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ENGROSSED HOUSE BILL 3169

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State of Washington                      56th Legislature      2000 2nd Special Session

By Representatives Barlean, Doumit, Huff, H. Sommers, D. Schmidt, Ruderman, Hankins, Edmonds, Alexander, Kenney, Schindler, Miloscia, Tokuda, Quall, Lantz, Linville, Fortunato, Boldt, Fisher, Edwards, Constantine, Romero, Scott, Keiser, Schual-Berke, McIntire, Kastama, Hatfield, Carlson, McDonald, Kessler, Ogden, Dunshee, Cooper, Wood, Regala, O'Brien, Stensen, Anderson, Wolfe, Morris, Voloria, Benson, Hurst, Rockefeller, Sullivan, Woods, Lisk, Parlette, Campbell, Talcott, Ballasiotes and Thomas

Read first time 03/21/2000. Referred to Committee on Appropriations.

1            AN ACT Relating to modifying the state expenditure limit law by  
2 strengthening the expenditure limit and providing for timely deposits  
3 to the education construction fund; amending RCW 43.135.025,  
4 43.135.035, and 43.135.045; providing an effective date; and declaring  
5 an emergency.

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

7            **Sec. 1.** RCW 43.135.025 and 1994 c 2 s 2 are each amended to read  
8 as follows:

9            (1) The state shall not expend from the general fund during any  
10 fiscal year state moneys in excess of the state expenditure limit  
11 established under this chapter.

12            (2) Except pursuant to a declaration of emergency under RCW  
13 43.135.035 or pursuant to an appropriation under RCW 43.135.045(4)(b),  
14 the state treasurer shall not issue or redeem any check, warrant, or  
15 voucher that will result in a state general fund expenditure for any  
16 fiscal year in excess of the state expenditure limit established under  
17 this chapter. A violation of this subsection constitutes a violation  
18 of RCW 43.88.290 and shall subject the state treasurer to the penalties  
19 provided in RCW 43.88.300.

1 (3) The state expenditure limit for any fiscal year shall be the  
2 previous fiscal year's state expenditure limit increased by a  
3 percentage rate that equals the fiscal growth factor.

4 (4) For purposes of computing the state expenditure limit for the  
5 fiscal year beginning July 1, 1995, the phrase "the previous fiscal  
6 year's state expenditure limit" means the total state expenditures from  
7 the state general fund, not including federal funds, for the fiscal  
8 year beginning July 1, 1989, plus the fiscal growth factor. This  
9 calculation is then computed for the state expenditure limit for fiscal  
10 years 1992, 1993, 1994, and 1995, and as required under RCW  
11 43.135.035(4).

12 (5) A state expenditure limit committee is established for the  
13 purpose of determining and adjusting the state expenditure limit as  
14 provided in this chapter. The members of the state expenditure limit  
15 committee are the director of financial management, the attorney  
16 general or the attorney general's designee, and the chairs of the  
17 senate committee on ways and means and the house of representatives  
18 committee on appropriations. All actions of the state expenditure  
19 limit committee taken pursuant to this chapter require an affirmative  
20 vote of at least three members.

21 (6) Each November, the ~~((office of financial management))~~ state  
22 expenditure limit committee shall adjust the expenditure limit for the  
23 preceding fiscal year based on actual expenditures and known changes in  
24 the fiscal growth factor and then project an expenditure limit for the  
25 next two fiscal years. ~~((The office of financial management shall~~  
26 ~~notify the legislative fiscal committees of all adjustments to the~~  
27 ~~state expenditure limit and projections of future expenditure limits.))~~  
28 If, by November 30th, the state expenditure limit committee has not  
29 adopted the expenditure limit adjustment and projected expenditure  
30 limit as provided in subsection (5) of this section, the attorney  
31 general or his or her designee shall adjust or project the expenditure  
32 limit, as necessary.

33 ~~((+6))~~ (7) "Fiscal growth factor" means the average of the sum of  
34 inflation and population change for each of the prior three fiscal  
35 years.

36 ~~((+7))~~ (8) "Inflation" means the percentage change in the implicit  
37 price deflator for the United States for each fiscal year as published  
38 by the federal bureau of labor statistics.

1       (~~(8)~~) (9) "Population change" means the percentage change in  
2 state population for each fiscal year as reported by the office of  
3 financial management.

4       **Sec. 2.** RCW 43.135.035 and 1994 c 2 s 4 are each amended to read  
5 as follows:

6       (1) After July 1, 1995, any action or combination of actions by the  
7 legislature that raises state revenue or requires revenue-neutral tax  
8 shifts may be taken only if approved by a two-thirds vote of each  
9 house, and then only if state expenditures in any fiscal year,  
10 including the new revenue, will not exceed the state expenditure limits  
11 established under this chapter.

12       (2)(a) If the legislative action under subsection (1) of this  
13 section will result in expenditures in excess of the state expenditure  
14 limit, then the action of the legislature shall not take effect until  
15 approved by a vote of the people at a November general election. The  
16 office of financial management shall adjust the state expenditure limit  
17 by the amount of additional revenue approved by the voters under this  
18 section. This adjustment shall not exceed the amount of revenue  
19 generated by the legislative action during the first full fiscal year  
20 in which it is in effect. The state expenditure limit shall be  
21 adjusted downward upon expiration or repeal of the legislative action.

22       (b) The ballot title for any vote of the people required under this  
23 section shall be substantially as follows:

24       "Shall taxes be imposed on . . . . . in order to allow a  
25 spending increase above last year's authorized spending adjusted for  
26 inflation and population increases?"

27       (3)(a) The state expenditure limit may be exceeded upon declaration  
28 of an emergency for a period not to exceed twenty-four months by a law  
29 approved by a two-thirds vote of each house of the legislature and  
30 signed by the governor. The law shall set forth the nature of the  
31 emergency, which is limited to natural disasters that require immediate  
32 government action to alleviate human suffering and provide humanitarian  
33 assistance. The state expenditure limit may be exceeded for no more  
34 than twenty-four months following the declaration of the emergency and  
35 only for the purposes contained in the emergency declaration.

36       (b) Additional taxes required for an emergency under this section  
37 may be imposed only until thirty days following the next general

1 election, unless an extension is approved at that general election.  
2 The additional taxes shall expire upon expiration of the declaration of  
3 emergency. The legislature shall not impose additional taxes for  
4 emergency purposes under this subsection unless funds in the education  
5 construction fund have been exhausted.

6 (c) The state or any political subdivision of the state shall not  
7 impose any tax on intangible property listed in RCW 84.36.070 as that  
8 statute exists on January 1, 1993.

9 (4) If the cost of any state program or function is shifted from  
10 the state general fund on or after January 1, 1993, to another source  
11 of funding, or if moneys are transferred from the state general fund to  
12 another fund or account, the (~~office of financial management~~) state  
13 expenditure limit committee, acting pursuant to RCW 43.135.025(5),  
14 shall lower the state expenditure limit to reflect the shift. For the  
15 purposes of this section, a transfer of money from the state general  
16 fund to another fund or account includes any state legislative action  
17 taken after July 1, 2000, that has the effect of reducing revenues from  
18 a particular source, where such revenues would otherwise be deposited  
19 into the state general fund, while increasing the revenues from that  
20 particular source to another state or local government account.

21 (5) If the cost of any state program or function is shifted to the  
22 state general fund on or after January 1, 2000, from another source of  
23 funding, or if moneys are transferred to the state general fund from  
24 another fund or account, the state expenditure limit committee, acting  
25 pursuant to RCW 43.135.025(5), shall increase the state expenditure  
26 limit to reflect the shift.

27 **Sec. 3.** RCW 43.135.045 and 1994 c 2 s 3 are each amended to read  
28 as follows:

29 (1) The emergency reserve fund is established in the state  
30 treasury. During each fiscal year, the state treasurer shall deposit  
31 in the emergency reserve fund all general fund--state revenues in  
32 excess of the state expenditure limit for that fiscal year. Deposits  
33 shall be made at the end of each fiscal quarter based on projections of  
34 state revenues and the state expenditure limit. The treasurer shall  
35 make transfers between these accounts as necessary to reconcile actual  
36 annual revenues and the expenditure limit for fiscal year 2000 and  
37 thereafter.

1 (2) The legislature may appropriate moneys from the emergency  
2 reserve fund only with approval of at least two-thirds of the members  
3 of each house of the legislature, and then only if the appropriation  
4 does not cause total expenditures to exceed the state expenditure limit  
5 under this chapter.

6 (3) The emergency reserve fund balance shall not exceed five  
7 percent of (~~biennial~~) annual general fund--state revenues as  
8 projected by the official state revenue forecast. Any balance in  
9 excess of five percent shall be transferred on a quarterly basis by the  
10 state treasurer to the education construction fund hereby created in  
11 the treasury. The treasurer shall make transfers between these  
12 accounts as necessary to reconcile actual annual revenues for fiscal  
13 year 2000 and thereafter.

14 (4)(a) Funds may be appropriated from the education construction  
15 fund exclusively for common school construction or higher education  
16 construction.

17 (b) Funds may be appropriated for any other purpose only if  
18 approved by a two-thirds vote of each house of the legislature and if  
19 approved by a vote of the people at the next general election. An  
20 appropriation approved by the people under this subsection shall result  
21 in an adjustment to the state expenditure limit only for the fiscal  
22 period for which the appropriation is made and shall not affect any  
23 subsequent fiscal period.

24 NEW SECTION. Sec. 4. This act is necessary for the immediate  
25 preservation of the public peace, health, or safety, or support of the  
26 state government and its existing public institutions, and takes effect  
27 July 1, 2000.

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