

SENATE BILL REPORT

SB 6470

AS PASSED SENATE, FEBRUARY 18, 1992

Brief Description: Creating the emergency reserve fund.

SPONSORS: Senators McDonald, Anderson, Bailey, Nelson, Madsen, McCaslin, Owen, Matson, Oke, Rasmussen, Hayner, Cantu, Metcalf, L. Smith, Newhouse, Amondson, West, Craswell, Sellar, Patterson, Stratton, Thorsness and Barr

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators McDonald, Chairman; Craswell, Vice Chairman; Amondson, Bailey, Bluechel, Cantu, Hayner, Matson, Metcalf, Newhouse, Owen, L. Smith, and West.

Minority Report: Do not pass.

Signed by Senators Bauer, Gaspard, Murray, Niemi, Rinehart, Talmadge, and Wojahn.

Staff: Steve Jones (786-7440)

Hearing Dates: February 5, 1992; February 6, 1992

BACKGROUND:

"Emergency reserve funds" are contingency funds set aside during times of strong economic growth to be spent during periods of weak economic growth. The state's revenue from taxes, like the overall economy, does not grow at a constant rate but is subject to cycles. To reduce vulnerability to economic fluctuations and help stabilize rates of state tax revenue and expenditures, 42 states have created emergency reserve funds.

Washington State created, by statute, a budget stabilization account in 1981. Funds are deposited in the budget stabilization account only by appropriation and if: (a) there is an ending fund balance at the end of the biennium; or (b) the annual growth rate of state personal income, after adjusting for inflation, exceeds 3 percent. Legislative appropriations to the budget stabilization account have been \$60 million in 1989 and \$200 million in 1990.

SUMMARY:

An emergency reserve fund is established. Beginning in fiscal year 1994, the State Treasurer is directed to transfer into the fund, without appropriation, a specified percentage of general fund-state revenues. The specified amount is 0.5 percent in fiscal year 1994, 1.0 percent in fiscal year 1995, and 1.5 percent in fiscal year 1996 and each year thereafter.

Any balance in the emergency reserve fund in excess of 5.0 percent of general fund-state revenues, as well as any earnings of the fund, are transferred from the fund and dedicated to common school construction and higher education capital facilities, subject to appropriation.

Withdrawals from the emergency reserve fund require a declaration of emergency by the Governor and the approval of two-thirds of the members of each house of the Legislature.

The budget stabilization account is repealed and any moneys in the account are transferred to the emergency reserve fund.

The bill is referred as a referendum to the voters at the November 1992 general election.

Appropriation: none

Revenue: none

Fiscal Note: none requested

Effective Date: July 1, 1993 (subject to referendum)

TESTIMONY FOR: None

TESTIMONY AGAINST: None

TESTIFIED: No one