
HOUSE BILL 1894

State of Washington 58th Legislature 2003 Regular Session

By Representatives Condotta, Sehlin, Talcott, Skinner, McDonald, Hinkle, Schindler, Ahern, Shabro, Alexander, Holmquist, Clements, Mielke, McMahan, Roach, Schoesler, Sump, Kristiansen, Benson, Orcutt, Anderson, Pearson, Woods, Bush, Ericksen, Nixon and Newhouse

Read first time 02/13/2003. Referred to Committee on Appropriations.

1 AN ACT Relating to strengthening the state expenditure limit;
2 amending RCW 43.135.025, 43.135.035, and 43.135.045; reenacting and
3 amending RCW 43.135.035 and 43.135.045; providing an effective date;
4 providing an expiration date; and declaring an emergency.

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

6 **Sec. 1.** RCW 43.135.025 and 2000 2nd sp.s. c 2 s 1 are each amended
7 to read as follows:

8 (1) The state shall not expend from the general fund during any
9 fiscal year state moneys in excess of the state expenditure limit
10 established under this chapter.

11 (2) Except pursuant to a declaration of emergency under RCW
12 43.135.035 or pursuant to an appropriation under RCW 43.135.045(4)(b),
13 the state treasurer shall not issue or redeem any check, warrant, or
14 voucher that will result in a state general fund expenditure for any
15 fiscal year in excess of the state expenditure limit established under
16 this chapter. A violation of this subsection constitutes a violation
17 of RCW 43.88.290 and shall subject the state treasurer to the penalties
18 provided in RCW 43.88.300.

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

4 (4) For purposes of computing the state expenditure limit for the
5 fiscal year beginning July 1, (~~(1995)~~) 2003, the phrase "the previous
6 fiscal year's state expenditure limit" means the total state
7 expenditures from the state general fund(~~(, not including federal~~
8 ~~funds,)~~) for the fiscal year beginning July 1, 1989, plus the fiscal
9 growth factor. (~~(This calculation is then computed for the state~~
10 ~~expenditure limit for fiscal years 1992, 1993, 1994, and 1995, and as~~
11 ~~required under RCW 43.135.035(4).)~~)

12 (5) A state expenditure limit committee is established for the
13 purpose of determining and adjusting the state expenditure limit as
14 provided in this chapter. The six members of the state expenditure
15 limit committee are the director of financial management, the attorney
16 general or the attorney general's designee, and the chairs and ranking
17 minority members of the senate committee on ways and means and the
18 house of representatives committee on appropriations. All actions of
19 the state expenditure limit committee taken pursuant to this chapter
20 require an affirmative vote of at least (~~(three)~~) four members.

21 (6) Each November, the state expenditure limit committee shall
22 adjust the expenditure limit for the preceding fiscal year based on
23 actual expenditures and known changes in the fiscal growth factor and
24 then project an expenditure limit for the next two fiscal years. If,
25 by November 30th, the state expenditure limit committee has not adopted
26 the expenditure limit adjustment and projected expenditure limit as
27 provided in subsection (5) of this section, the attorney general or his
28 or her designee shall adjust or project the expenditure limit, as
29 necessary.

30 (7) "Fiscal growth factor" means the average of the sum of
31 inflation and population change for each of the (~~(prior)~~) three fiscal
32 years prior to the year for which the state expenditure limit is being
33 adopted.

34 (8) "Inflation" means the percentage change in the implicit price
35 deflator for the United States for each fiscal year as published by the
36 federal bureau of labor statistics.

37 (9) "Population change" means the percentage change in state

1 population for each fiscal year as reported by the office of financial
2 management.

3 **Sec. 2.** RCW 43.135.035 and 2002 c 33 s 1 are each amended to read
4 as follows:

5 (1) After July 1, 1995, any action or combination of actions by the
6 legislature that raises state revenue or requires revenue-neutral tax
7 shifts may be taken only if approved by a two-thirds vote of each
8 house, and then only if state expenditures in any fiscal year,
9 including the new revenue, will not exceed the state expenditure limits
10 established under this chapter. (~~However, during the 2001-2003~~
11 ~~biennium, any action or combination of actions by the legislature that~~
12 ~~raises state revenue or requires revenue neutral tax shifts may be~~
13 ~~taken only if approved by a majority vote of each house, and then only~~
14 ~~if state expenditures in any fiscal year, including the new revenue,~~
15 ~~will not exceed the state expenditure limits established under this~~
16 ~~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~~) state expenditure limit committee
22 shall adjust the state expenditure limit by the amount of additional
23 revenue approved by the voters under this section. This adjustment
24 shall not exceed the amount of revenue generated by the legislative
25 action during the first full fiscal year in which it is in effect. The
26 state expenditure limit shall be adjusted downward upon expiration or
27 repeal of the legislative action.

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

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

33 (3)(a) The state expenditure limit may be exceeded upon declaration
34 of an emergency for a period not to exceed twenty-four months by a law
35 approved by a two-thirds vote of each house of the legislature and
36 signed by the governor. The law shall set forth the nature of the
37 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) If the cost of any state program or function is shifted from
16 the state general fund (~~((on or after January 1, 1993,))~~) to another
17 source of funding, or if moneys are transferred from the state general
18 fund to another fund or account, the state expenditure limit committee,
19 acting pursuant to RCW 43.135.025(5), shall lower the state expenditure
20 limit to reflect the shift. For the purposes of this section, a
21 transfer of money from the state general fund to another fund or
22 account includes any state legislative action taken after July 1, 2000,
23 that has the effect of reducing revenues from a particular source,
24 where such revenues would otherwise be deposited into the state general
25 fund, while increasing the revenues from that particular source to
26 another state or local government account. For purposes of this
27 section, a shift of program costs means the shift of any portion of the
28 program cost, including the shift of any expenditure growth in the
29 program. This subsection does not apply to the dedication or use of
30 lottery revenues under RCW 67.70.240(3) or property taxes under RCW
31 84.52.068, in support of education or education expenditures.

32 (5) If the cost of any state program or function is shifted to the
33 state general fund on or after January 1, (~~((2000))~~) 2003, from another
34 source of funding, (~~((or if moneys are transferred to the state general~~
35 ~~fund from another fund or account,))~~) the state expenditure limit
36 committee, acting pursuant to RCW 43.135.025(5), shall increase the
37 state expenditure limit to reflect the shift. However, the limit may
38 be increased for such a program cost shift only if:

1 (a) The legislature requires the deposit in the general fund of an
2 ongoing revenue source that would otherwise be deposited in the fund or
3 account that previously supported the program, in an amount equal to
4 the cost of the program shifted; and

5 (b) The redirection of the ongoing revenue source takes effect on
6 the same date that the cost of the program is shifted.

7 **Sec. 3.** RCW 43.135.035 and 2001 c 3 s 8 and 2000 2nd sp.s. c 2 s
8 2 are each reenacted and amended to read 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.

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

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

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

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

1 assistance. The state expenditure limit may be exceeded for no more
2 than twenty-four months following the declaration of the emergency and
3 only for the purposes contained in the emergency declaration.

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

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

14 (4) If the cost of any state program or function is shifted from
15 the state general fund (~~((on or after January 1, 1993,))~~) to another
16 source of funding, or if moneys are transferred from the state general
17 fund to another fund or account, the state expenditure limit committee,
18 acting pursuant to RCW 43.135.025(5), shall lower the state expenditure
19 limit to reflect the shift. For the purposes of this section, a
20 transfer of money from the state general fund to another fund or
21 account includes any state legislative action taken after July 1, 2000,
22 that has the effect of reducing revenues from a particular source,
23 where such revenues would otherwise be deposited into the state general
24 fund, while increasing the revenues from that particular source to
25 another state or local government account. For purposes of this
26 section, a shift of program costs means the shift of any portion of the
27 program cost, including the shift of any expenditure growth in the
28 program. This subsection does not apply to the dedication or use of
29 lottery revenues under RCW 67.70.240(3) or property taxes under RCW
30 84.52.068, in support of education or education expenditures.

31 (5) If the cost of any state program or function is shifted to the
32 state general fund on or after January 1, 2000, from another source of
33 funding, (~~((or if moneys are transferred to the state general fund from~~
34 ~~another fund or account,))~~) the state expenditure limit committee,
35 acting pursuant to RCW 43.135.025(5), shall increase the state
36 expenditure limit to reflect the shift. However, the limit may be
37 increased for such a program cost shift only if:

1 (a) The legislature requires the deposit in the general fund of an
2 ongoing revenue source that would otherwise be deposited in the fund or
3 account that previously supported the program, in an amount equal to
4 the cost of the program shifted; and

5 (b) The redirection of the ongoing revenue source takes effect on
6 the same date that the cost of the program is shifted.

7 **Sec. 4.** RCW 43.135.045 and 2002 c 33 s 2 are each amended to read
8 as follows:

9 (1) The emergency reserve fund is established in the state
10 treasury. During each fiscal year, the state treasurer shall deposit
11 in the emergency reserve fund all general fund--state revenues in
12 excess of the state expenditure limit for that fiscal year. Deposits
13 shall be made at the end of each fiscal quarter based on projections of
14 state revenues and the state expenditure limit. The treasurer shall
15 make transfers between these accounts as necessary to reconcile actual
16 annual revenues and the expenditure limit for fiscal year 2000 and
17 thereafter.

18 (2) The legislature may appropriate moneys from the emergency
19 reserve fund only with approval of at least two-thirds of the members
20 of each house of the legislature, and then only if the appropriation
21 does not cause total expenditures to exceed the state expenditure limit
22 under this chapter. ~~((However, during the 2001-2003 biennium, the~~
23 ~~legislature may transfer moneys from the emergency reserve fund to the~~
24 ~~general fund only with approval of a majority of the members of each~~
25 ~~house of the legislature, and then only if the appropriation does not~~
26 ~~cause total expenditures to exceed the state expenditure limit under~~
27 ~~this chapter.))~~

28 (3) The emergency reserve fund balance shall not exceed five
29 percent of annual general fund--state revenues as projected by the
30 official state revenue forecast. Any balance in excess of five percent
31 shall be transferred on a quarterly basis by the state treasurer as
32 follows: Seventy-five percent to the student achievement fund hereby
33 created in the state treasury and twenty-five percent to the general
34 fund balance. The treasurer shall make transfers between these
35 accounts as necessary to reconcile actual annual revenues for fiscal
36 year 2000 and thereafter. When per-student state funding for the
37 maintenance and operation of K-12 education meets a level of no less

1 than ninety percent of the national average of total funding from all
2 sources per student as determined by the most recent published data
3 from the national center for education statistics of the United States
4 department of education, as calculated by the office of financial
5 management, further deposits to the student achievement fund shall be
6 required only to the extent necessary to maintain the ninety-percent
7 level. Remaining funds are part of the general fund balance and these
8 funds are subject to the expenditure limits of this chapter.

9 (4) The education construction fund is hereby created in the state
10 treasury.

11 (a) Funds may be appropriated from the education construction fund
12 exclusively for common school construction or higher education
13 construction.

14 (b) Funds may be appropriated for any other purpose only if
15 approved by a two-thirds vote of each house of the legislature and if
16 approved by a vote of the people at the next general election. An
17 appropriation approved by the people under this subsection shall result
18 in an adjustment to the state expenditure limit only for the fiscal
19 period for which the appropriation is made and shall not affect any
20 subsequent fiscal period.

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

26 ~~((6) Earnings of the emergency reserve fund under RCW
27 43.84.092(4)(a) shall be transferred quarterly to the multimodal
28 transportation account, except for those earnings that are in excess of
29 thirty five million dollars each fiscal year. Within thirty days
30 following any fiscal year in which earnings transferred to the
31 multimodal transportation account under this subsection did not total
32 thirty five million dollars, the state treasurer shall transfer from
33 the emergency reserve fund an amount necessary to bring the total
34 deposited in the multimodal transportation account under this
35 subsection to thirty five million dollars. The revenues to the
36 multimodal transportation account reflected in this subsection provide
37 ongoing support for the transportation programs of the state. However,
38 it is the intent of the legislature that any new long term financial~~

1 ~~support that may be subsequently provided for transportation programs~~
2 ~~will be used to replace and supplant the revenues reflected in this~~
3 ~~subsection, thereby allowing those revenues to be returned to the~~
4 ~~purposes to which they were previously dedicated.))~~

5 **Sec. 5.** RCW 43.135.045 and 2001 c 3 s 9, 2000 2nd sp.s. c 5 s 1,
6 and 2000 2nd sp.s. c 2 s 3 are each reenacted and amended to read as
7 follows:

8 (1) The emergency reserve fund is established in the state
9 treasury. During each fiscal year, the state treasurer shall deposit
10 in the emergency reserve fund all general fund--state revenues in
11 excess of the state expenditure limit for that fiscal year. Deposits
12 shall be made at the end of each fiscal quarter based on projections of
13 state revenues and the state expenditure limit. The treasurer shall
14 make transfers between these accounts as necessary to reconcile actual
15 annual revenues and the expenditure limit for fiscal year 2000 and
16 thereafter.

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

22 (3) The emergency reserve fund balance shall not exceed five
23 percent of annual general fund--state revenues as projected by the
24 official state revenue forecast. Any balance in excess of five percent
25 shall be transferred on a quarterly basis by the state treasurer as
26 follows: Seventy-five percent to the student achievement fund hereby
27 created in the state treasury and twenty-five percent to the general
28 fund balance. The treasurer shall make transfers between these
29 accounts as necessary to reconcile actual annual revenues for fiscal
30 year 2000 and thereafter. When per-student state funding for the
31 maintenance and operation of K-12 education meets a level of no less
32 than ninety percent of the national average of total funding from all
33 sources per student as determined by the most recent published data
34 from the national center for education statistics of the United States
35 department of education, as calculated by the office of financial
36 management, further deposits to the student achievement fund shall be

1 required only to the extent necessary to maintain the ninety-percent
2 level. Remaining funds are part of the general fund balance and these
3 funds are subject to the expenditure limits of this chapter.

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

6 (a) Funds may be appropriated from the education construction fund
7 exclusively for common school construction or higher education
8 construction.

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

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

21 ~~((6) Earnings of the emergency reserve fund under RCW
22 43.84.092(4)(a) shall be transferred quarterly to the multimodal
23 transportation account, except for those earnings that are in excess of
24 thirty five million dollars each fiscal year. Within thirty days
25 following any fiscal year in which earnings transferred to the
26 multimodal transportation account under this subsection did not total
27 thirty five million dollars, the state treasurer shall transfer from
28 the emergency reserve fund an amount necessary to bring the total
29 deposited in the multimodal transportation account under this
30 subsection to thirty five million dollars. The revenues to the
31 multimodal transportation account reflected in this subsection provide
32 ongoing support for the transportation programs of the state. However,
33 it is the intent of the legislature that any new long term financial
34 support that may be subsequently provided for transportation programs
35 will be used to replace and supplant the revenues reflected in this
36 subsection, thereby allowing those revenues to be returned to the
37 purposes to which they were previously dedicated.))~~

1 NEW SECTION. **Sec. 6.** Sections 2 and 4 of this act expire June 30,
2 2003.

3 NEW SECTION. **Sec. 7.** This act is necessary for the immediate
4 preservation of the public peace, health, or safety, or support of the
5 state government and its existing public institutions, and takes effect
6 immediately, except for sections 3 and 5 of this act which take effect
7 June 30, 2003.

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