

SENATE BILL REPORT

EHB 2267

As of Second Reading

Title: An act relating to temporarily suspending the state expenditure limit in order to implement the state's Article IX obligation to amply fund basic education.

Brief Description: Suspending the state expenditure limit in order to implement the state's Article IX obligation to amply fund basic education.

Sponsors: Representative Hunter.

Brief History: Passed House: 6/28/15, 64-33.

Committee Activity: Ways & Means:

SENATE COMMITTEE ON WAYS & MEANS

Staff: Steve Jones (786-7440)

Background: In 1993 voters adopted Initiative 601, which established the state expenditure limit. The expenditure limit restricts the amount that the state may spend from the state General Fund (GFS) each fiscal year. The expenditure limit for each year is the prior year's actual GFS expenditures, adjusted for inflation as measured by a 10-year rolling average growth of state personal income, and further adjusted for revenue and program transfers into and out of the GFS.

The state Expenditure Limit Committee establishes, adjusts, and projects the expenditure limit. The State Treasurer is prohibited from making payments from the GFS that exceed the limit.

Legislation enacted in 2012 established requirements for the state budget to be balanced over a four-year period (the current biennium and the next ensuing biennium). The Economic and Revenue Forecast Council adopts the state budget outlook, which is a four-year projection of state General Fund and related fund revenues and expenditures.

In the *McCleary* decision, the state Supreme Court held that the state had failed to meet its duty under the state Constitution to adequately fund the K-12 education system.

Summary of Bill: The Legislature declares its intent to temporarily suspend the state expenditure limit during the biennia in which the state is phasing in funding of its

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constitutional obligations pursuant to Chapter 584, Laws of 2009 (ESHB 2261), Chapter 236, Laws of 2010 (SHB 2776), and *McCleary* decision, and in the ensuing biennium.

The state expenditure limit is suspended until the 2021-23 fiscal biennium. The expenditure limit for fiscal year 2022 equals the state's actual GFS expenditures for fiscal year 2021, adjusted by the fiscal growth factor.

The Economic and Revenue Forecast Council, in consultation with the Expenditure Limit Committee, must prepare draft legislation for introduction in the 2016 legislative session that synchronizes the requirements of the state expenditure limit, the four-year balanced budget requirement, and the budget outlook process.

References to repealed state funds are removed.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect immediately.