum that is equal to
13 or below the state revenue collection limit less the state revenue
14 collections.

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

19 **NEW SECTION. Sec. 10. WHEN STATE REVENUE COLLECTION LIMIT MAY BE**
20 EXCEEDED--CONDITIONS. (1) The state revenue collection limit may be
21 exceeded upon declaration of an emergency by the governor and a law
22 approved by an affirmative vote of seventy-five percent of each house
23 of the legislature. The declaration of emergency shall set forth the
24 circumstances constituting the emergency and the amount of state
25 revenue collections in excess of the applicable state revenue
26 collection limit necessary to meet the emergency.

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

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

32 (4) The amount of state revenue collections authorized under this
33 section in excess of the state revenue collection limit is not subject
34 to the provisions of section 8(2) of this act.

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

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

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

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

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

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

32 **NEW SECTION.** **Sec. 12.** GENERAL OBLIGATION DEBT REDUCTION ACCOUNT.
33 The general obligation debt reduction account is created in the state
34 treasury. Moneys in the account may be spent only following
35 appropriation by law and shall be used solely for the purposes of
36 reducing the outstanding principle and interest of the general
37 obligation indebtedness of the state of Washington.

1 **Sec. 13.** RCW 43.135.060 and 1990 2nd ex.s. c 1 s 601 are each
2 amended to read as follows:

3 (1) The legislature shall not impose responsibility for new
4 programs, programs previously provided by the state, or increased
5 levels of service under existing programs on any ((taxing district))
6 political subdivision of the state unless the ((districts)) costs of
7 the program or increased service are reimbursed ((for the costs
8 thereof)) by the state.

9 (2) The amount of increased local revenue and state appropriations
10 and distributions that are received or could be received by a ((taxing
11 district)) political subdivision of the state as a result of
12 legislative enactments after 1979 shall be included as reimbursement
13 under subsection (1) of this section. This subsection does not affect
14 litigation pending on January 1, 1990.

15 (3) ((If by order of any court, or legislative enactment, the costs
16 of a federal or taxing district program are transferred to or from the
17 state, the otherwise applicable state tax revenue limit shall be
18 increased or decreased, as the case may be, by the dollar amount of the
19 costs of the program.)

20 (4) The legislature, in consultation with the office of financial
21 management or its successor agency, shall determine the costs of any
22 new programs or increased levels of service under existing programs
23 imposed on any taxing district or transferred to or from the state.

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

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

29 NEW SECTION. **Sec. 14.** A new section is added to chapter 82.33 RCW
30 to read as follows:

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

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

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

4 (2) Monthly, the state treasurer shall distribute the earnings
5 credited to the treasury income account. The state treasurer shall
6 credit the general fund with all the earnings credited to the treasury
7 income account except:

8 (a) The following accounts and funds shall receive their
9 proportionate share of earnings based upon each account's and fund's
10 average daily balance for the period: The capitol building
11 construction account, the Cedar River channel construction and
12 operation account, the Central Washington University capital projects
13 account, the charitable, educational, penal and reformatory
14 institutions account, the common school construction fund, the county
15 criminal justice assistance account, the county sales and use tax
16 equalization account, the data processing building construction
17 account, the deferred compensation administrative account, the deferred
18 compensation principal account, the department of retirement systems
19 expense account, the Eastern Washington University capital projects
20 account, the federal forest revolving account, the general obligation
21 debt reduction account, the industrial insurance premium refund
22 account, the judges' retirement account, the judicial retirement
23 administrative account, the judicial retirement principal account, the
24 local leasehold excise tax account, the local sales and use tax
25 account, the medical aid account, the municipal criminal justice
26 assistance account, the municipal sales and use tax equalization
27 account, the natural resources deposit account, the perpetual
28 surveillance and maintenance account, the public employees' retirement
29 system plan I account, the public employees' retirement system plan II
30 account, the Puyallup tribal settlement account, the resource
31 management cost account, the revenue reserve fund, the site closure
32 account, the special wildlife account, the state employees' insurance
33 account, the state employees' insurance reserve account, the state
34 investment board expense account, the state investment board commingled
35 trust fund accounts, the supplemental pension account, the teachers'
36 retirement system plan I account, the teachers' retirement system plan
37 II account, the University of Washington bond retirement fund, the
38 University of Washington building account, the volunteer fire fighters'
39 relief and pension principal account, the volunteer fire fighters'

1 relief and pension administrative account, the Washington judicial
2 retirement system account, the Washington law enforcement officers' and
3 fire fighters' system plan I retirement account, the Washington law
4 enforcement officers' and fire fighters' system plan II retirement
5 account, the Washington state patrol retirement account, the Washington
6 State University building account, the Washington State University bond
7 retirement fund, and the Western Washington University capital projects
8 account. Earnings derived from investing balances of the agricultural
9 permanent fund, the normal school permanent fund, the permanent common
10 school fund, the scientific permanent fund, and the state university
11 permanent fund shall be allocated to their respective beneficiary
12 accounts. All earnings to be distributed under this subsection (2)(a)
13 shall first be reduced by the allocation to the state treasurer's
14 service fund pursuant to RCW 43.08.190.

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

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

37 **NEW SECTION. Sec. 16.** A new section is added to chapter 43.88 RCW
38 to read as follows:

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

7 NEW SECTION. **Sec. 17.** REVENUE MEASURES REPEAL. (1) Upon the
8 effective date of this act, all actions or combinations of actions by
9 the state relating to state revenue measures that increase revenue over
10 those in effect on December 31, 1992, revert to those in effect on
11 December 31, 1992, except for those under sections 9 and 10 of this
12 act.

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

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

22 NEW SECTION. **Sec. 18.** REPEALER. The following acts or parts of
23 acts are each repealed:

24 (1) RCW 43.88.520 and 1981 c 280 s 1;
25 (2) RCW 43.88.525 and 1991 sp.s. c 13 s 13, 1985 c 57 s 52, & 1981
26 c 280 s 2;
27 (3) RCW 43.88.530 and 1982 1st ex.s. c 36 s 2 & 1981 c 280 s 3;
28 (4) RCW 43.88.535 and 1982 1st ex.s. c 36 s 3 & 1981 c 280 s 4;
29 (5) RCW 43.88.540 and 1984 c 138 s 11 & 1981 c 280 s 5;
30 (6) RCW 43.135.010 and 1980 c 1 s 1;
31 (7) RCW 43.135.020 and 1980 c 1 s 2;
32 (8) RCW 43.135.030 and 1980 c 1 s 3;
33 (9) RCW 43.135.040 and 1980 c 1 s 4;
34 (10) RCW 43.135.050 and 1980 c 1 s 5;
35 (11) RCW 43.135.070 and 1980 c 1 s 7;
36 (12) RCW 43.135.900 and 1980 c 1 s 8; and
37 (13) RCW 43.135.901 and 1980 c 1 s 9.

1 NEW SECTION. **Sec. 19.** SHORT TITLE. This chapter shall be known
2 and cited as the state revenue collection limitation act of 1993.

3 NEW SECTION. **Sec. 20.** SEVERABILITY. If any provision of this act
4 or its application to any person or circumstance is held invalid, the
5 remainder of the act or the application of the provision to other
6 persons or circumstances is not affected.

7 NEW SECTION. **Sec. 21.** CODIFICATION INSTRUCTIONS. Sections 1
8 through 12 and 19 of this act are each added to chapter 43.135 RCW.

9 NEW SECTION. **Sec. 22.** CAPTIONS NOT LAW. Section headings as used
10 in this act do not constitute any part of the law.

11 NEW SECTION. **Sec. 23.** EMERGENCY CLAUSE. This act is necessary
12 for the immediate preservation of the public peace, health, or safety,
13 or support of the state government and its existing public
14 institutions, and shall take effect immediately, and the first fiscal
15 year for which the state revenue collection limit shall be in effect is
16 the fiscal year beginning July 1, 1993.

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