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HOUSE BILL 3006

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State of Washington

59th Legislature

2006 Regular Session

By Representatives Anderson, Alexander, Haler, McDonald, Armstrong, Orcutt, Hinkle, Dunn, Newhouse, Clements, Holmquist, Ahern, McCune, Ericksen, Kristiansen, Serben, Bailey, Roach, Nixon, Campbell, Talcott, Condotta, Shabro, Rodne, Woods, B. Sullivan, Schindler and Pearson

Read first time 01/18/2006. Referred to Committee on Appropriations.

1 AN ACT Relating to implementing a proposed constitutional amendment  
2 creating the required reserve fund; amending RCW 39.42.070, 43.135.035,  
3 43.135.035, and 43.135.051; reenacting and amending RCW 43.84.092;  
4 adding a new section to chapter 43.135 RCW; adding a new section to  
5 chapter 28A.505 RCW; adding a new section to chapter 43.79 RCW;  
6 creating a new section; repealing RCW 43.135.045; providing an  
7 effective date; providing a contingent date; and providing an  
8 expiration date.

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

10 NEW SECTION. **Sec. 1.** A new section is added to chapter 43.135 RCW  
11 to read as follows:

12 (1) Quarterly during each fiscal year, the treasurer shall transfer  
13 from the state general fund or any successor fund to the required  
14 reserve fund an amount equal to one percent of the forecasted general  
15 state revenues for that fiscal year. Nothing in this subsection  
16 prevents the appropriation of additional amounts to the required  
17 reserve fund. Amounts in the required reserve fund may be invested as  
18 provided by law and interest earnings retained in that fund.

1 (2) If the forecasted growth of general state revenues for any  
2 fiscal year, excluding legislation, is estimated to be less than one  
3 percent, as adjusted for inflation, then for that fiscal year moneys  
4 may be appropriated from the required reserve fund by a majority vote  
5 of the members elected to each house of the legislature, and then only  
6 if the appropriation does not cause total expenditures to exceed the  
7 state expenditure limit under this chapter. Any amount may be  
8 appropriated from the required reserve fund at any time by the  
9 favorable vote of at least three-fifths of the members elected to each  
10 house of the legislature.

11 (3) When the balance in the required reserve fund, including  
12 investment earnings, equals more than ten percent of the estimated  
13 general state revenues in the prior fiscal year, then any amounts in  
14 excess of ten percent of the estimated general state revenues in the  
15 prior fiscal year may be appropriated only for costs of capital  
16 construction in public schools and higher education.

17 (4) Transfers of general state revenue to the required reserve fund  
18 are general revenue for purposes of the debt limit calculation.  
19 Neither transfers of general state revenue to nor expenditures from the  
20 required reserve fund shall result in an adjustment to any state  
21 expenditure limit.

22 (5) As used in this section, "general state revenues" has the  
23 meaning set forth in Article VIII, section 1 of the Constitution. As  
24 used in this section, "inflation" means the implicit price deflator for  
25 the United States as published by the United States department of  
26 commerce. Forecasts and estimates shall be those made by the state  
27 economic and revenue forecast council or its successor agency.

28 **Sec. 2.** RCW 39.42.070 and 2003 1st sp.s. c 9 s 1 are each amended  
29 to read as follows:

30 (1) On or after the effective date of this act, the treasurer shall  
31 compute general state revenues for the three fiscal years immediately  
32 preceding such date and shall determine the arithmetic mean thereof.  
33 As soon as is practicable after the close of each fiscal year  
34 thereafter, he or she shall do likewise. In determining the amount of  
35 general state revenues, the treasurer shall include all state money  
36 received in the treasury from each and every source whatsoever except:

37 (a) Fees and revenues derived from the ownership or operation of any

1 undertaking, facility or project; (b) moneys received as gifts, grants,  
2 donations, aid or assistance or otherwise from the United States or any  
3 department, bureau or corporation thereof, or any person, firm or  
4 corporation, public or private, when the terms and conditions of such  
5 gift, grant, donation, aid or assistance require the application and  
6 disbursement of such moneys otherwise than for the general purposes of  
7 the state of Washington; (c) moneys to be paid into and received from  
8 retirement system funds, and performance bonds and deposits; (d) moneys  
9 to be paid into and received from trust funds including but not limited  
10 to moneys received from taxes levied for specific purposes and the  
11 several permanent and irreducible funds of the state and the moneys  
12 derived therefrom but excluding bond redemption funds; (e) proceeds  
13 received from the sale of bonds or other evidences of indebtedness.  
14 Upon computing general state revenues, the treasurer shall make and  
15 file in the office of the secretary of state, a certificate containing  
16 the results of such computations. Copies of said certificate shall be  
17 sent to each elected official of the state and each member of the  
18 legislature. The treasurer shall, at the same time, advise each  
19 elected official and each member of the legislature of the current  
20 available debt capacity of the state, and may make estimated  
21 projections for one or more years concerning debt capacity.

22 (2) For purposes of this chapter, general state revenues shall also  
23 include revenues that are deposited in the general fund under RCW  
24 82.45.180(2), lottery revenues as provided in RCW 67.70.240(3),  
25 revenues paid into the general fund under RCW 84.52.067, revenues  
26 deposited in the required reserve fund under section 1 of this act, and  
27 revenues deposited into the student achievement fund and distributed to  
28 school districts as provided in RCW 84.52.068.

29 **Sec. 3.** RCW 43.135.035 and 2005 c 72 s 2 are each amended to read  
30 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. However, for legislation enacted  
37 between the effective date of this 2005 act and June 30, 2007, any

1 action or combination of actions by the legislature that raises state  
2 revenue or requires revenue-neutral tax shifts may be taken with the  
3 approval of a majority of members elected to each house, so long as  
4 state expenditures in any fiscal year, including the new revenue, will  
5 not exceed the state expenditure limits established under this chapter.

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

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

18 "Shall taxes be imposed on . . . . . in order to allow a  
19 spending increase above last year's authorized spending adjusted for  
20 inflation and population increases?"

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

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

37 (c) The state or any political subdivision of the state shall not

1 impose any tax on intangible property listed in RCW 84.36.070 as that  
2 statute exists on January 1, 1993.

3 (4) If the cost of any state program or function is shifted from  
4 the state general fund on or after January 1, 1993, to another source  
5 of funding, or if moneys are transferred from the state general fund to  
6 another fund or account, the state expenditure limit committee, acting  
7 pursuant to RCW 43.135.025(5), shall lower the state expenditure limit  
8 to reflect the shift. For the purposes of this section, a transfer of  
9 money from the state general fund to another fund or account includes  
10 any state legislative action taken that has the effect of reducing  
11 revenues from a particular source, where such revenues would otherwise  
12 be deposited into the state general fund, while increasing the revenues  
13 from that particular source to another state or local government  
14 account. This subsection does not apply to the dedication or use of  
15 lottery revenues under RCW 67.70.240(3) or property taxes under RCW  
16 84.52.068, in support of education or education expenditures. This  
17 subsection does not apply to transfers to the required reserve fund.

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

24 **Sec. 4.** RCW 43.135.035 and 2005 c 72 s 5 are each amended to read  
25 as follows:

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

32 (2)(a) If the legislative action under subsection (1) of this  
33 section will result in expenditures in excess of the state expenditure  
34 limit, then the action of the legislature shall not take effect until  
35 approved by a vote of the people at a November general election. The  
36 state expenditure limit committee shall adjust the state expenditure  
37 limit by the amount of additional revenue approved by the voters under

1 this section. This adjustment shall not exceed the amount of revenue  
2 generated by the legislative action during the first full fiscal year  
3 in which it is in effect. The state expenditure limit shall be  
4 adjusted downward upon expiration or repeal of the legislative action.

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

7 "Shall taxes be imposed on . . . . . in order to allow a  
8 spending increase above last year's authorized spending adjusted for  
9 personal income growth?"

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

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

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

29 (4) If the cost of any state program or function is shifted from  
30 the state general fund or a related fund to another source of funding,  
31 or if moneys are transferred from the state general fund or a related  
32 fund to another fund or account, the state expenditure limit committee,  
33 acting pursuant to RCW 43.135.025(5), shall lower the state expenditure  
34 limit to reflect the shift. For the purposes of this section, a  
35 transfer of money from the state general fund or a related fund to  
36 another fund or account includes any state legislative action taken  
37 that has the effect of reducing revenues from a particular source,  
38 where such revenues would otherwise be deposited into the state general

1 fund or a related fund, while increasing the revenues from that  
2 particular source to another state or local government account. This  
3 subsection does not apply to the dedication or use of lottery revenues  
4 under RCW 67.70.240(3) or property taxes under RCW 84.52.068, in  
5 support of education or education expenditures. This subsection does  
6 not apply to transfers to the required reserve fund.

7 (5) If the cost of any state program or function and the ongoing  
8 revenue necessary to fund the program or function are shifted to the  
9 state general fund or a related fund on or after January 1, 2007, the  
10 state expenditure limit committee, acting pursuant to RCW  
11 43.135.025(5), shall increase the state expenditure limit to reflect  
12 the shift.

13 NEW SECTION. Sec. 5. A new section is added to chapter 28A.505  
14 RCW to read as follows:

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

20 (2) When per-student state funding for the maintenance and  
21 operation of K-12 education meets a level of no less than ninety  
22 percent of the national average of total funding from all sources per  
23 student as determined by the most recent published data from the  
24 national center for education statistics of the United States  
25 department of education, as calculated by the office of financial  
26 management, further deposits to the student achievement fund shall be  
27 required only to the extent necessary to maintain the ninety-percent  
28 level. Remaining funds are part of the general fund balance and these  
29 funds are subject to the expenditure limits of chapter 43.135 RCW.

30 NEW SECTION. Sec. 6. A new section is added to chapter 43.79 RCW  
31 to read as follows:

32 The education construction fund is hereby created in the state  
33 treasury.

34 (1) Funds may be appropriated from the education construction fund  
35 exclusively for common school construction or higher education

1 construction. During the fiscal years beginning July 1, 2005, and  
2 ending June 30, 2007, funds may also be used for higher education  
3 facilities preservation and maintenance.

4 (2) An excess balance in the required reserve fund under Article  
5 VIII, section . . . (HJR . . . , H-4157/06) shall be deposited into the  
6 education construction fund and may be appropriated only for costs of  
7 capital construction in public schools and higher education.

8 **Sec. 7.** RCW 43.135.051 and 1999 c 288 s 1 are each amended to read  
9 as follows:

10 (1) The state investment board has the full power to invest,  
11 reinvest, manage, contract, sell, or exchange investment moneys in the  
12 ((emergency)) required reserve fund. All investment and operating  
13 costs associated with the investment of money shall be paid pursuant to  
14 RCW 43.33A.160 and 43.84.160. With the exception of these expenses,  
15 the earnings from the investment of the money shall be retained by the  
16 fund.

17 (2) All investments made by the state investment board shall be  
18 made with the exercise of that degree of judgment and care pursuant to  
19 RCW 43.33A.140 and the investment policies established by the state  
20 investment board.

21 (3) As deemed appropriate by the state investment board, moneys in  
22 the fund may be commingled for investment with other funds subject to  
23 investment by the board.

24 **Sec. 8.** RCW 43.84.092 and 2005 c 514 s 1106, 2005 c 353 s 4, 2005  
25 c 339 s 23, 2005 c 314 s 110, 2005 c 312 s 8, and 2005 c 94 s 2 are  
26 each reenacted and amended to read as follows:

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

30 (2) The treasury income account shall be utilized to pay or receive  
31 funds associated with federal programs as required by the federal cash  
32 management improvement act of 1990. The treasury income account is  
33 subject in all respects to chapter 43.88 RCW, but no appropriation is  
34 required for refunds or allocations of interest earnings required by  
35 the cash management improvement act. Refunds of interest to the  
36 federal treasury required under the cash management improvement act



1 fall under RCW 43.88.180 and shall not require appropriation. The  
2 office of financial management shall determine the amounts due to or  
3 from the federal government pursuant to the cash management improvement  
4 act. The office of financial management may direct transfers of funds  
5 between accounts as deemed necessary to implement the provisions of the  
6 cash management improvement act, and this subsection. Refunds or  
7 allocations shall occur prior to the distributions of earnings set  
8 forth in subsection (4) of this section.

9 (3) Except for the provisions of RCW 43.84.160, the treasury income  
10 account may be utilized for the payment of purchased banking services  
11 on behalf of treasury funds including, but not limited to, depository,  
12 safekeeping, and disbursement functions for the state treasury and  
13 affected state agencies. The treasury income account is subject in all  
14 respects to chapter 43.88 RCW, but no appropriation is required for  
15 payments to financial institutions. Payments shall occur prior to  
16 distribution of earnings set forth in subsection (4) of this section.

17 (4) Monthly, the state treasurer shall distribute the earnings  
18 credited to the treasury income account. The state treasurer shall  
19 credit the general fund with all the earnings credited to the treasury  
20 income account except:

21 (a) The following accounts and funds shall receive their  
22 proportionate share of earnings based upon each account's and fund's  
23 average daily balance for the period: The capitol building  
24 construction account, the Cedar River channel construction and  
25 operation account, the Central Washington University capital projects  
26 account, the charitable, educational, penal and reformatory  
27 institutions account, the common school construction fund, the county  
28 criminal justice assistance account, the county sales and use tax  
29 equalization account, the data processing building construction  
30 account, the deferred compensation administrative account, the deferred  
31 compensation principal account, the department of retirement systems  
32 expense account, the developmental disabilities community trust  
33 account, the drinking water assistance account, the drinking water  
34 assistance administrative account, the drinking water assistance  
35 repayment account, the Eastern Washington University capital projects  
36 account, the education construction fund, the education legacy trust  
37 account, the election account, (~~the emergency reserve fund,~~) The  
38 Evergreen State College capital projects account, the federal forest

1 revolving account, the freight mobility investment account, the health  
2 services account, the public health services account, the health system  
3 capacity account, the personal health services account, the state  
4 higher education construction account, the higher education  
5 construction account, the highway infrastructure account, the high-  
6 occupancy toll lanes operations account, the industrial insurance  
7 premium refund account, the judges' retirement account, the judicial  
8 retirement administrative account, the judicial retirement principal  
9 account, the local leasehold excise tax account, the local real estate  
10 excise tax account, the local sales and use tax account, the medical  
11 aid account, the mobile home park relocation fund, the multimodal  
12 transportation account, the municipal criminal justice assistance  
13 account, the municipal sales and use tax equalization account, the  
14 natural resources deposit account, the oyster reserve land account, the  
15 perpetual surveillance and maintenance account, the public employees'  
16 retirement system plan 1 account, the public employees' retirement  
17 system combined plan 2 and plan 3 account, the public facilities  
18 construction loan revolving account beginning July 1, 2004, the public  
19 health supplemental account, the public works assistance account, the  
20 Puyallup tribal settlement account, the real estate appraiser  
21 commission account, the regional transportation investment district  
22 account, the required reserve fund, the resource management cost  
23 account, the rural Washington loan fund, the site closure account, the  
24 small city pavement and sidewalk account, the special wildlife account,  
25 the state employees' insurance account, the state employees' insurance  
26 reserve account, the state investment board expense account, the state  
27 investment board commingled trust fund accounts, the supplemental  
28 pension account, the Tacoma Narrows toll bridge account, the teachers'  
29 retirement system plan 1 account, the teachers' retirement system  
30 combined plan 2 and plan 3 account, the tobacco prevention and control  
31 account, the tobacco settlement account, the transportation  
32 infrastructure account, the transportation partnership account, the  
33 tuition recovery trust fund, the University of Washington bond  
34 retirement fund, the University of Washington building account, the  
35 volunteer fire fighters' and reserve officers' relief and pension  
36 principal fund, the volunteer fire fighters' and reserve officers'  
37 administrative fund, the Washington fruit express account, the  
38 Washington judicial retirement system account, the Washington law

1 enforcement officers' and fire fighters' system plan 1 retirement  
2 account, the Washington law enforcement officers' and fire fighters'  
3 system plan 2 retirement account, the Washington public safety  
4 employees' plan 2 retirement account, the Washington school employees'  
5 retirement system combined plan 2 and 3 account, the Washington state  
6 health insurance pool account, the Washington state patrol retirement  
7 account, the Washington State University building account, the  
8 Washington State University bond retirement fund, the water pollution  
9 control revolving fund, and the Western Washington University capital  
10 projects account. Earnings derived from investing balances of the  
11 agricultural permanent fund, the normal school permanent fund, the  
12 permanent common school fund, the scientific permanent fund, and the  
13 state university permanent fund shall be allocated to their respective  
14 beneficiary accounts. All earnings to be distributed under this  
15 subsection (4)(a) shall first be reduced by the allocation to the state  
16 treasurer's service fund pursuant to RCW 43.08.190.

17 (b) The following accounts and funds shall receive eighty percent  
18 of their proportionate share of earnings based upon each account's or  
19 fund's average daily balance for the period: The aeronautics account,  
20 the aircraft search and rescue account, the county arterial  
21 preservation account, the department of licensing services account, the  
22 essential rail assistance account, the ferry bond retirement fund, the  
23 grade crossing protective fund, the high capacity transportation  
24 account, the highway bond retirement fund, the highway safety account,  
25 the motor vehicle fund, the motorcycle safety education account, the  
26 pilotage account, the public transportation systems account, the Puget  
27 Sound capital construction account, the Puget Sound ferry operations  
28 account, the recreational vehicle account, the rural arterial trust  
29 account, the safety and education account, the special category C  
30 account, the state patrol highway account, the transportation 2003  
31 account (nickel account), the transportation equipment fund, the  
32 transportation fund, the transportation improvement account, the  
33 transportation improvement board bond retirement account, and the urban  
34 arterial trust account.

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

1        NEW SECTION.    **Sec. 9.**    RCW 43.135.045 (Emergency reserve fund--  
2    Excess balance to education construction fund--Appropriation  
3    conditions--Transfer of earnings to multimodal transportation account)  
4    and 2005 c 518 s 931, 2005 c 488 s 920, 2005 c 314 s 401, 2005 c 72 s  
5    6, & 2003 1st sp.s. c 25 s 920 are each repealed.

6        NEW SECTION.    **Sec. 10.**    Section 3 of this act expires July 1, 2007.

7        NEW SECTION.    **Sec. 11.**    Section 4 of this act takes effect July 1,  
8    2007.

9        NEW SECTION.    **Sec. 12.**    This act takes effect if the proposed  
10    amendment to Article VIII, section . . . of the state Constitution (HJR  
11    . . . ., H-4157/06) is validly submitted to and is approved and  
12    ratified by the voters at a general election held in November 2006. If  
13    the proposed amendment is not approved and ratified, this act is void  
14    in its entirety.

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