HOUSE BILL REPORT
SSB 6660

As Passed House - Amended:
March 6, 2020

Title: An act relating to improving fiscal responsibility and budget discipline by replacing the spending limit with additional four-year balanced budget requirements.

Brief Description: Improving fiscal responsibility and budget discipline by replacing the spending limit with additional four-year balanced budget requirements.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Rolfes, Braun and Mullet).

Brief History:
Committee Activity:
Appropriations: 2/29/20, 3/2/20 [DPA].
Floor Activity:
Passed House - Amended: 3/6/20, 86-11.

Brief Summary of Substitute Bill
(As Amended by House)

- Eliminates the state's expenditure limit, restrictions on raising taxes in excess of the limit, and the state Expenditure Limit Committee.
- Adds the Workforce Education Investment Account to the list of "related funds" that is subject to the legislative balanced budget requirement.
- Limits relief from the legislative balanced budget requirement due to Budget Stabilization Account appropriations to situations when an appropriation is allowed by a majority vote due to estimated employment growth for a fiscal year being less than 1 percent.
- Requires the Economic and Revenue Forecast Council to calculate the state's fiscal growth factor.
- Eliminates the requirement for the Economic and Revenue Forecast Council to adopt a budget outlook each November.
- Requires the Governor to submit operating budget proposals that balance over a four-year period.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended. Signed by 25 members: Representatives Ormsby, Chair; Robinson, 1st Vice Chair; Bergquist, 2nd Vice Chair; Stokesbary, Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Rude, Assistant Ranking Minority Member; Chandler, Chopp, Corry, Dolan, Dye, Hansen, Kilduff, Macri, Mosbrucker, Pettigrew, Pollet, Ryu, Schmick, Senn, Springer, Steele, Sullivan, Sutherland and Ybarra.

Minority Report: Do not pass. Signed by 8 members: Representatives Caldier, Cody, Fitzgibbon, Hoff, Hudgins, Kraft, Tarleton and Tharinger.

Staff: Andy Toulon (786-7178).

Background:

State Expenditure Limit.
In 1993 voters adopted Initiative Measure 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 the fiscal growth factor, and further adjusted for certain revenue and program transfers into and out of the GFS. The fiscal growth factor is currently defined as the 10-year rolling average growth in state personal income. The State Treasurer is prohibited from making payments from the GFS that exceed the limit.

Legislation to increase taxes that result in expenditures in excess of the state expenditure limit must be approved by the voters at the November general election and the adjustment to the limit is the amount of revenue generated in the first full fiscal year of its effect. The expenditure limit may be exceeded up to 24 months for spending in response to a natural disaster if approved by a two-thirds vote of the Legislature. Additional taxes in response to a natural disaster may be imposed after exhausting moneys in the Education Construction Fund and such taxes may only be imposed until 30 days following the general election unless extended by voters at the general election.

In 2015 the Legislature suspended the state expenditure limit until the 2021-2023 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.

Legislative Balanced Budget Requirement.
Legislation enacted in 2012 established requirements for the Legislature to pass a state operating budget that is balanced over a four-year period comprising the current biennium and the next ensuing biennium. The legislative balanced budget requirement applies to revenues and expenditures from the GFS and related funds. "Related funds" are defined as the Washington Opportunity Pathways Account and the Education Legacy Trust Account. The legislative balanced budget requirement does not apply to any bill that makes net reductions in GFS and related funds and is enacted between July 1 and February 15 of any year. In addition, the requirement to balance in the ensuing biennium does not apply in any fiscal biennium in which money is appropriated from the Budget Stabilization Account (BSA).

Budget Stabilization Account.
In 2007 the voters ratified a constitutional amendment that created the BSA as Article VII, section 12 of the Washington Constitution (state Constitution). Each year the State Treasurer must deposit 1 percent of general state revenues (GSR) into the constitutionally created BSA. The term "general state revenues" is defined in the state Constitution and is fairly similar with the statutory GFS. In 2011 the voters ratified an amendment to Article VII, section 12 that required further deposits into the BSA related to extraordinary revenue growth. In general, appropriations from the BSA require a three-fifths majority in each house of the Legislature, but in the case of a catastrophic event or employment growth in a fiscal year estimated to be less than 1 percent, the Legislature may appropriate from the BSA with a constitutional majority vote of each house.

Economic and Revenue Forecast Council.
The Economic and Revenue Forecast Council (ERFC) consists of the State Treasurer, four legislators representing the two largest political caucuses of the Senate and House of Representatives, and two individuals appointed by the Governor. The ERFC Director prepares, on a quarterly basis, state economic and revenue forecasts subject to the approval of the ERFC. To facilitate compliance with the four-year balanced budget requirement, the ERFC must approve budget outlooks of the proposed Governor's budget and the enacted budget. In addition, the ERFC must approve an outlook each November.

Expenditure Limit Committee.
The Expenditure Limit Committee (ELC) consists of the Attorney General or the Attorney General's designee, the Director of Financial Management, and the chairs and ranking members of the fiscal committees of the Senate and House of Representatives. Each November, the ELC adjusts the expenditure limit for the preceding fiscal year based on actual expenditures and known changes in the fiscal growth factor and then projects an expenditure limit for the next two fiscal years.

Governor Proposed Budgets.
The Governor's proposed biennial budget must be submitted no later than December 20. Proposed supplemental budgets must be submitted no less than 20 days prior to the first day of the legislative session. Proposed budgets by the Governor are statutorily required to reflect the estimated revenues as approved by the ERFC, caseloads as approved by the Caseload Forecast Council, and pension contribution rates as approved by the Pension Policy Council. The Governor may submit an additional budget proposal that includes additional expenditures from proposed changes to existing revenue sources.

Summary of Amended Bill:

State Expenditure Limit and Expenditure Limit Committee.
The state expenditure limit, restrictions on raising taxes in excess of the limit, and the state ELC are repealed.

Legislative Balanced Budget Requirement.
The Workforce Education Investment Account is added to the list of related funds subject to the legislative balanced budget requirement. Relief from the ensuing biennium legislative

balanced budget requirement related to appropriations made from the BSA is allowed only when money is appropriated from the BSA for a fiscal year where employment growth is estimated to be less than 1 percent.

Economic and Revenue Forecast Council.
The duty to calculate the state's fiscal growth factor is transferred to the ERFC. The requirement for the ERFC to adopt an outlook in November is removed.

Governor Proposed Budgets.
The Governor's proposed operating budget submittals must balance over the same four-year period and accounts as the legislative balanced budget requirement. Available fiscal resources and projected maintenance level costs are adjusted by proposed revenue legislation and proposed executive branch agency legislation. Proposed executive branch legislation does not include proposals by institutions of higher education, other separately elected officials, or other boards, commissions, and offices that are not under the authority of the Governor and that are not funded or assumed in the Governor's budget documents. The Governor's balanced budget requirement does not apply to any proposed legislation that makes net reductions in the GFS and related funds to prevent the Governor from making across-the-board reductions in allotments to address a cash deficit in these funds or in a fiscal biennium in which the Governor proposes appropriations from the BSA for a fiscal year where employment growth is estimated to be less than 1 percent.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill contains an emergency clause and takes effect on July 1, 2020.

Staff Summary of Public Testimony:

(In support) None.

(Opposed) None.

Persons Testifying: None.

Persons Signed In To Testify But Not Testifying: None.