

CERTIFICATION OF ENROLLMENT  
**ENGROSSED SUBSTITUTE SENATE BILL 5311**

Chapter 484, Laws of 2007

60th Legislature  
2007 Regular Session

BUDGET STABILIZATION ACCOUNT

EFFECTIVE DATE: 05/15/07 - Except sections 2 through 8, which are contingent.

Passed by the Senate February 21, 2007  
YEAS 48 NAYS 0

BRAD OWEN

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**President of the Senate**

Passed by the House April 20, 2007  
YEAS 75 NAYS 22

FRANK CHOPP

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**Speaker of the House of Representatives**

Approved May 15, 2007, 2:10 p.m.

CHRISTINE GREGOIRE  
\_\_\_\_\_  
**Governor of the State of Washington**

CERTIFICATE

I, Thomas Hoemann, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE SENATE BILL 5311** as passed by the Senate and the House of Representatives on the dates hereon set forth.

THOMAS HOEMANN

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**Secretary**

FILED

May 16, 2007

**Secretary of State  
State of Washington**

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**ENGROSSED SUBSTITUTE SENATE BILL 5311**

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Passed Legislature - 2007 Regular Session

**State of Washington                      60th Legislature                      2007 Regular Session**

**By** Senate Committee on Ways & Means (originally sponsored by Senators Brown, Zarelli, Prentice, Marr, Tom, McAuliffe and Kilmer; by request of Governor Gregoire)

READ FIRST TIME 02/08/07.

1            AN ACT Relating to a budget stabilization account; amending RCW  
2 43.135.035; reenacting and amending RCW 43.84.092 and 43.135.045;  
3 adding new sections to chapter 43.79 RCW; adding a new section to  
4 chapter 82.33 RCW; creating a new section; repealing RCW 43.33A.220 and  
5 43.135.051; providing a contingent effective date; and declaring an  
6 emergency.

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

8            NEW SECTION.    **Sec. 1.** A new section is added to chapter 43.79 RCW  
9 to read as follows:

10            The budget stabilization account shall be established and  
11 maintained in the state treasury. Moneys in the fund may be spent only  
12 after appropriation.

13            NEW SECTION.    **Sec. 2.** A new section is added to chapter 43.79 RCW  
14 to read as follows:

15            (1) The budget stabilization account is governed by the provisions  
16 in Article VII, section . . . (Senate Joint Resolution No. 8206) and  
17 this section.

1 (2) By June 30th of each fiscal year, the state treasurer shall  
2 transfer an amount equal to one percent of the general state revenues  
3 for that fiscal year to the budget stabilization account.

4 (3) The state investment board has the full power to invest,  
5 reinvest, manage, contract, sell, or exchange investment moneys in the  
6 budget stabilization account. All investment and operating costs  
7 associated with the investment of money shall be paid pursuant to RCW  
8 43.33A.160 and 43.84.160. With the exception of these expenses, the  
9 earnings from the investment of the money shall be retained by the  
10 account. All investments made by the state investment board shall be  
11 made with the exercise of that degree of judgment and care pursuant to  
12 RCW 43.33A.140 and the investment policies established by the state  
13 investment board. As deemed appropriate by the state investment board,  
14 moneys in the account may be commingled for investment with other funds  
15 subject to investment by the board.

16 (4) For the purposes of Article VII, section . . . (Senate Joint  
17 Resolution No. 8206), this section, and section 3 of this act, the  
18 state employment growth forecast shall be based on the total nonfarm  
19 payroll employment data series.

20 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.33 RCW  
21 to read as follows:

22 The state economic and revenue forecast council shall perform the  
23 state employment growth forecast and general state revenue estimates  
24 required by Article VII, section . . . (Senate Joint Resolution No.  
25 8206).

26 **Sec. 4.** RCW 43.84.092 and 2006 c 337 s 11, 2006 c 311 s 23, 2006  
27 c 171 s 10, 2006 c 56 s 10, and 2006 c 6 s 8 are each reenacted and  
28 amended to read as follows:

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

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

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

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

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

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

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

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

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

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

4 **Sec. 5.** RCW 43.135.045 and 2005 c 518 s 931, 2005 c 314 s 401, and  
5 2005 c 76 s 2 are each reenacted and amended to read as follows:

6 (1) ~~((The emergency reserve fund is established in the state  
7 treasury. During each fiscal year, the state treasurer shall transfer  
8 an amount from the state general fund to the emergency reserve fund.  
9 The amount transferred shall equal the amount by which total state  
10 revenue for the general fund and related funds exceeds the state  
11 expenditure limit, multiplied by the percentage that general fund  
12 expenditures are of total expenditures from the general fund and  
13 related funds. Transfers shall be made at the end of each fiscal  
14 quarter based on projections of state revenues, expenditures, and the  
15 state expenditure limit. The treasurer shall make transfers between  
16 these accounts as necessary to reconcile actual annual revenues and the  
17 expenditure limit for fiscal year 2000 and 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.~~

23 ~~(3) The emergency reserve fund balance shall not exceed five  
24 percent of annual general fund state revenues as projected by the  
25 official state revenue forecast. Any balance in excess of five percent  
26 shall be transferred on a quarterly basis by the state treasurer as  
27 follows: Seventy five percent to)) The student achievement fund is  
28 hereby created in the state treasury ((and twenty five percent to the  
29 general fund balance. The treasurer shall make transfers between these  
30 accounts as necessary to reconcile actual annual revenues for fiscal  
31 year 2000 and thereafter. When per student state funding for the  
32 maintenance and operation of K-12 education meets a level of no less  
33 than ninety percent of the national average of total funding from all  
34 sources per student as determined by the most recent published data  
35 from the national center for education statistics of the United States  
36 department of education, as calculated by the office of financial  
37 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)) (2) The education construction fund is hereby created in  
5 the state 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)) (3) Funds from the student achievement fund shall be  
17 appropriated to the superintendent of public instruction strictly for  
18 distribution to school districts to meet the provisions set out in the  
19 student achievement act. Allocations shall be made on an equal per  
20 full-time equivalent student basis to each school district.

21 **Sec. 6.** RCW 43.135.035 and 2005 c 72 s 5 are each amended to read  
22 as follows:

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

29 (2)(a) If the legislative action under subsection (1) of this  
30 section will result in expenditures in excess of the state expenditure  
31 limit, then the action of the legislature shall not take effect until  
32 approved by a vote of the people at a November general election. The  
33 state expenditure limit committee shall adjust the state expenditure  
34 limit by the amount of additional revenue approved by the voters under  
35 this section. This adjustment shall not exceed the amount of revenue  
36 generated by the legislative action during the first full fiscal year



1 in which it is in effect. The state expenditure limit shall be  
2 adjusted downward upon expiration or repeal of the legislative action.

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

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

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

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

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

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

1 subsection does not apply to: (a) The dedication or use of lottery  
2 revenues under RCW 67.70.240(3) or property taxes under RCW 84.52.068,  
3 in support of education or education expenditures; or (b) a transfer of  
4 moneys to, or an expenditure from, the budget stabilization account.

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

11 NEW SECTION. Sec. 7. On the effective date of this section, the  
12 state treasurer shall transfer all money remaining in the emergency  
13 reserve fund to the budget stabilization account.

14 NEW SECTION. Sec. 8. The following acts or parts of acts are each  
15 repealed:

16 (1) RCW 43.33A.220 (Emergency reserve fund--Board's duties) and  
17 1999 c 288 s 2; and

18 (2) RCW 43.135.051 (Emergency reserve fund--State investment board  
19 authority to invest or manage) and 1999 c 288 s 1.

20 NEW SECTION. Sec. 9. Section 1 of this act is necessary for the  
21 immediate preservation of the public peace, health, or safety, or  
22 support of the state government and its existing public institutions,  
23 and takes effect immediately.

24 NEW SECTION. Sec. 10. Sections 2 through 8 of this act take  
25 effect July 1, 2008, if the proposed amendment to Article VII of the  
26 state Constitution (Senate Joint Resolution No. 8206) is validly  
27 submitted to and is approved and ratified by the voters at a general  
28 election held in November 2007. If the proposed amendment is not  
29 approved and ratified, sections 2 through 8 of this act are void in  
30 their entirety.

Passed by the Senate February 21, 2007.

Passed by the House April 20, 2007.

Approved by the Governor May 15, 2007.

Filed in Office of Secretary of State May 16, 2007.