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**SENATE BILL 5359**

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**State of Washington 68th Legislature 2023 Regular Session**

**By** Senators L. Wilson, Dozier, Fortunato, Short, Torres, and Wagoner

AN ACT Relating to establishing a responsible state spending limit with excess revenues dedicated to property tax relief; amending RCW 84.55.010; adding new sections to chapter 43.135 RCW; and adding a new section to chapter 82.33 RCW.

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

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

CREATING A STATE EXPENDITURE LIMIT.

(1) Beginning with the fiscal year starting July 1, 2024, 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) 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 annual spending cap.

(4) For purposes of computing the state expenditure limit for the fiscal year beginning July 1, 2024, 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, 2023, plus the annual spending cap.

(5) By December 1, 2023, and by each December 1st thereafter, the economic and revenue forecast council shall calculate the annual spending cap for each fiscal year of the current biennium and the ensuing biennium.

(6) The definitions in this subsection apply throughout this section and sections 2 and 3 of this act unless the context clearly requires otherwise.

(a) "Annual median wage" means the median hourly wage, unadjusted, for all industries except the federal government, as determined by the state employment security department.

(b) "Annual spending cap" means the average of the sum of annual median wage growth and population change for each of the prior 10 fiscal years.

(c) "Related funds" has the same meaning as provided in RCW 43.88.055(2)(c).

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

ADDRESSING ACCOUNT SHIFTS.

(1) 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 legislature 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 moneys to, or an expenditure from, the connecting Washington account established in RCW 46.68.395.

(2) 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, 2024, the state budget outlook work group 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 82.33 RCW to read as follows:

DETERMINING PROPERTY TAX RELIEF.

(1) By December 1, 2025, and by each December 1st thereafter, the economic and revenue forecast council shall calculate the amount of estimated revenues deposited in the general fund and related funds in excess of the state expenditure limit for the prior fiscal year.

(2) By December 31, 2025, and December 31st of each year thereafter, the department must reduce the property tax rate imposed by RCW 84.52.065 for property tax collections for the next succeeding calendar year by the amount calculated in subsection (1) of this section.

(3) The definitions in section 1(6) of this act apply to this section, unless the context clearly requires otherwise.

**Sec.**  RCW 84.55.010 and 2021 c 207 s 10 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, excluding any increase due to (e) of this subsection, unless the highest levy was the statutory maximum rate amount, 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;

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

(e) Any increase in the assessed value of real property, as that term is defined in RCW 39.114.010, within an increment area as designated by any local government in RCW 39.114.020 provided that such increase is not included elsewhere under this section. This subsection (1)(e) does not apply to levies by the state or by port districts and public utility districts for the purpose of making required payments of principal and interest on general indebtedness.

(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.

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