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SSB 6078 - H AMD TO APP COMM AMD (H2969.1)

By Representative McIntire

1 On page 1 of the amendment, after line 2, strike the remainder
2 of the amendment and insert:

3 "NEW SECTION. **Sec. 1.** The legislature finds that the citizens
4 of the state benefit from a state expenditure limit that ensures
5 that the state budget operates with stability and predictability,
6 while encouraging the establishment of budget priorities and a
7 periodic review of state programs and the delivery of state
8 services. A state expenditure limit can prevent budgeting crises
9 that can occur because of increased spending levels during periods
10 of revenue surplus followed by drastic reductions in state services
11 in lean years. The citizens of the state are best served by an
12 expenditure limit that keeps pace with the growth in the state's
13 economy yet ensures budget discipline and taxpayer protection. For
14 these reasons, the legislature finds that modifications to the
15 state expenditure limit, after ten years of experience following
16 the initial implementation of Initiative Measure No. 601, will
17 recognize the economic productivity of the state's economy and
18 better balance the needs of the citizens for essential government
19 services with the obligation of the legislature for strict spending
20 accountability and protection of its taxpayers.

21 **Sec. 2.** RCW 43.135.035 and 2001 c 3 s 8 and 2000 2nd sp.s. c
22 2 s 2 are each reenacted and amended to read as follows:

23 (1) After July 1, 1995, any action or combination of actions by
24 the legislature that raises state revenue or requires revenue-
25 neutral tax shifts may be taken only if approved by a two-thirds
26 vote of each house, and then only if state expenditures in any
27 fiscal year, including the new revenue, will not exceed the state
28 expenditure limits established under this chapter. However, for
29 legislation enacted between the effective date of this 2005 act and

1 June 30, 2007, any action or combination of actions by the
2 legislature that raises state revenue or requires revenue-neutral
3 tax shifts may be taken with the approval of a majority of members
4 elected to each house, so long as state expenditures in any fiscal
5 year, including the new revenue, will not exceed the state
6 expenditure limits established under this chapter.

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

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

21 "Shall taxes be imposed on in order to allow a
22 spending increase above last year's authorized spending adjusted
23 for inflation and population increases?"

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

34 (b) Additional taxes required for an emergency under this
35 section may be imposed only until thirty days following the next
36 general election, unless an extension is approved at that general
37 election. The additional taxes shall expire upon expiration of the
38 declaration of emergency. The legislature shall not impose

1 additional taxes for emergency purposes under this subsection
2 unless funds in the education construction fund have been
3 exhausted.

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

7 (4) If the cost of any state program or function is shifted
8 from the state general fund on or after January 1, 1993, to another
9 source of funding, or if moneys are transferred from the state
10 general fund to another fund or account, the state expenditure
11 limit committee, acting pursuant to RCW 43.135.025(5), shall lower
12 the state expenditure limit to reflect the shift. For the purposes
13 of this section, a transfer of money from the state general fund to
14 another fund or account includes any state legislative action taken
15 (~~(after July 1, 2000,)~~) that has the effect of reducing revenues
16 from a particular source, where such revenues would otherwise be
17 deposited into the state general fund, while increasing the
18 revenues from that particular source to another state or local
19 government account. This subsection does not apply to the
20 dedication or use of lottery revenues under RCW 67.70.240(3) or
21 property taxes under RCW 84.52.068, in support of education or
22 education expenditures.

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

29 **Sec. 3.** RCW 43.135.010 and 1994 c 2 s 1 are each amended to
30 read as follows:

31 The people of the state of Washington hereby find and declare:

32 (1) The continuing increases in our state tax burden and the
33 corresponding growth of state government is contrary to the
34 interest of the people of the state of Washington.

35 (2) It is necessary to limit the rate of growth of state
36 government while assuring adequate funding of essential services,
37 including basic education as defined by the legislature.

1 (3) The current budgetary system in the state of Washington
2 lacks stability. The system encourages crisis budgeting and
3 results in cutbacks during lean years and overspending during
4 surplus years.

5 (4) It is therefore the intent of this chapter to:

6 (a) Establish a limit on state expenditures that will assure
7 that the growth rate of state expenditures does not exceed the
8 growth rate ((of inflation and state population)) in Washington
9 personal income;

10 (b) Assure that local governments are provided funds adequate
11 to render those services deemed essential by their citizens;

12 (c) Assure that the state does not impose responsibility on
13 local governments for new programs or increased levels of service
14 under existing programs unless the costs thereof are paid by the
15 state;

16 (d) Provide for adjustment of the limit when costs of a program
17 are transferred between the state and another political entity;

18 (e) Establish a procedure for exceeding this limit in emergency
19 situations;

20 (f) Provide for voter approval of tax increases; and

21 (g) Avoid overfunding and underfunding state programs by
22 providing stability, consistency, and long-range planning.

23 **Sec. 4.** RCW 43.135.025 and 2000 2nd sp.s. c 2 s 1 are each
24 amended to read as follows:

25 (1) The state shall not expend from the general fund and
26 related funds during any fiscal year state moneys in excess of the
27 state expenditure limit established under this chapter.

28 (2) Except pursuant to a declaration of emergency under RCW
29 43.135.035 or pursuant to an appropriation under RCW
30 43.135.045(4)(b), the state treasurer shall not issue or redeem any
31 check, warrant, or voucher that will result in a state general fund
32 or related fund expenditure for any fiscal year in excess of the
33 state expenditure limit established under this chapter. A
34 violation of this subsection constitutes a violation of RCW
35 43.88.290 and shall subject the state treasurer to the penalties
36 provided in RCW 43.88.300.

1 (3) The state expenditure limit for any fiscal year shall be
2 the 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
5 the fiscal year beginning July 1, ~~((1995))~~ 2007, the phrase "the
6 previous fiscal year's state expenditure limit" means the total
7 state expenditures from the state general fund and related funds,
8 not including federal funds, for the fiscal year beginning July 1,
9 ~~((1989))~~ 2006, plus the fiscal growth factor. ~~((This calculation
10 is then computed for the state expenditure limit for fiscal years
11 1992, 1993, 1994, and 1995, and as required under RCW
12 43.135.035(4).))~~

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

23 (6) Each November, the state expenditure limit committee shall
24 adjust the expenditure limit for the preceding fiscal year based on
25 actual expenditures and known changes in the fiscal growth factor
26 and then project an expenditure limit for the next two fiscal
27 years. If, by November 30th, the state expenditure limit committee
28 has not adopted the expenditure limit adjustment and projected
29 expenditure limit as provided in subsection (5) of this section,
30 the attorney general or his or her designee shall adjust or project
31 the expenditure limit, as necessary.

32 (7) "Fiscal growth factor" means ~~((the average of the sum of
33 inflation and population change for each of the prior three fiscal
34 years))~~ the average growth in state personal income for the prior
35 ten fiscal years.

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

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

5 (9) "Related fund" means the health services account, violence
6 reduction and drug enforcement account, public safety and education
7 account, water quality account, or student achievement fund.

8 **Sec. 5.** RCW 43.135.035 and 2005 c . . . s 2 (section 2 of this
9 act) are each amended to read as follows:

10 (1) After July 1, 1995, any action or combination of actions by
11 the legislature that raises state revenue or requires revenue-
12 neutral tax shifts may be taken only if approved by a two-thirds
13 vote of each house, and then only if state expenditures in any
14 fiscal year, including the new revenue, will not exceed the state
15 expenditure limits established under this chapter. ~~((However, for~~
16 ~~legislation enacted between the effective date of this 2005 act and~~
17 ~~June 30, 2007, any action or combination of actions by the~~
18 ~~legislature that raises state revenue or requires revenue-neutral~~
19 ~~tax shifts may be taken with the approval of a majority of members~~
20 ~~elected to each house, so long as state expenditures in any fiscal~~
21 ~~year, including the new revenue, will not exceed the state~~
22 ~~expenditure limits established under this chapter.))~~

23 (2)(a) If the legislative action under subsection (1) of this
24 section will result in expenditures in excess of the state
25 expenditure limit, then the action of the legislature shall not
26 take effect until approved by a vote of the people at a November
27 general election. The state expenditure limit committee shall
28 adjust the state expenditure limit by the amount of additional
29 revenue approved by the voters under this section. This adjustment
30 shall not exceed the amount of revenue generated by the legislative
31 action during the first full fiscal year in which it is in effect.
32 The state expenditure limit shall be adjusted downward upon
33 expiration or repeal of the legislative action.

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

1 "Shall taxes be imposed on in order to allow a
2 spending increase above last year's authorized spending adjusted
3 for (~~(inflation and population increases)~~) personal income growth?"

4 (3)(a) The state expenditure limit may be exceeded upon
5 declaration of an emergency for a period not to exceed twenty-four
6 months by a law approved by a two-thirds vote of each house of the
7 legislature and signed by the governor. The law shall set forth
8 the nature of the emergency, which is limited to natural disasters
9 that require immediate government action to alleviate human
10 suffering and provide humanitarian assistance. The state
11 expenditure limit may be exceeded for no more than twenty-four
12 months following the declaration of the emergency and only for the
13 purposes contained in the emergency declaration.

14 (b) Additional taxes required for an emergency under this
15 section may be imposed only until thirty days following the next
16 general election, unless an extension is approved at that general
17 election. The additional taxes shall expire upon expiration of the
18 declaration of emergency. The legislature shall not impose
19 additional taxes for emergency purposes under this subsection
20 unless funds in the education construction fund have been
21 exhausted.

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

25 (4) If the cost of any state program or function is shifted
26 from the state general fund (~~(on or after January 1, 1993,)~~) or a
27 related fund to another source of funding, or if moneys are
28 transferred from the state general fund or a related fund to
29 another fund or account, the state expenditure limit committee,
30 acting pursuant to RCW 43.135.025(5), shall lower the state
31 expenditure limit to reflect the shift. For the purposes of this
32 section, a transfer of money from the state general fund or a
33 related fund to another fund or account includes any state
34 legislative action taken that has the effect of reducing revenues
35 from a particular source, where such revenues would otherwise be
36 deposited into the state general fund or a related fund, while
37 increasing the revenues from that particular source to another
38 state or local government account. This subsection does not apply

1 to the dedication or use of lottery revenues under RCW 67.70.240(3)
2 or property taxes under RCW 84.52.068, in support of education or
3 education expenditures.

4 (5) If the cost of any state program or function (~~(is)~~) and the
5 ongoing revenue necessary to fund the program or function are
6 shifted to the state general fund or a related fund on or after
7 January 1, (~~2000, from another source of funding, or if moneys are~~
8 ~~transferred to the state general fund from another fund or~~
9 ~~account)) 2007, the state expenditure limit committee, acting
10 pursuant to RCW 43.135.025(5), shall increase the state expenditure
11 limit to reflect the shift.~~

12 **Sec. 6.** RCW 43.135.045 and 2003 1st sp.s. c 25 s 920 are each
13 amended to read as follows:

14 (1) The emergency reserve fund is established in the state
15 treasury. During each fiscal year, the state treasurer shall
16 (~~deposit in the emergency reserve fund all general fund--state~~
17 ~~revenues in excess of the state expenditure limit for that fiscal~~
18 ~~year. Deposits)) transfer an amount from the state general fund to
19 the emergency reserve fund. The amount transferred shall equal the
20 amount by which total state revenue for the general fund and
21 related funds exceeds the state expenditure limit, multiplied by
22 the percentage that general fund expenditures are of total
23 expenditures from the general fund and related funds. Transfers
24 shall be made at the end of each fiscal quarter based on
25 projections of state revenues, expenditures, and the state
26 expenditure limit. The treasurer shall make transfers between
27 these accounts as necessary to reconcile actual annual revenues and
28 the expenditure limit for fiscal year 2000 and thereafter.~~

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

34 (3) The emergency reserve fund balance shall not exceed five
35 percent of annual general fund--state revenues as projected by the
36 official state revenue forecast. Any balance in excess of five
37 percent shall be transferred on a quarterly basis by the state
38 treasurer as follows: Seventy-five percent to the student

1 achievement fund hereby created in the state treasury and twenty-
2 five percent to the general fund balance. The treasurer shall make
3 transfers between these accounts as necessary to reconcile actual
4 annual revenues for fiscal year 2000 and thereafter. When per-
5 student state funding for the maintenance and operation of K-12
6 education meets a level of no less than ninety percent of the
7 national average of total funding from all sources per student as
8 determined by the most recent published data from the national
9 center for education statistics of the United States department of
10 education, as calculated by the office of financial management,
11 further deposits to the student achievement fund shall be required
12 only to the extent necessary to maintain the ninety-percent level.
13 Remaining funds are part of the general fund balance and these
14 funds are subject to the expenditure limits of this chapter.

15 (4) The education construction fund is hereby created in the
16 state treasury.

17 (a) Funds may be appropriated from the education construction
18 fund exclusively for common school construction or higher education
19 construction.

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

27 (5) Funds from the student achievement fund shall be
28 appropriated to the superintendent of public instruction strictly
29 for distribution to school districts to meet the provisions set out
30 in the student achievement act. Allocations shall be made on an
31 equal per full-time equivalent student basis to each school
32 district.

33 ~~((6) Earnings of the emergency reserve fund under RCW~~
34 ~~43.84.092(4)(a) shall be transferred quarterly to the multimodal~~
35 ~~transportation account, except for those earnings that are in~~
36 ~~excess of thirty-five million dollars each fiscal year. Within~~
37 ~~thirty days following any fiscal year in which earnings transferred~~
38 ~~to the multimodal transportation account under this subsection did~~
39 ~~not total thirty-five million dollars, the state treasurer shall~~

1 ~~transfer from the emergency reserve fund an amount necessary to~~
2 ~~bring the total deposited in the multimodal transportation account~~
3 ~~under this subsection to thirty-five million dollars. The revenues~~
4 ~~to the multimodal transportation account reflected in this~~
5 ~~subsection provide ongoing support for the transportation programs~~
6 ~~of the state. However, it is the intent of the legislature that~~
7 ~~any new long-term financial support that may be subsequently~~
8 ~~provided for transportation programs will be used to replace and~~
9 ~~supplant the revenues reflected in this subsection, thereby~~
10 ~~allowing those revenues to be returned to the purposes to which~~
11 ~~they were previously dedicated. No transfers from the emergency~~
12 ~~reserve fund to the multimodal fund shall be made during the 2003-~~
13 ~~05 fiscal biennium.)~~)

14 NEW SECTION. **Sec. 7.** (1) Sections 1 and 2 of this act are
15 necessary for the immediate preservation of the public peace,
16 health, or safety, or support of the state government and its
17 existing public institutions, and take effect immediately.

18 (2) Sections 3 through 6 of this act take effect July 1, 2007."

EFFECT: Between the effective date of this act and June 30, 2007, a 2/3 vote of both houses is not required for legislative actions that raise revenue if the state expenditures do not exceed the state expenditure limit. Other changes effective July 1, 2007: Bases expenditure limit growth on ten year average of state personal income growth. Continues rebasing of expenditure limit when actual expenditures are below the limit. When revenue exceeds limit transfers money from general fund to emergency reserve fund in proportion to the general fund share of limited funds. Removes requirement to transfer interest earning of the emergency reserve fund to the multimodal transportation account.