

FORMATTING NOTE:

In initiatives, legislative bills and other proposed measures, language that is to be deleted from current statutes is represented by a "strikethrough" character and language that is to be added is underlined. Because these special characters cannot be formatted in all Internet browsers, a different set of symbols is used for presenting these proposals on-line. The symbols are as follows:

- Text that is surrounded by (~~{- text here -}~~) is text that will be DELETED FROM the existing statute if the proposed measure is approved.
- Text that is surrounded by {+ text here +} is text that will be ADDED TO the existing statute if the proposed measure is approved.
- {+ NEW SECTION+} (found at the beginning of a section or paragraph) indicates that ALL of the text in that section will become law if the proposed measure is approved.

* * *

INITIATIVE 249

AN ACT Relating to strengthening and protecting the state expenditure limit; amending RCW 43.135.025, 43.135.035, 43.135.051, and 43.135.060; reenacting and amending RCW 43.135.045; adding new sections to chapter 43.135 RCW; creating new sections; and repealing RCW 43.135.055 and 43.135.080.

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

{+ NEW SECTION. +} Sec. 1. (1) The people find that:

(a) The state expenditure limit established by Initiative Measure No. 601 as codified in chapter 43.135 RCW has been instrumental in bringing fiscal responsibility and stability to the state's budget;

(b) Since the enactment of the state expenditure limit in 1993, the state has made more efficient use of its tax resources while adequately funding all essential state services and during this time has even exceeded its paramount duty to provide a basic education for the children of this state by providing significant enhancements for the common schools;

(c) In recent years, however, the expenditure limit has been weakened by the use of tax credits and other actions that allow for the expenditure of state resources outside and above the limit; and

(d) There are a significant number of accounts and funds not subject to the current expenditure limit that should appropriately be included within an overall state expenditure limit.

(2) Therefore, it is the intent of the people in this act to protect the state's expenditure limit by reaffirming that state expenditure growth should not exceed a fiscal growth factor that reflects the increase in inflation and population. It is also the intent of the people to strengthen the state expenditure limit by expanding it to appropriate funds and accounts within the state treasury and by eliminating opportunities to circumvent the intent of the expenditure limit.

{+ NEW SECTION. +} Sec. 2. A new section is added to chapter 43.135 RCW to read as follows:

Unless the context clearly requires otherwise, the definitions in this section apply throughout this chapter.

(1) "Change in population" means the percentage change in state population as forecasted by the office of financial management.

(2) "Expenditure" has its ordinary meaning and also includes the following:

(a) Any movement of money out of a limited account, unless the transfer is to another limited account; and

(b) Any action or combination of actions taken by the legislature after July 1, 2000, that has the effect of directly or indirectly reducing revenues to a limited account, where such revenues would otherwise be deposited into a limited account, and directly or indirectly increasing financial support for a nonlimited state account or a local government program, service, project, facility, or activity.

(3) "Fiscal growth factor" for a fiscal year means inflation plus the change in population for that fiscal year.

(4) "Inflation" means the percentage change in the implicit price deflator for personal consumption expenditures for the United States, as forecasted in the official state economic and revenue forecast under chapter 82.33 RCW.

(5) "Limited account" means all accounts or funds that are subject to the allotment procedures under chapter 43.88 RCW, except:

(a) Debt service funds or accounts that accumulate resources solely for the payment of general, long-term debt principal and interest;

(b) Capital project funds or accounts that account solely for the receipt and disbursement of resources used for the acquisition, construction, or improvement of major capital facilities;

(c) Enterprise funds or accounts that account solely for state operations that are financed and operated in a manner similar to private business enterprises where the state's intent is that the cost of providing goods and services to the general public on a continuing basis be financed or recovered primarily through use charges;

(d) Internal service funds that account solely for state activities that provide goods and services to other governmental departments or agencies on a cost-reimbursement basis;

(e) Expendable trust funds or accounts that account solely for assets held by the state in a trustee capacity where the principal and interest may be expended in the course of the funds' designated operations;

(f) Nonexpendable trust funds or accounts that account solely for assets held by the state in a trustee capacity where only the interest income derived from the trust principal may be expended for the funds' designated operations and the funds' or accounts' principle is preserved intact;

(g) Pension and investment trust funds or accounts that account solely for transactions, assets, liabilities, and net assets available for plan benefits of the various state public employee retirement systems and local government pooled investment activities;

(h) Agency funds or accounts that account solely for the receipt and disbursement of a tax, fee, deposit, deduction, or other property collected by the state, acting in the capacity of an agent, for distribution to other governmental units or organizations;

(i) Any fund or account that accounts solely for the receipt and disbursement of moneys that have been dedicated for specific purposes by the state Constitution; and

(j) Any fund or account that accounts solely for the receipt and disbursement of moneys for revolving loans to local governments for major infrastructure projects.

(6) "Raises revenue" means a new tax or fee, the expansion in the

base of any tax or fee, a monetary increase in an existing tax or fee, an increase in the rate of a tax or fee, an expansion in the legal definition of a tax or fee base, the removal of all or part of any exemption or deduction from any tax or fee, or an extension of an expiring tax or fee.

Sec. 3. RCW 43.135.025 and 2000 2nd sp.s. c 2 s 1 are each amended to read as follows:

(1) The state shall not expend from (({- the general fund -})) {+ a limited account +} during any fiscal year state moneys in excess of the state expenditure limit {+ for that account as +} established under this chapter.

(2) Except pursuant to a declaration of emergency under RCW 43.135.035 or pursuant to an appropriation under RCW 43.135.045((- (4)(b) -)) {+ (3)(b) +}, the state treasurer shall not issue or redeem any check, warrant, or voucher that will result in a state (({- general fund -})) expenditure {+ from a limited account +} for any fiscal year in excess of the state expenditure limit established {+ for that account +} 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 {+ a limited account in +} any fiscal year shall be the previous fiscal year's state expenditure limit {+ for that account +} increased by a percentage (({- rate -})) that equals the fiscal growth factor.

(4) For purposes of computing the state expenditure limit for {+ a limited account for +} the fiscal year beginning July 1, (({- 1995 -})) {+ 2002 +}, the phrase "the previous fiscal year's state expenditure limit" means the total state expenditures from (({- the state general fund, -})) {+ that limited account, +} not including federal funds, for the fiscal year beginning July 1, (({- 1989 -})) {+ 2001 +}, plus the fiscal growth factor. (({- This calculation is then computed for the state expenditure limit for fiscal years 1992, 1993, 1994, and 1995, and as required under RCW 43.135.035(4). -}))

(5) A state expenditure limit committee is established for the purpose of determining and adjusting the state expenditure limit {+ for each limited account +} 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 appropriations. (({- All actions of the state expenditure limit committee taken pursuant to this chapter require an affirmative vote of at least three members. -})) {+ Adjustments to the expenditure limit for a limited account, other than the adjustment for the fiscal growth factor, may only be made by a two-thirds vote of the members of the state expenditure limit committee. +}

(6) Each November, the state expenditure limit committee shall adjust the {+ state +} expenditure limit {+ for each limited account +} for the preceding fiscal year based on actual expenditures and known changes in the fiscal growth factor (({- and then project an -})) {+ , calculate +} expenditure limit {+ s +} for the next (({- two -})) fiscal year((- s -)) {+ , and project state expenditure limits for the following fiscal year +}. If, by November 30th, the state expenditure limit committee has not adopted the {+ state +} expenditure limit adjustment {+ s +} (({- 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{+ s +}, as necessary.

(({- (7) "Fiscal growth factor" means the average of the sum of inflation and population change for each of the prior three fiscal years.

(8) "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.

(9) "Population change" means the percentage change in state population for each fiscal year as reported by the office of financial management. -}))

{+ NEW SECTION. +} Sec. 4. A new section is added to chapter 43.135 RCW to read as follows:

(1) If the cost of a federal, state, or local government program, service, project, facility, or activity is transferred to or from a limited account on or after July 1, 2000, the state expenditure limit committee shall increase or decrease, as the case may be, the expenditure limit for that limited account to reflect the transfer. The legislature, in consultation with the office of financial management or its successor agency, shall determine the costs of the federal, state, or local government program, service, project, facility, or activity transferred under this subsection.

(2)(a) If moneys are moved from a limited account to another limited account, the state expenditure limit committee shall decrease the expenditure limit for the limited account from which the money is moved and shall increase the expenditure limit for the limited account into which the money is moved to reflect the movement of the moneys.

(b) If moneys are moved from a nonlimited account to a limited account, the state expenditure limit committee shall increase the expenditure limit for the limited account into which the money is moved to reflect the movement of the moneys.

(3)(a) If any action or combination of actions taken by the legislature after July 1, 2000, has the effect of directly or indirectly reducing a particular revenue source to a nonlimited account, where such revenue source would otherwise be deposited into that nonlimited account, and directly or indirectly increasing revenues from that particular revenue source for a limited account, the state expenditure limit committee shall increase the expenditure limit for the affected limited account to reflect the increase from the particular revenue source.

(b) If any action or combination of actions taken by the legislature after July 1, 2000, has the effect of directly or indirectly reducing revenues from a particular source to a limited account, where such revenue source would otherwise be deposited into that limited account, and directly or indirectly increasing revenues from that particular source for another limited account, the state expenditure limit committee shall decrease the expenditure limit for the limited account from which the particular revenue source is taken and increase the expenditure limit for the limited account into which the particular revenue source is directed.

Sec. 5. RCW 43.135.035 and 2000 2nd sp.s. c 2 s 2 are each amended to read as follows:

(1) After July 1, (({- 1995 -})) {+ 2002 +}, any action or combination of actions (({- by the legislature -})) that raises (({- state -})) revenue (({- or requires revenue-neutral tax shifts -})) {+

for a limited account +} may be taken only if approved by a two-thirds vote of each house {+ of the legislature +}, and then only if state expenditures in any fiscal year, including the (({- new -})) revenue {+ resulting from the legislative action taken under this subsection +}, will not exceed the state expenditure limit((- s -)) established under this chapter {+ for that limited account +}.

(2)(a) If the legislative action under subsection (1) of this section will result in expenditures in excess of the state expenditure limit {+ for a limited account +}, then the action of the legislature shall not take effect until approved by a vote of the people at a November general election. The (({- office of financial management -})) {+ state expenditure limit committee +} shall adjust the state expenditure limit {+ for that limited account +} by the amount of additional revenue approved by the voters under this section. This adjustment shall 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 {+ for that limited account +} shall 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 shall be substantially as follows:

"Shall taxes {+ or fees +} be imposed on in order to allow a spending increase above (({- last year's authorized spending adjusted for inflation and population increases -})) {+ the currently authorized state expenditure limit for the account +}?"

(3)(a) The state expenditure limit {+ for any limited account +} 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 shall 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 {+ for any limited account +} 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 {+ or fees +} 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 {+ or fees +} shall expire upon expiration of the declaration of emergency. The legislature shall not impose additional taxes {+ or fees +} for emergency purposes under this subsection unless funds in the education construction fund {+ and the higher education capital construction fund +} have been exhausted.

(c) The state or any political subdivision of the state shall not impose any tax {+ or fee +} on intangible property listed in RCW 84.36.070 as that statute exists on January 1, (({- 1993 -})) {+ 2000 +}.

(({- (4) If the cost of any state program or function is shifted from the state general fund on or after January 1, 1993, to another source of funding, or if moneys are transferred from the state general fund to another fund or account, the state expenditure limit committee, acting pursuant to RCW 43.135.025(5), shall lower the state expenditure limit to reflect the shift. For the purposes of this section, a transfer of money from the state general fund to another fund or account includes any state legislative action taken after July 1, 2000,

that has the effect of reducing revenues from a particular source, where such revenues would otherwise be deposited into the state general fund, while increasing the revenues from that particular source to another state or local government account.

(5) If the cost of any state program or function is shifted to the state general fund on or after January 1, 2000, from another source of funding, or if moneys are transferred to the state general fund from another fund or account, the state expenditure limit committee, acting pursuant to RCW 43.135.025(5), shall increase the state expenditure limit to reflect the shift. -}})

Sec. 6. RCW 43.135.045 and 2000 2nd sp.s. c 5 s 1 and 2000 2nd sp.s. c 2 s 3 are each reenacted and amended to read as follows:

(1) The emergency reserve fund is established in the state treasury.

{{{- During -}}) {+ (2)(a) On July 1st of +} each {{{- fiscal -}}) year, the state treasurer shall {{{- deposit in -}}) {+ transfer to +} the emergency reserve fund {{{- all general fund--state revenues in excess of the state expenditure limit for that fiscal year. Deposits shall be made at the end of each fiscal quarter based on projections of state revenues and the state expenditure limit -}}) {+ any unobligated limited account balance +}. The treasurer shall make transfers between these accounts as necessary to reconcile actual annual revenues and the expenditure limit{+ s +} for fiscal year {{{- 2000 -}}) {+ 2003 +} and thereafter.

{{{- (2) -}}) {+ (b) +} The legislature may appropriate moneys from the emergency reserve fund only with approval of at least two-thirds of the members of each house of the legislature, and then only if the appropriation does not cause total expenditures to exceed the state expenditure limit under this chapter.

{{{- (3) -}}) {+ (c) +} The emergency reserve fund balance shall not exceed five percent of {{{- annual general fund--state revenues as projected by the official state revenue forecast -}}) {+ biennial state expenditures from all limited accounts +}. Any balance in excess of five percent shall be transferred {{{- on a quarterly basis -}}) by the state treasurer {{{- to the education construction fund hereby created in the treasury. The treasurer shall make transfers between these accounts as necessary to reconcile actual annual revenues for fiscal year 2000 and thereafter.

(4)(a) Funds -}}) {+ in the following manner:

(i) Fifty percent shall be transferred to the education construction fund hereby established in the state treasury. However, the transfer made under this subsection shall not exceed two hundred fifty million dollars in any fiscal year. Unless otherwise provided for by law, moneys transferred into the education construction fund +} may be appropriated {{{- from the education construction fund -}}) exclusively for common school construction {{{- or higher education construction -}}).

{{{- (b) Funds -}}) {+ (ii) Twenty-five percent shall be transferred to the higher education capital construction fund hereby created in the state treasury. However, the transfer made under this subsection shall not exceed two hundred fifty million dollars in any fiscal year. Unless otherwise provided for by law, moneys transferred into the higher education capital construction fund may be appropriated exclusively for higher education construction.

(iii) Any remaining balance shall be transferred to the congestion relief fund hereby created in the state treasury. Unless otherwise

provided for by law, moneys transferred into the congestion relief fund may be appropriated exclusively for new highway and road construction, preservation, and maintenance and freight mobility projects.

(3)(a) Moneys transferred to the education construction fund, the higher education capital construction fund, or the congestion relief fund under subsection (2)(c) of this section +} may be appropriated for any other purpose only if approved by a two-thirds vote of each house of the legislature and if approved by a vote of the people at the next general election. (({- An appropriation approved by the people under this subsection shall result in an adjustment to the state expenditure limit only for the fiscal period for which the appropriation is made and shall not affect any subsequent fiscal period.

(5) Earnings of the emergency reserve fund under RCW 43.84.092(4)(a) shall be transferred quarterly to the multimodal transportation account, except for those earnings that are in excess of thirty-five million dollars each fiscal year. Within thirty days following any fiscal year in which earnings transferred to the multimodal transportation account under this subsection did not total thirty-five million dollars, the state treasurer shall transfer from the emergency reserve fund an amount necessary to bring the total deposited in the multimodal transportation account under this subsection to thirty-five million dollars. The revenues to the multimodal transportation account reflected in this subsection provide ongoing support for the transportation programs of the state. However, it is the intent of the legislature that any new long-term financial support that may be subsequently provided for transportation programs will be used to replace and supplant the revenues reflected in this subsection, thereby allowing those revenues to be returned to the purposes to which they were previously dedicated. -})) {+ (b) The ballot title for any vote of the people required under this section shall be substantially as follows:

"Shall the amount of be diverted from the (insert the name of the fund or funds affected) and appropriated for the purpose of ?" +}

Sec. 7. RCW 43.135.051 and 1999 c 288 s 1 are each amended to read as follows:

(1) The state investment board has the full power to invest, reinvest, manage, contract, sell, or exchange investment moneys in the emergency reserve fund. All investment and operating costs associated with the investment of money shall be paid pursuant to RCW 43.33A.160 and 43.84.160. With the exception of these expenses, the earnings from the investment of the money shall be (({- retained by the -})) {+ deposited in the transportation +} fund.

(2) All investments made by the state investment board shall be made with the exercise of that degree of judgment and care pursuant to RCW 43.33A.140 and the investment policies established by the state investment board.

(3) As deemed appropriate by the state investment board, moneys in the fund may be commingled for investment with other funds subject to investment by the board.

Sec. 8. RCW 43.135.060 and 1998 c 321 s 15 are each amended to read as follows:

(1) After July 1, 1995, the legislature shall not impose responsibility for new programs or increased levels of service under

existing programs on any political subdivision of the state unless the subdivision is fully reimbursed by the state for the costs of the new programs or increases in service levels. Reimbursement by the state may be made by: (a) A specific appropriation; or (b) increases in state distributions of revenue to political subdivisions occurring after January 1, 1998. {+ This subsection does not apply to the costs incurred for voting devices or machines under RCW 29.04.200. +}

(2) (({- If by order of any court, or legislative enactment, the costs of a federal or local government program are transferred to or from the state, the otherwise applicable state expenditure limit shall be increased or decreased, as the case may be, by the dollar amount of the costs of the program.

(3) -})) The legislature, in consultation with the office of financial management or its successor agency, shall determine the costs of any new programs or increased levels of service under existing programs imposed on any political subdivision (({- or transferred to or from the state.

(4) Subsection (1) of this section does not apply to the costs incurred for voting devices or machines under RCW 29.04.200 -})) {+ under subsection (1) of this section +}.

{+ NEW SECTION. +} Sec. 9. The following acts or parts of acts are each repealed:

(1) RCW 43.135.055 (Fee increase restriction--Exception) and 1997 c 303 s 2 & 1994 c 2 s 8; and

(2) RCW 43.135.080 (Reenactment and reaffirmation of Initiative Measure No. 601--Continued limitations--Exceptions) and 1998 c 321 s 14.

{+ NEW SECTION. +} Sec. 10. If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

{+ NEW SECTION. +} Sec. 11. This act applies to the calculation of state expenditure limits for the fiscal year beginning July 1, 2002, and thereafter.

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