# FINAL BILL REPORT
# SSB 6660

**C 218 L 20**
Synopsis as Enacted

**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).

**Senate Committee on Ways & Means**
**House Committee on Appropriations**

**Background**: State Expenditure Limit. In 1993, voters adopted Initiative 601 which established the state expenditure limit. The expenditure limit restricts the amount the state may spend from the General Fund-State (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 revenue and program transfers into and out of the GFS. The fiscal growth factor is defined as inflation as measured by a 10-year rolling average growth of state personal income. 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 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 monies 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 2021-23 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.

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—the current biennium and the next ensuing biennium. The legislative balanced budget requirement applies to revenues and expenditures from the GFS and related funds.

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*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.*

"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 general fund and related funds that is enacted between July 1st and February 15th of any fiscal year. In addition, the legislative balanced budget requirement does not apply in any fiscal biennium in which money is appropriated from the Budget Stabilization Account.

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. The ERFC must approve four-year budget outlooks of the proposed Governor's budget and the enacted budget.

Governor Proposed Budgets. The Governor's proposed biennial budget must be submitted no later than the 20th day of December; supplemental budgets must be submitted no less then twenty days prior to the first day of the legislative session. Proposed budgets by the Governor are statutorily required to reflect the estimated revenues approved by the ERFC, caseloads approved by the Caseload Forecast Council and pension contributions rates 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**: State Expenditure Limit. The state expenditure limit, restrictions on raising taxes in excess of the limit, and the state Expenditure Limit Committee is repealed.

Legislative Balanced Budget Requirement. The Workforce Education Investment Account is added to the list of related funds subject to the legislative balanced operating budget requirement. Relief from the legislative balanced budget requirement is allowed only when money is appropriated from the Budget Stabilization Account due to low employment growth.

Economic and Revenue Forecast Council. The duty to calculate the state's fiscal growth factor is transferred to the ERFC.

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. The Governor's balanced budget requirement does not apply to any proposed legislation that makes net reductions in general fund and related funds to prevent the Governor from making across-the-board reduction in allotments to address a cash deficit in these funds or when money is appropriated from the Budget Stabilization Account due to low employment growth.

**Votes on Final Passage:**

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| Senate | 42 | 5 | |
| House | 86 | 11 | (House amended) |
| Senate | 47 | 1 | (Senate concurred) |

**Effective:** July 1, 2020