
Appropriations Committee

SSB 6660

Brief Description: Improving fiscal responsibility and budget discipline by replacing the spending limit with additional four-year balanced budget requirements.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Rolfes, Braun and Mullet).

Brief Summary of Substitute Bill

- Eliminates the state's expenditure limit, restrictions on raising taxes in excess of the limit, and the state Expenditure Limit Committee.
- Adds the Dedicated Marijuana Account, the Liquor Revolving Fund, and the Workforce Education Investment Account to the list of "related funds" that are subject to the legislative balanced operating budget requirement.
- Limits relief from the legislative balanced budget requirement due to Budget Stabilization Account appropriations when an appropriation is allowed by majority vote due to estimated employment growth for a fiscal year being less than one percent.
- Requires the Economic and Revenue Forecast Council to calculate the state's fiscal growth factor and biennially review and make recommendations to the Legislature on additional accounts to be added to the list of related funds.
- Eliminates the requirement for the Economic and Revenue Forecast Council to adopt a budget outlook each November.
- Requires the Governor to submit operating budget proposals that balance over a four-year period.

Hearing Date: 2/29/20

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Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

State Expenditure Limit. In 1993 voters adopted Initiative 601, which established the state expenditure limit. The expenditure limit restricts the amount that the state may spend from the General Fund-State (GFS) each fiscal year. The expenditure limit for each year is the prior year's actual GFS expenditures, adjusted for the fiscal growth factor, and further adjusted for certain revenue and program transfers into and out of the GFS. The fiscal growth factor is currently defined as the 10-year rolling average growth in state personal income. The state treasurer is prohibited from making payments from the GFS that exceed the limit.

Legislation to increase taxes that result in expenditures in excess of the state expenditure limit must be approved by the voters at the November general election and the adjustment to the limit is the amount of revenue generated in the first full fiscal year of its effect. The expenditure limit may be exceeded up to 24 months for spending in response to a natural disaster if approved by a two-thirds vote of the Legislature. Additional taxes in response to a natural disaster may be imposed after exhausting moneys in the education construction fund and such taxes may only be imposed until 30 days following the general election unless extended by voters at the general election.

In 2015 the Legislature suspended the state expenditure limit until the 2021-23 fiscal biennium. The expenditure limit for fiscal year 2022 equals the state's actual GFS expenditures for fiscal year 2021, adjusted by the fiscal growth factor.

Legislative Balanced Budget Requirement. Legislation enacted in 2012 established requirements for the Legislature to pass a state operating budget that is balanced over a four-year period comprising the current biennium and the next ensuing biennium. The legislative balanced budget requirement applies to revenues and expenditures from the general fund and related funds. "Related funds" are defined as the Washington Opportunity Pathways Account and the Education Legacy Trust Account. The legislative balanced budget requirement does not apply to any bill that makes net reductions in general fund and related funds and is enacted between July 1st and February 15th of any year. In addition, the requirement to balance in the ensuing biennium does not apply in any fiscal biennium in which money is appropriated from the Budget Stabilization Account (BSA).

Budget Stabilization Account. In 2007 the voters ratified a constitutional amendment that created the BSA as Article VII, section 12 of the Washington Constitution (state Constitution). Each year the State Treasurer must deposit one percent of general state revenues (GSR) into the constitutionally created BSA. The term "general state revenues" is defined in the state Constitution and is fairly similar with the statutory GFS. In 2011 the voters ratified an amendment to Article VII, section 12 that required further deposits into the BSA related to extraordinary revenue growth. In general, appropriations from the BSA require a three-fifths majority in each house of the Legislature, but in the case of a catastrophic event or employment growth in a fiscal year estimated to be less than one percent, the Legislature may appropriate from the BSA with a constitutional majority vote of each house.

Economic and Revenue Forecast Council. The Economic and Revenue Forecast Council (ERFC) consists of the state Treasurer, four legislators representing the two largest political caucuses of the Senate and House of Representatives, and two individuals appointed by the Governor. The ERFC director prepares, on a quarterly basis, state economic and revenue forecasts subject to the approval of the ERFC. To facilitate compliance with the four-year

balanced budget requirement, the ERFC must approve budget outlooks of the proposed Governor's budget and the enacted budget. In addition, the ERFC must approve an outlook each November.

Expenditure Limit Committee. The Expenditure Limit Committee (ELC) consists of the state Attorney General or the Attorney General's designee, the Director of Financial Management, and the chairs and ranking members of the fiscal committees of the Senate and House of Representatives. Each November, the ELC adjusts the expenditure limit for the preceding fiscal year based on actual expenditures and known changes in the fiscal growth factor and then projects an expenditure limit for the next two fiscal years.

Governor Proposed Budgets. The Governor's proposed biennial budget must be submitted no later than the 20th day of December. Proposed supplemental budgets must be submitted no less than twenty days prior to the first day of the legislative session. Proposed budgets by the Governor are statutorily required to reflect the estimated revenues as approved by the ERFC, caseloads as approved by the Caseload Forecast Council and pension contributions rates as approved by the Pension Policy Council. The Governor may submit an additional budget proposal that includes additional expenditures from proposed changes to existing revenue sources.

Summary of Bill:

State Expenditure Limit and Expenditure Limit Committee. The state expenditure limit, restrictions on raising taxes in excess of the limit, and the state Expenditure Limit Committee are repealed.

Legislative Balanced Budget Requirement. The Dedicated Marijuana Account, Liquor Revolving Fund, and Workforce Education Investment Account are added to the list of related funds subject to the legislative balanced operating budget requirement. Relief from the ensuing biennium legislative balanced budget requirement related to appropriations made from the BSA is allowed only when money is appropriated from the BSA for a fiscal year where employment growth is estimated to be less than one percent.

Economic and Revenue Forecast Council. The duty to calculate the state's fiscal growth factor is transferred to the ERFC. The ERFC will biennially review and make recommendations to the Legislature in the form of agency request legislation on additional accounts to be added to the list of related funds used in the legislative and Governor balanced budget requirement. The requirement for the ERFC to adopt an outlook in November is removed.

Governor Proposed Budgets. The Governor's proposed operating budget submittals must balance over the same four-year period and accounts as the legislative balanced budget requirement. Available fiscal resources and projected maintenance level costs are adjusted by proposed revenue legislation and proposed executive branch agency legislation. Proposed revenue legislation does not include legislation to appropriate monies from the Budget Stabilization Account. Proposed executive branch legislation does not include proposals by institutions of higher education, other separately elected officials, or other boards, commissions, and offices that are not under the authority of the Governor and that are not funded or assumed in the Governor's budget documents. The Governor's balanced budget requirement does not apply

to any proposed legislation that makes net reductions in general fund and related funds to prevent the Governor from making across-the-board reduction in allotments to address a cash deficit in these funds.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.