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**SENATE BILL 5609**

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**State of Washington 66th Legislature 2019 Regular Session**

**By** Senators Ericksen, Padden, Fortunato, Short, Brown, and Becker

AN ACT Relating to establishing a responsible state spending limit to protect essential programs and taxpayers from unsustainable state budgets; amending RCW 43.135.025, 43.135.034, and 84.55.010; adding new sections to chapter 43.135 RCW; and providing an effective date.

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

**Sec.**  RCW 43.135.025 and 2015 3rd sp.s. c 29 s 3 are each amended to read as follows:

(1) Beginning July 1, ((~~2021~~)) 2020, the state shall not expend from the general fund and related funds during any fiscal year state moneys in excess of the state expenditure limit established under this chapter.

(2) Except pursuant to an appropriation under RCW 43.135.045(2), the state treasurer shall not issue or redeem any check, warrant, or voucher that will result in a state general fund or related funds expenditure for any fiscal year in excess of the state expenditure limit established under this chapter. A violation of this subsection constitutes a violation of RCW 43.88.290 and shall subject the state treasurer to the penalties provided in RCW 43.88.300.

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

(4) For purposes of computing the state expenditure limit for the fiscal year beginning July 1, ((~~2021~~)) 2020, the phrase "the previous fiscal year's state expenditure limit" means the total state expenditures from the state general fund and related funds for the fiscal year beginning July 1, ((~~2020~~)) 2019, plus the fiscal growth factor.

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

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

(7) "Fiscal growth factor" means the average ((~~growth in state personal income for~~)) of the sum of inflation and population change for each of the prior ((~~ten~~)) three fiscal years.

(8) "General fund" means the state general fund.

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

(10) "Related funds" means the Washington opportunity pathways account and the education legacy trust account.

**Sec.**  RCW 43.135.034 and 2015 3rd sp.s. c 44 s 421 are each amended to read as follows:

(1)(a) Any action or combination of actions by the legislature that raises taxes may be taken only if approved by a two‑thirds vote in both the house of representatives and the senate. Pursuant to the referendum power set forth in Article II, section 1(b) of the state Constitution, tax increases may be referred to the voters for their approval or rejection at an election.

(b) For the purposes of this chapter, "raises taxes" means any action or combination of actions by the state legislature that increases state tax revenue deposited in any fund, budget, or account, regardless of whether the revenues are deposited into the general fund.

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

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

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

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

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

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

(4) If the cost of any state program or function is shifted from the state general fund or related funds to another source of funding, or if moneys are transferred from the state general fund or related funds to another fund or account, the state expenditure limit committee, acting pursuant to RCW 43.135.025(5), must lower the state expenditure limit to reflect the shift. For the purposes of this section, a transfer of money from the state general fund or related funds to another fund or account includes any state legislative action taken that has the effect of reducing revenues from a particular source, where such revenues would otherwise be deposited into the state general fund or related funds, while increasing the revenues from that particular source to another state or local government account. This subsection does not apply to: (a) The dedication or use of lottery revenues under RCW 67.70.240(1)(c), in support of education or education expenditures; (b) a transfer of moneys to, or an expenditure from, the budget stabilization account; ((~~or~~)) (c) a transfer of money to, or an expenditure from, the connecting Washington account established in RCW 46.68.395; or (d) a transfer of moneys to, or an expenditure from, the state expenditure limit overflow account.

(5) If the cost of any state program or function and the ongoing revenue necessary to fund the program or function are shifted to the state general fund or related funds on or after January 1, 2007, the state expenditure limit committee, acting pursuant to RCW 43.135.025(5), must increase the state expenditure limit to reflect the shift unless the shifted revenue had previously been shifted from the general fund or related funds.

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

(1) During each fiscal year, the state treasurer shall calculate the amount of estimated revenues deposited in the general fund and related funds in excess of the state expenditure limit for that fiscal year.

(2) The legislature may transfer an amount, not to exceed the amount calculated in subsection (1) of this section, into the state expenditure limit overflow account for the purpose of funding one-time construction projects.

(3) By December 31st of each year, the department of revenue must reduce the property tax rate imposed by RCW 84.52.065(2)(a) for property tax collections for the next succeeding calendar year by the amount calculated in subsection (1) of this section less any amounts transferred pursuant to subsection (2) of this section.

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

The state expenditure limit overflow account is created in the state treasury. Revenues in the account consist of moneys transferred to the account pursuant to section 3 of this act. Moneys in the account may be spent only after appropriation. Expenditures from the account may be used for the construction of capital or highway projects.

**Sec.**  RCW 84.55.010 and 2017 3rd sp.s. c 13 s 302 are each amended to read as follows:

(1) Except as provided in this chapter, the levy for a taxing district in any year must be set so that the regular property taxes payable in the following year do not exceed the limit factor multiplied by the amount of regular property taxes lawfully levied for such district in the highest of the three most recent years in which such taxes were levied for such district plus an additional dollar amount calculated by multiplying the regular property tax levy rate of that district for the preceding year by the increase in assessed value in that district resulting from:

(a) New construction;

(b) Increases in assessed value due to construction of wind turbine, solar, biomass, and geothermal facilities, if such facilities generate electricity and the property is not included elsewhere under this section for purposes of providing an additional dollar amount. The property may be classified as real or personal property;

(c) Improvements to property; and

(d) Any increase in the assessed value of state-assessed property.

(2) The requirements of this section do not apply to:

(a) State property taxes levied under RCW 84.52.065(1) for collection in calendar years 2019 through 2021; and

(b) State property taxes levied under RCW 84.52.065(2) for collection in calendar years 2018 through 2021.

(3) For the purposes of determining the levy limit under this section for a state property tax levy, the highest amount of regular property taxes levied in the three most recent years must be determined as if no reduction is made pursuant to section 3 of this act.

NEW SECTION. **Sec.**  Sections 3 and 5 of this act take effect July 1, 2020.

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