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**SUBSTITUTE HOUSE BILL 3121**

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**State of Washington**

**56th Legislature**

**2000 Regular Session**

**By** House Committee on Appropriations (originally sponsored by Representatives Huff, Lisk, Pennington, Radcliff, Mastin, McMorris, Lambert, Woods, Benson, Delvin, Skinner, Bush, Wensman, Boldt, Barlean, Thomas, Parlette, Pflug, Fortunato, Cairnes, Talcott, Mulliken and Esser)

Read first time 03/06/2000. Referred to Committee on .

1 AN ACT Relating to strengthening the state expenditure limit;  
2 amending RCW 43.135.025 and 43.135.035; providing an effective date;  
3 and declaring an emergency.

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

5 **Sec. 1.** RCW 43.135.025 and 1994 c 2 s 2 are each amended to read  
6 as follows:

7 (1) The state shall not expend from the general fund during any  
8 fiscal year state moneys in excess of the state expenditure limit  
9 established under this chapter.

10 (2) Except pursuant to a declaration of emergency under RCW  
11 43.135.035 or pursuant to an appropriation under RCW 43.135.045(4)(b),  
12 the state treasurer shall not issue or redeem any check, warrant, or  
13 voucher that will result in a state general fund expenditure for any  
14 fiscal year in excess of the state expenditure limit established under  
15 this chapter. A violation of this subsection constitutes a violation  
16 of RCW 43.88.290 and shall subject the state treasurer to the penalties  
17 provided in RCW 43.88.300.

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

4 (4) For purposes of computing the state expenditure limit for the  
5 fiscal year beginning July 1, 1995, the phrase "the previous fiscal  
6 year's state expenditure limit" means the total state expenditures from  
7 the state general fund, not including federal funds, for the fiscal  
8 year beginning July 1, 1989, plus the fiscal growth factor. This  
9 calculation is then computed for the state expenditure limit for fiscal  
10 years 1992, 1993, 1994, and 1995, and as required under RCW  
11 43.135.035(4).

12 (5) A state expenditure limit committee is established for the  
13 purpose of determining and adjusting the state expenditure limit as  
14 provided in this chapter. The members of the state expenditure limit  
15 committee are the director of financial management, the state  
16 treasurer, and the chairs of the senate committee on ways and means and  
17 the house of representatives committee on appropriations. All actions  
18 of the state expenditure limit committee taken pursuant to this chapter  
19 require an affirmative vote of at least three members.

20 (6) Each November, the ~~((office of financial management))~~ state  
21 expenditure limit committee shall adjust the expenditure limit for the  
22 preceding fiscal year based on actual expenditures and known changes in  
23 the fiscal growth factor and then project an expenditure limit for the  
24 next two fiscal years. ~~((The office of financial management shall~~  
25 ~~notify the legislative fiscal committees of all adjustments to the~~  
26 ~~state expenditure limit and projections of future expenditure limits.))~~  
27 If, by November 30th, the state expenditure limit committee has not  
28 adopted the expenditure limit adjustment and projected expenditure  
29 limit as provided in subsection (5) of this section, the treasurer  
30 shall adjust or project the expenditure limit, as necessary.

31 ~~((+6))~~ (7) "Fiscal growth factor" means the average of the sum of  
32 inflation and population change for each of the prior three fiscal  
33 years.

34 ~~((+7))~~ (8) "Inflation" means the percentage change in the implicit  
35 price deflator for the United States for each fiscal year as published  
36 by the federal bureau of labor statistics.

37 ~~((+8))~~ (9) "Population change" means the percentage change in  
38 state population for each fiscal year as reported by the office of  
39 financial management.

1       **Sec. 2.** RCW 43.135.035 and 1994 c 2 s 4 are each amended to read  
2 as follows:

3       (1) After July 1, 1995, any action or combination of actions by the  
4 legislature that raises state revenue or requires revenue-neutral tax  
5 shifts may be taken only if approved by a two-thirds vote of each  
6 house, and then only if state expenditures in any fiscal year,  
7 including the new revenue, will not exceed the state expenditure limits  
8 established under this chapter.

9       (2)(a) If the legislative action under subsection (1) of this  
10 section will result in expenditures in excess of the state expenditure  
11 limit, then the action of the legislature shall not take effect until  
12 approved by a vote of the people at a November general election. The  
13 office of financial management shall adjust the state expenditure limit  
14 by the amount of additional revenue approved by the voters under this  
15 section. This adjustment shall not exceed the amount of revenue  
16 generated by the legislative action during the first full fiscal year  
17 in which it is in effect. The state expenditure limit shall be  
18 adjusted downward upon expiration or repeal of the legislative action.

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

21       "Shall taxes be imposed on . . . . . in order to allow a  
22 spending increase above last year's authorized spending adjusted for  
23 inflation and population increases?"

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

33       (b) Additional taxes required for an emergency under this section  
34 may be imposed only until thirty days following the next general  
35 election, unless an extension is approved at that general election.  
36 The additional taxes shall expire upon expiration of the declaration of  
37 emergency. The legislature shall not impose additional taxes for

1 emergency purposes under this subsection unless funds in the education  
2 construction fund have been exhausted.

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

6 (4) If the cost of any state program or function is shifted from  
7 the state general fund on or after January 1, 1993, to another source  
8 of funding, or if moneys are transferred from the state general fund to  
9 another fund or account, the ~~((office of financial management))~~ state  
10 expenditure limit committee, acting pursuant to RCW 43.135.025(5),  
11 shall lower the state expenditure limit to reflect the shift. For the  
12 purposes of this section, a transfer of money from the state general  
13 fund to another fund or account includes any state legislative action  
14 taken after July 1, 2000, that has the effect of reducing revenues from  
15 a particular source, where such revenues would otherwise be deposited  
16 into the state general fund, while increasing the revenues from that  
17 particular source to another state or local government account.

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

24 NEW SECTION. Sec. 3. This act is necessary for the immediate  
25 preservation of the public peace, health, or safety, or support of the  
26 state government and its existing public institutions, and takes effect  
27 July 1, 2000.

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