
SENATE BILL 5610

State of Washington

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By Senators L. Smith, McDonald, Barr, Cantu, Anderson, Hochstatter, Moyer, Sellar, Oke, Roach and Amondson

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1 AN ACT Relating to greater governmental fiscal responsibility
2 through limitations on expenditures and taxation; amending RCW
3 43.135.010, 43.135.060, and 43.84.092; adding new sections to chapter
4 43.135 RCW; adding a new section to chapter 43.88 RCW; repealing RCW
5 43.88.520, 43.88.525, 43.88.530, 43.88.535, 43.88.540, 43.135.020,
6 43.135.030, 43.135.040, 43.135.050, 43.135.070, 43.135.900, and
7 43.135.901; providing an effective date; and declaring an emergency.

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

9 **Sec. 1.** RCW 43.135.010 and 1980 c 1 s 1 are each amended to read
10 as follows:

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

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

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

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

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

5 (a) Establish a limit (~~(which)~~) on state expenditures that will
6 assure that the growth rate of state (~~(tax revenue)~~) expenditures does
7 not exceed the growth rate of inflation and state (~~(personal income)~~)
8 population;

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

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

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

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

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

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

22 NEW SECTION. Sec. 2. (1) The state shall not expend from the
23 general fund during any fiscal year state moneys in excess of the state
24 expenditure limit established under this chapter.

25 (2) Except pursuant to a declaration of emergency under section 4
26 of this act or pursuant to an appropriation under section 3(4)(b) of
27 this act, the state treasurer shall not issue or redeem any check,
28 warrant, or voucher that will result in a state general fund
29 expenditure for any fiscal year in excess of the state expenditure
30 limit established under this chapter. A violation of this subsection
31 constitutes a violation of RCW 43.88.290 and shall subject the state
32 treasurer to the penalties provided in RCW 43.88.300.

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

36 (4) For purposes of computing the state expenditure limit for the
37 fiscal year beginning July 1, 1993, the phrase "the previous fiscal
38 year's state expenditure limit" means the total state expenditures from

1 the state general fund, not including federal funds, for the fiscal
2 year beginning July 1, 1989, plus the fiscal growth factor. This
3 calculation is then computed for the state expenditure limit for fiscal
4 years 1992 and 1993.

5 (5) Each November, the office of financial management shall adjust
6 the expenditure limit for the preceding fiscal year based on actual
7 expenditures and known changes in the fiscal growth factor and then
8 project an expenditure limit for the next two fiscal years. The office
9 of financial management shall notify the legislative fiscal committees
10 of all adjustments to the state expenditure limit and projections of
11 future expenditure limits.

12 (6) "Fiscal growth factor" means the average of the sum of
13 inflation and population change for each of the prior three fiscal
14 years.

15 (7) "Inflation" means the percentage change in the implicit price
16 deflator for the United States for each fiscal year as published by the
17 federal bureau of labor statistics.

18 (8) "Population change" means the percentage change in state
19 population for each fiscal year as reported by the office of financial
20 management.

21 NEW SECTION. **Sec. 3.** (1) The emergency reserve fund is
22 established in the state treasury. During each fiscal year, the state
23 treasurer shall deposit in the emergency reserve fund all general
24 fund--state revenues in excess of the state expenditure limit for that
25 fiscal year. Deposits shall be made at the end of each fiscal quarter
26 based on projections of state revenues and the state expenditure limit.

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

32 (3) The emergency reserve fund balance shall not exceed five
33 percent of biennial general fund--state revenues as projected by the
34 official state revenue forecast. Any balance in excess of five percent
35 shall be transferred on a quarterly basis by the state treasurer to the
36 education construction fund hereby created in the treasury.

1 (4)(a) Funds may be appropriated from the education construction
2 fund exclusively for common school construction or higher education
3 construction.

4 (b) Funds may be appropriated for any other purpose only if
5 approved by a two-thirds vote of each house of the legislature and if
6 approved by a vote of the people at the next general election. An
7 appropriation approved by the people under this subsection shall result
8 in an adjustment to the state expenditure limit only for the fiscal
9 period for which the appropriation is made and shall not affect any
10 subsequent fiscal period.

11 NEW SECTION. **Sec. 4.** (1) After the effective date of this act,
12 any action or combination of actions by the legislature that raises
13 state revenue or requires revenue-neutral tax shifts may be taken only
14 if approved by a two-thirds vote of each house, and then only if state
15 expenditures in any fiscal year, including the new revenue, will not
16 exceed the state expenditure limits established under this chapter.

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

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

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

32 (3)(a) The state expenditure limit may be exceeded upon declaration
33 of an emergency for a period not to exceed twenty-four months by a law
34 approved by a two-thirds vote of each house of the legislature and
35 signed by the governor. The law shall set forth the nature of the
36 emergency, which is limited to natural disasters that require immediate

1 government action to alleviate human suffering and provide humanitarian
2 assistance. The state expenditure limit may be exceeded for no more
3 than twenty-four months following the declaration of the emergency and
4 only for the purposes contained in the emergency declaration.

5 (b) Additional taxes required for an emergency under this section
6 may be imposed only until thirty days following the next general
7 election, unless an extension is approved at that general election.
8 The additional taxes shall expire upon expiration of the declaration of
9 emergency. The legislature shall not impose additional taxes for
10 emergency purposes under this subsection unless funds in the education
11 construction fund have been exhausted.

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

15 (4) After the effective date of this act, if the cost of any state
16 program or function is shifted from the state general fund to another
17 source of funding, or if moneys are transferred from the state general
18 fund to another fund or account, the office of financial management
19 shall lower the state expenditure limit to reflect the shift.

20 **Sec. 5.** RCW 43.135.060 and 1990 2nd ex.s. c 1 s 601 are each
21 amended to read as follows:

22 (1) After the effective date of this act, the legislature shall not
23 impose responsibility for new programs or increased levels of service
24 under existing programs on any ((taxing district)) political
25 subdivision of the state unless the ((districts are reimbursed for the
26 costs thereof by the state.

27 ~~(2) The amount of increased local revenue and state appropriations~~
28 ~~and distributions that are received or could be received by a taxing~~
29 ~~district as a result of legislative enactments after 1979 shall be~~
30 ~~included as reimbursement under this section. This subsection does not~~
31 ~~affect litigation pending on January 1, 1990.~~

32 ~~(3))~~ subdivision is fully reimbursed by specific appropriation by
33 the state for the costs of the new programs or increases in service
34 levels.

35 (2) If by order of any court, or legislative enactment, the costs
36 of a federal or ((taxing district)) local government program are
37 transferred to or from the state, the otherwise applicable state ((tax

1 revenue)) expenditure limit shall be increased or decreased, as the
2 case may be, by the dollar amount of the costs of the program.

3 ((+4)) (3) The legislature, in consultation with the office of
4 financial management or its successor agency, shall determine the costs
5 of any new programs or increased levels of service under existing
6 programs imposed on any ((taxing district)) political subdivision or
7 transferred to or from the state.

8 ((+5)) (4) Subsection (1) of this section does not apply to the
9 costs incurred for voting devices or machines under RCW 29.04.200.

10 NEW SECTION. **Sec. 6.** (1) After the effective date of this act,
11 any political subdivision of this state, excluding school districts,
12 may raise existing taxes, impose new taxes as authorized by law, or
13 make revenue-neutral tax shifts only with approval, within that
14 political subdivision, of a majority of the voters at a November
15 general election. The requirement for a vote at a November general
16 election is in addition to any other requirements established by law.

17 **Sec. 7.** RCW 43.84.092 and 1992 c 235 s 4 are each amended to read
18 as follows:

19 (1) All earnings of investments of surplus balances in the state
20 treasury shall be deposited to the treasury income account, which
21 account is hereby established in the state treasury.

22 (2) Monthly, the state treasurer shall distribute the earnings
23 credited to the treasury income account. The state treasurer shall
24 credit the general fund with all the earnings credited to the treasury
25 income account except:

26 (a) The following accounts and funds shall receive their
27 proportionate share of earnings based upon each account's and fund's
28 average daily balance for the period: The capitol building
29 construction account, the Cedar River channel construction and
30 operation account, the Central Washington University capital projects
31 account, the charitable, educational, penal and reformatory
32 institutions account, the common school construction fund, the county
33 criminal justice assistance account, the county sales and use tax
34 equalization account, the data processing building construction
35 account, the deferred compensation administrative account, the deferred
36 compensation principal account, the department of retirement systems
37 expense account, the Eastern Washington University capital projects

1 account, the education construction fund, the emergency reserve fund,
2 the federal forest revolving account, the industrial insurance premium
3 refund account, the judges' retirement account, the judicial retirement
4 administrative account, the judicial retirement principal account, the
5 local leasehold excise tax account, the local sales and use tax
6 account, the medical aid account, the municipal criminal justice
7 assistance account, the municipal sales and use tax equalization
8 account, the natural resources deposit account, the perpetual
9 surveillance and maintenance account, the public employees' retirement
10 system plan I account, the public employees' retirement system plan II
11 account, the Puyallup tribal settlement account, the resource
12 management cost account, the site closure account, the special wildlife
13 account, the state employees' insurance account, the state employees'
14 insurance reserve account, the state investment board expense account,
15 the state investment board commingled trust fund accounts, the
16 supplemental pension account, the teachers' retirement system plan I
17 account, the teachers' retirement system plan II account, the
18 University of Washington bond retirement fund, the University of
19 Washington building account, the volunteer fire fighters' relief and
20 pension principal account, the volunteer fire fighters' relief and
21 pension administrative account, the Washington judicial retirement
22 system account, the Washington law enforcement officers' and fire
23 fighters' system plan I retirement account, the Washington law
24 enforcement officers' and fire fighters' system plan II retirement
25 account, the Washington state patrol retirement account, the Washington
26 State University building account, the Washington State University bond
27 retirement fund, and the Western Washington University capital projects
28 account. Earnings derived from investing balances of the agricultural
29 permanent fund, the normal school permanent fund, the permanent common
30 school fund, the scientific permanent fund, and the state university
31 permanent fund shall be allocated to their respective beneficiary
32 accounts. All earnings to be distributed under this subsection (2)(a)
33 shall first be reduced by the allocation to the state treasurer's
34 service fund pursuant to RCW 43.08.190.

35 (b) The following accounts and funds shall receive eighty percent
36 of their proportionate share of earnings based upon each account's or
37 fund's average daily balance for the period: The central Puget Sound
38 public transportation account, the city hardship assistance account,
39 the county arterial preservation account, the economic development

1 account, the essential rail assistance account, the essential rail
2 banking account, the ferry bond retirement fund, the grade crossing
3 protective fund, the high capacity transportation account, the highway
4 bond retirement fund, the highway construction stabilization account,
5 the highway safety account, the motor vehicle fund, the motorcycle
6 safety education account, the pilotage account, the public
7 transportation systems account, the Puget Sound capital construction
8 account, the Puget Sound ferry operations account, the recreational
9 vehicle account, the rural arterial trust account, the special category
10 C account, the state patrol highway account, the transfer relief
11 account, the transportation capital facilities account, the
12 transportation equipment fund, the transportation fund, the
13 transportation improvement account, and the urban arterial trust
14 account.

15 (3) In conformance with Article II, section 37 of the state
16 Constitution, no treasury accounts or funds shall be allocated earnings
17 without the specific affirmative directive of this section.

18 NEW SECTION. **Sec. 8.** A new section is added to chapter 43.88 RCW
19 to read as follows:

20 The budget document submitted by the governor to the legislature
21 under RCW 43.88.030 shall reflect the state expenditure limit
22 established under chapter 43.135 RCW and shall not propose expenditures
23 in excess of that limit.

24 NEW SECTION. **Sec. 9.** The following acts or parts of acts are each
25 repealed:

- 26 (1) RCW 43.88.520 and 1981 c 280 s 1;
- 27 (2) RCW 43.88.525 and 1991 sp.s. c 13 s 13, 1985 c 57 s 52, & 1981
28 c 280 s 2;
- 29 (3) RCW 43.88.530 and 1982 1st ex.s. c 36 s 2 & 1981 c 280 s 3;
- 30 (4) RCW 43.88.535 and 1982 1st ex.s. c 36 s 3 & 1981 c 280 s 4;
- 31 (5) RCW 43.88.540 and 1984 c 138 s 11 & 1981 c 280 s 5;
- 32 (6) RCW 43.135.020 and 1980 c 1 s 2;
- 33 (7) RCW 43.135.030 and 1980 c 1 s 3;
- 34 (8) RCW 43.135.040 and 1980 c 1 s 4;
- 35 (9) RCW 43.135.050 and 1980 c 1 s 5;
- 36 (10) RCW 43.135.070 and 1980 c 1 s 7;
- 37 (11) RCW 43.135.900 and 1980 c 1 s 8; and

1 (12) RCW 43.135.901 and 1980 c 1 s 9.

2 NEW SECTION. **Sec. 10.** This chapter may be known and cited as the
3 taxpayer protection act.

4 NEW SECTION. **Sec. 11.** Sections 2, 3, 4, 6, and 10 of this act are
5 each added to chapter 43.135 RCW.

6 NEW SECTION. **Sec. 12.** If any provision of this act or its
7 application to any person or circumstance is held invalid, the
8 remainder of the act or the application of the provision to other
9 persons or circumstances is not affected.

10 NEW SECTION. **Sec. 13.** This act is necessary for the immediate
11 preservation of the public peace, health, or safety, or support of the
12 state government and its existing public institutions, and shall take
13 effect July 1, 1993.

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