

# HOUSE BILL REPORT

## ESSB 5311

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**As Reported by House Committee On:**  
Appropriations

**Title:** An act relating to a budget stabilization account.

**Brief Description:** Creating the budget stabilization account.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Brown, Zarelli, Prentice, Marr, Tom, McAuliffe and Kilmer; by request of Governor Gregoire).

**Brief History:**

**Committee Activity:**

Appropriations: 4/16/07 [DP].

**Brief Summary of Engrossed Substitute Bill**

- Establishes a Budget Stabilization Account, into which 1 percent of general state revenues is deposited annually.

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** Do pass. Signed by 23 members: Representatives Dunshee, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Haler, Assistant Ranking Minority Member; Anderson, Buri, Chandler, Conway, Ericks, Fromhold, Grant, Hunter, Kenney, Kessler, Kretz, Linville, McDonald, McIntire, Morrell, Priest, Seaquist, P. Sullivan and Walsh.

**Minority Report:** Do not pass. Signed by 10 members: Representatives Sommers, Chair; Cody, Darneille, Dunn, Haigh, Hunt, Kagi, McDermott, Pettigrew and Schual-Berke.

**Staff:** Kristen Fraser (786-7148).

**Background:**

Initiative 601, adopted by the voters in 1993, established by statute a State General Fund (GFS) expenditure limit and created the Emergency Reserve Fund (ERF). All GFS revenues in excess of the state expenditure limit are deposited in the ERF. (After July 1, 2007, GFS revenues in excess of GFS's proportionate share of expenditures from the GFS and related

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funds will be deposited in the ERF.) Appropriations from the ERF require a two-thirds vote of both houses of the Legislature.

Initiative 601 established an expenditure limit that applies to the GFS, and, after July 1, 2007, also to certain related funds. Under the expenditure limit laws, the limit is lowered if moneys are transferred from the GFS or a related fund to another fund or account, or if program costs are shifted from the GFS or a related fund to another fund or account.

The term "general state revenues" is defined in the state Constitution as being all state revenues that are not dedicated to a particular purpose. General state revenues thus consist of all revenues to the GFS, with the exception of property tax revenues, which are dedicated to the common school system.

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**Summary of Bill:**

The Budget Stabilization Account is established in the State Treasury. Each fiscal year, 1 percent of general state revenues are deposited in the Budget Stabilization Account.

The Budget Stabilization Account is managed and invested by the State Investment Board. Net investment earnings are retained by the Budget Stabilization Account.

Employment forecasts and revenue estimates relating to the Budget Stabilization Account are made by the Economic and Revenue Forecast Council.

Transfers to, and expenditures from, the Budget Stabilization Account do not affect the state expenditure limit.

The Emergency Reserve Fund is abolished, and any moneys in it are transferred to the Budget Stabilization Account.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** Section 1 contains an emergency clause and takes effect immediately. The remainder of the bill takes effect July 1, 2008 if constitutional amendment ESSJR 8206 is approved by both houses of the Legislature and the voters at the November 2007 general election. If the proposed amendment is not approved and ratified, sections 2-8 are void in their entirety.

**Staff Summary of Public Testimony:**

(In support) This bill and constitutional amendment create an automatic savings account that will help the state deal with its structural budget deficit. There was bipartisan debate in the Senate regarding the emergency declaration and access to the fund. We have concerns about the amendment. The paramount duty exception could include new program development.

Small business has been asking for this. The Budget Stabilization Account assures that taxes won't increase just because of a budget problem or a drop in revenue. The 1 percent contribution is small but ensures the stability of the account. The three-fifths vote requirement works for any part of the budget, not just pieces. The constitutional amendment protects the people.

The Governor is committed to creating and maintaining an adequate reserve. Now is the time to find the capacity to set up a constitutionally protected fund as passed by the Senate. The fund is set up for tough times, and the trigger should be limited to an economic downturn; there is a close correlation between the 1 percent job growth figure and economic downturns.

(Opposed) None.

**Persons Testifying:** Amber Carter, Association of Washington Business; Carolyn Logue, National Federation of Independent Businesses; and Victor Moore, Office of Financial Management.

**Persons Signed In To Testify But Not Testifying:** None.