

SENATE BILL REPORT

ESHB 1787

As Reported By Senate Committee On:
Transportation, April 3, 1995

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

Brief Description: Revising provision for distribution of surplus balance investment earnings.

Sponsors: House Committee on Transportation (originally sponsored by 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: 3/22/95, 4/3/95 [DP].

SENATE COMMITTEE ON TRANSPORTATION

Majority Report: Do pass.

Signed by Senators Owen, Chair; Heavey, Vice Chair; Fairley, Haugen, Kohl, Morton, Oke, Prentice, Prince, Rasmussen, Schow, Sellar and Wood.

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 Bill: Eighty percent of interest earnings on transportation-related accounts 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.

Appropriation: None.

Fiscal Note: Available.

Effective Date: 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 1/2 cent increase in the gas tax.

Testimony Against: None.

Testified: Jerry Fay, Transportation Improvement Board (pro); Eric Berger, County Road Administration Board (pro).