
HOUSE BILL 1039

State of Washington 59th Legislature 2005 Regular Session

By Representative Sommers; by request of Office of Financial Management

Read first time 01/11/2005. Referred to Committee on Appropriations.

1 AN ACT Relating to a general fund working capital designation;
2 amending RCW 43.88.260; reenacting and amending RCW 43.135.035; and
3 adding new sections to chapter 43.88 RCW.

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

5 NEW SECTION. **Sec. 1.** A new section is added to chapter 43.88 RCW
6 to read as follows:

7 (1) The ready reserve account is created in the state treasury.
8 Beginning with fiscal year 2006, at the end of each fiscal year, the
9 state treasurer shall deposit in the ready reserve account all general
10 fund-state revenues in excess of the expenditures from general fund-
11 state appropriations for that fiscal year, up to the state expenditure
12 limit for that fiscal year. The office of financial management shall
13 determine the amount that is in excess of the expenditures from the
14 general fund-state appropriation for that fiscal year and shall inform
15 the state treasurer.

16 (2) The ready reserve account fund balance shall not exceed five
17 percent of annual general fund-state revenues. Any balance in excess
18 of five percent shall be transferred upon notice by the office of

1 financial management, but no less than once per fiscal year by the
2 state treasurer, to the emergency reserve fund.

3 (3) The legislature may appropriate moneys from the ready reserve
4 account with a simple majority vote of both houses of the legislature.

5 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.88 RCW
6 to read as follows:

7 (1) The general fund working capital designation is not available
8 for expenditures. For fiscal year 2005, the general fund working
9 capital designation base shall be the amount equal to the state share
10 of the June 30, 2003, gross receipts tax accruals.

11 (2) For fiscal year 2005, the general fund working capital
12 designation shall be equal to the base as calculated in subsection (1)
13 of this section adjusted for the difference between the general fund
14 cash and generally accepted accounting principles forecast for fiscal
15 year 2005 as determined by the economic and revenue forecast council
16 and the amount of the fair value adjustment to general fund temporary
17 investments as determined by the office of the state treasurer. For
18 fiscal year 2006 and thereafter, the general fund working capital
19 designation shall be the previous fiscal year's general fund working
20 capital designation adjusted for the difference between general fund
21 cash and generally accepted accounting principles forecast as
22 determined by the economic and revenue forecast council and the amount
23 of the fair value adjustment to general fund temporary investments as
24 determined by the office of the state treasurer.

25 (3) In fiscal year 2005, the difference between the general fund
26 working capital designation as recorded for fiscal year 2004 and the
27 amount determined as a result of subsection (1) of this section shall
28 be designated for subsequent transfer to the ready reserve account
29 established in section 1 of this act. In fiscal year 2006, forty
30 percent of this difference shall be transferred to the ready reserve
31 account. In fiscal year 2007, sixty percent of this difference shall
32 be transferred to the ready reserve account. The office of financial
33 management shall provide the state treasurer with the amounts to be
34 transferred. For subsequent fiscal years, the general fund working
35 capital designation shall not be available for appropriation or other
36 expenditure authority.

1 **Sec. 3.** RCW 43.88.260 and 1987 c 502 s 7 are each amended to read
2 as follows:

3 (1) It shall be unlawful for any agency head or disbursing officer
4 to incur any cash deficiency and any appointive officer or employee
5 violating the provisions of this section shall be subject to summary
6 removal.

7 (2) This section does not apply to:

8 (a) Temporary cash deficiencies resulting from disbursements under
9 ((a)) an expenditure plan approved under RCW 43.88.110.

10 (b) Temporary cash deficiencies authorized by the director of
11 financial management for funds and accounts in the state treasury or in
12 the custody of the state treasurer. Each authorization under this
13 subsection (b) shall distinctly specify the fund or account for which
14 a deficiency is authorized, the maximum amount of cash deficiency which
15 may be incurred, and the maximum time period during which the cash
16 deficiency may continue. Each authorization shall expire at the end of
17 each fiscal biennium unless renewed by the director of financial
18 management. The director of financial management shall report each
19 authorization and renewal to the legislative fiscal committees.

20 (c) Temporary cash deficiencies in funds or accounts which are
21 neither in the state treasury, nor in the custody of the treasurer, if
22 the cash deficiency does not continue past the end of the fiscal
23 biennium.

24 (3) Nothing in this section permits the expenditure of moneys in
25 excess of an applicable appropriation.

26 (4) For purposes of determining whether a cash deficiency exists,
27 the general fund cash balance shall be the sum of the general fund and
28 the ready reserve account balances.

29 **Sec. 4.** RCW 43.135.035 and 2001 c 3 s 8 and 2000 2nd sp.s. c 2 s
30 2 are each reenacted and amended to read as follows:

31 (1) After July 1, 1995, any action or combination of actions by the
32 legislature that raises state revenue or requires revenue-neutral tax
33 shifts may be taken only if approved by a two-thirds vote of each
34 house, and then only if state expenditures in any fiscal year,
35 including the new revenue, will not exceed the state expenditure limits
36 established under this chapter.

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

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

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

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

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

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

35 (4) If the cost of any state program or function is shifted from
36 the state general fund on or after January 1, 1993, to another source
37 of funding, or if moneys are transferred from the state general fund to
38 another fund or account, the state expenditure limit committee, acting

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

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. This subsection does not apply to
20 transfers made to the state general fund from the ready reserve account
21 as provided for in sections 1 and 2 of this act.

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