

CERTIFICATION OF ENROLLMENT

SENATE BILL 6819

Chapter 33, Laws of 2002

57th Legislature
2002 Regular Session

EXPENDITURE LIMITATIONS

EFFECTIVE DATE: 3/13/02

Passed by the Senate March 7, 2002
YEAS 26 NAYS 23

BRAD OWEN

President of the Senate

Passed by the House March 12, 2002
YEAS 50 NAYS 46

FRANK CHOPP

**Speaker of the
House of Representatives**

CERTIFICATE

I, Tony M. Cook, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SENATE BILL 6819** as passed by the Senate and the House of Representatives on the dates hereon set forth.

TONY M. COOK

Secretary

Approved March 13, 2002

FILED

March 13, 2002 - 9:28 a.m.

GARY LOCKE

Governor of the State of Washington

**Secretary of State
State of Washington**

SENATE BILL 6819

Passed Legislature - 2002 Regular Session

State of Washington

57th Legislature

2002 Regular Session

By Senators Brown and Snyder; by request of Office of Financial Management

Read first time 02/20/2002. Referred to Committee on Ways & Means.

1 AN ACT Relating to temporary amendments to the state's expenditure
2 limitations to address the revenue shortfall in the 2001-2003 biennium;
3 reenacting and amending RCW 43.135.035 and 43.135.045; providing an
4 expiration date; and declaring an emergency.

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

6 **Sec. 1.** RCW 43.135.035 and 2001 c 3 s 8 (Initiative Measure No.
7 728) and 2000 2nd sp.s. c 2 s 2 are each reenacted and amended to read
8 as follows:

9 (1) After July 1, 1995, any action or combination of actions by the
10 legislature that raises state revenue or requires revenue-neutral tax
11 shifts may be taken only if approved by a two-thirds vote of each
12 house, and then only if state expenditures in any fiscal year,
13 including the new revenue, will not exceed the state expenditure limits
14 established under this chapter. However, during the 2001-2003
15 biennium, any action or combination of actions by the legislature that
16 raises state revenue or requires revenue-neutral tax shifts may be
17 taken only if approved by a majority vote of each house, and then only
18 if state expenditures in any fiscal year, including the new revenue,

1 will not exceed the state expenditure limits established under this
2 chapter.

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

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

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

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

27 (b) Additional taxes required for an emergency under this section
28 may be imposed only until thirty days following the next general
29 election, unless an extension is approved at that general election.
30 The additional taxes shall expire upon expiration of the declaration of
31 emergency. The legislature shall not impose additional taxes for
32 emergency purposes under this subsection unless funds in the education
33 construction fund have been exhausted.

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

37 (4) If the cost of any state program or function is shifted from
38 the state general fund on or after January 1, 1993, to another source

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

14 (5) If the cost of any state program or function is shifted to the
15 state general fund on or after January 1, 2000, from another source of
16 funding, or if moneys are transferred to the state general fund from
17 another fund or account, the state expenditure limit committee, acting
18 pursuant to RCW 43.135.025(5), shall increase the state expenditure
19 limit to reflect the shift.

20 **Sec. 2.** RCW 43.135.045 and 2001 c 3 s 9 (Initiative Measure No.
21 728), 2000 2nd sp.s. c 5 s 1, and 2000 2nd sp.s. c 2 s 3 are each
22 reenacted and amended to read as follows:

23 (1) The emergency reserve fund is established in the state
24 treasury. During each fiscal year, the state treasurer shall deposit
25 in the emergency reserve fund all general fund--state revenues in
26 excess of the state expenditure limit for that fiscal year. Deposits
27 shall be made at the end of each fiscal quarter based on projections of
28 state revenues and the state expenditure limit. The treasurer shall
29 make transfers between these accounts as necessary to reconcile actual
30 annual revenues and the expenditure limit for fiscal year 2000 and
31 thereafter.

32 (2) The legislature may appropriate moneys from the emergency
33 reserve fund only with approval of at least two-thirds of the members
34 of each house of the legislature, and then only if the appropriation
35 does not cause total expenditures to exceed the state expenditure limit
36 under this chapter. However, during the 2001-2003 biennium, the
37 legislature may transfer moneys from the emergency reserve fund to the
38 general fund only with approval of a majority of the members of each

1 house of the legislature, and then only if the appropriation does not
2 cause total expenditures to exceed the state expenditure limit under
3 this chapter.

4 (3) The emergency reserve fund balance shall not exceed five
5 percent of annual general fund--state revenues as projected by the
6 official state revenue forecast. Any balance in excess of five percent
7 shall be transferred on a quarterly basis by the state treasurer as
8 follows: Seventy-five percent to the student achievement fund hereby
9 created in the state treasury and twenty-five percent to the general
10 fund balance. The treasurer shall make transfers between these
11 accounts as necessary to reconcile actual annual revenues for fiscal
12 year 2000 and thereafter. When per-student state funding for the
13 maintenance and operation of K-12 education meets a level of no less
14 than ninety percent of the national average of total funding from all
15 sources per student as determined by the most recent published data
16 from the national center for education statistics of the United States
17 department of education, as calculated by the office of financial
18 management, further deposits to the student achievement fund shall be
19 required only to the extent necessary to maintain the ninety-percent
20 level. Remaining funds are part of the general fund balance and these
21 funds are subject to the expenditure limits of this chapter.

22 (4) The education construction fund is hereby created in the state
23 treasury.

24 (a) Funds may be appropriated from the education construction fund
25 exclusively for common school construction or higher education
26 construction.

27 (b) Funds may be appropriated for any other purpose only if
28 approved by a two-thirds vote of each house of the legislature and if
29 approved by a vote of the people at the next general election. An
30 appropriation approved by the people under this subsection shall result
31 in an adjustment to the state expenditure limit only for the fiscal
32 period for which the appropriation is made and shall not affect any
33 subsequent fiscal period.

34 (5) Funds from the student achievement fund shall be appropriated
35 to the superintendent of public instruction strictly for distribution
36 to school districts to meet the provisions set out in the student
37 achievement act. Allocations shall be made on an equal per full-time
38 equivalent student basis to each school district.

1 (6) Earnings of the emergency reserve fund under RCW
2 43.84.092(4)(a) shall be transferred quarterly to the multimodal
3 transportation account, except for those earnings that are in excess of
4 thirty-five million dollars each fiscal year. Within thirty days
5 following any fiscal year in which earnings transferred to the
6 multimodal transportation account under this subsection did not total
7 thirty-five million dollars, the state treasurer shall transfer from
8 the emergency reserve fund an amount necessary to bring the total
9 deposited in the multimodal transportation account under this
10 subsection to thirty-five million dollars. The revenues to the
11 multimodal transportation account reflected in this subsection provide
12 ongoing support for the transportation programs of the state. However,
13 it is the intent of the legislature that any new long-term financial
14 support that may be subsequently provided for transportation programs
15 will be used to replace and supplant the revenues reflected in this
16 subsection, thereby allowing those revenues to be returned to the
17 purposes to which they were previously dedicated.

18 NEW SECTION. **Sec. 3.** This act expires June 30, 2003.

19 NEW SECTION. **Sec. 4.** This act is necessary for the immediate
20 preservation of the public peace, health, or safety, or support of the
21 state government and its existing public institutions, and takes effect
22 immediately.

Passed the Senate March 7, 2002.

Passed the House March 12, 2002.

Approved by the Governor March 13, 2002.

Filed in Office of Secretary of State March 13, 2002.