

Proposed Substitute House Bill 2552
By Representative Sommers

1 AN ACT Relating to fiscal matters; amending RCW 43.135.025 and
2 43.135.035; reenacting and amending RCW 43.84.092 and 43.84.092; adding
3 new sections to chapter 41.45 RCW; making appropriations; providing an
4 effective date; providing expiration dates; and declaring an emergency.

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

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.45 RCW
7 to read as follows:

8 The pension funding stabilization account is created in the state
9 treasury. Moneys in the account may be spent only after appropriation.
10 Expenditures from the account may be used only for payment of state
11 government employer contributions for members of the public employees'
12 retirement system, the teachers' retirement system, the school
13 employees' retirement system, and the public safety employees'
14 retirement system. The account may not be used to pay for any new
15 benefit or for any benefit increase that takes effect after July 1,
16 2005. An increase that is provided in accordance with a formula that
17 is in existence on July 1, 2005, is not considered a benefit increase
18 for this purpose. For purposes of RCW 43.135.035, expenditures from

1 the pension funding stabilization account shall not be considered a
2 state program cost shift from the state general fund to another
3 account.

4 NEW SECTION. **Sec. 2.** A new section is added to chapter 41.45 RCW
5 to read as follows:

6 (1) Beginning September 1, 2006, the following employer
7 contribution rates are established in addition to already established
8 employer contribution rates: For all members of the teachers'
9 retirement system, an additional 1.29 percent; for all members of the
10 school employees' retirement system, an additional 0.87 percent.

11 (2) Beginning January 1, 2007, the following employer contribution
12 rate is established in addition to the already established employer
13 contribution rate: For all members of the public employees' retirement
14 system and the public safety employees' retirement system, an
15 additional 1.77 percent.

16 (3) These additional rates are to be used as contributions to the
17 unfunded liabilities of the public employees' retirement system plan 1
18 and the teachers' retirement system plan 1.

19 NEW SECTION. **Sec. 3.** The sum of \$301,401,000 is appropriated for
20 the fiscal year ending June 30, 2006, from the general fund to the
21 pension funding stabilization account for the purposes of section 1 of
22 this act.

23 NEW SECTION. **Sec. 4.** The sum of \$200,000,000 is appropriated for
24 the fiscal year ending June 30, 2006, from the general fund to the
25 health services account for the purposes of providing fiscal stability
26 for the account.

27 NEW SECTION. **Sec. 5.** The sum of \$200,000,000 is appropriated for
28 the fiscal year ending June 30, 2006, from the general fund to the
29 student achievement fund for the purposes of providing fiscal stability
30 for the account. The legislature intends for this amount to be
31 available for appropriation from the student achievement fund in the
32 2007-09 fiscal biennium.

1 **Sec. 6.** RCW 43.135.025 and 2000 2nd sp.s. c 2 s 1 are each amended
2 to read as follows:

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

6 (2) Except pursuant to a declaration of emergency under RCW
7 43.135.035 or pursuant to an appropriation under RCW 43.135.045(4)(b),
8 the state treasurer shall not issue or redeem any check, warrant, or
9 voucher that will result in a state general fund expenditure for any
10 fiscal year in excess of the state expenditure limit established under
11 this chapter. A violation of this subsection constitutes a violation
12 of RCW 43.88.290 and shall subject the state treasurer to the penalties
13 provided in RCW 43.88.300.

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

17 (4) For purposes of computing the state expenditure limit for the
18 fiscal year beginning July 1, 1995, the phrase "the previous fiscal
19 year's state expenditure limit" means the total state expenditures from
20 the state general fund, not including federal funds, for the fiscal
21 year beginning July 1, 1989, plus the fiscal growth factor. This
22 calculation is then computed for the state expenditure limit for fiscal
23 years 1992, 1993, 1994, and 1995, and as required under RCW
24 43.135.035(4).

25 (5) A state expenditure limit committee is established for the
26 purpose of determining and adjusting the state expenditure limit as
27 provided in this chapter. The members of the state expenditure limit
28 committee are the director of financial management, the attorney
29 general or the attorney general's designee, and the chairs of the
30 senate committee on ways and means and the house of representatives
31 committee on appropriations. All actions of the state expenditure
32 limit committee taken pursuant to this chapter require an affirmative
33 vote of at least three members.

34 (6) Each November, the state expenditure limit committee shall
35 adjust the expenditure limit for the preceding fiscal year based on
36 actual expenditures and known changes in the fiscal growth factor and
37 then project an expenditure limit for the next two fiscal years. In
38 calculating the expenditure limit for fiscal year 2006, the calculation

1 shall be adjusted to include the fiscal year 2006 state general fund
2 appropriations to the pension funding stabilization account, the health
3 services account, and the student achievement fund. If, by November
4 30th, the state expenditure limit committee has not adopted the
5 expenditure limit adjustment and projected expenditure limit as
6 provided in subsection (5) of this section, the attorney general or his
7 or her designee shall adjust or project the expenditure limit, as
8 necessary.

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

12 (8) "Inflation" means the percentage change in the implicit price
13 deflator for the United States for each fiscal year as published by the
14 federal bureau of labor statistics.

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

18 **Sec. 7.** RCW 43.135.035 and 2005 c 72 s 2 are each amended to read
19 as follows:

20 (1) After July 1, 1995, any action or combination of actions by the
21 legislature that raises state revenue or requires revenue-neutral tax
22 shifts may be taken only if approved by a two-thirds vote of each
23 house, and then only if state expenditures in any fiscal year,
24 including the new revenue, will not exceed the state expenditure limits
25 established under this chapter. However, for legislation enacted
26 between the effective date of this 2005 act and June 30, 2007, any
27 action or combination of actions by the legislature that raises state
28 revenue or requires revenue-neutral tax shifts may be taken with the
29 approval of a majority of members elected to each house, so long as
30 state expenditures in any fiscal year, including the new revenue, will
31 not exceed the state expenditure limits established under this chapter.

32 (2)(a) If the legislative action under subsection (1) of this
33 section will result in expenditures in excess of the state expenditure
34 limit, then the action of the legislature shall not take effect until
35 approved by a vote of the people at a November general election. The
36 state expenditure limit committee shall adjust the state expenditure
37 limit by the amount of additional revenue approved by the voters under

1 this section. This adjustment shall not exceed the amount of revenue
2 generated by the legislative action during the first full fiscal year
3 in which it is in effect. The state expenditure limit shall be
4 adjusted downward upon expiration or repeal of the legislative action.

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

7 "Shall taxes be imposed on in order to allow a
8 spending increase above last year's authorized spending adjusted for
9 inflation and population increases?"

10 (3)(a) The state expenditure limit may be exceeded upon declaration
11 of an emergency for a period not to exceed twenty-four months by a law
12 approved by a two-thirds vote of each house of the legislature and
13 signed by the governor. The law shall set forth the nature of the
14 emergency, which is limited to natural disasters that require immediate
15 government action to alleviate human suffering and provide humanitarian
16 assistance. The state expenditure limit may be exceeded for no more
17 than twenty-four months following the declaration of the emergency and
18 only for the purposes contained in the emergency declaration.

19 (b) Additional taxes required for an emergency under this section
20 may be imposed only until thirty days following the next general
21 election, unless an extension is approved at that general election.
22 The additional taxes shall expire upon expiration of the declaration of
23 emergency. The legislature shall not impose additional taxes for
24 emergency purposes under this subsection unless funds in the education
25 construction fund have been exhausted.

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

29 (4) If the cost of any state program or function is shifted from
30 the state general fund on or after January 1, 1993, to another source
31 of funding, or if moneys are transferred from the state general fund to
32 another fund or account, the state expenditure limit committee, acting
33 pursuant to RCW 43.135.025(5), shall lower the state expenditure limit
34 to reflect the shift. For purposes of this section, expenditures from
35 the pension funding stabilization account shall not be considered a
36 state program cost shift from the state general fund to another
37 account. For the purposes of this section, a transfer of money from
38 the state general fund to another fund or account includes any state

1 legislative action taken that has the effect of reducing revenues from
2 a particular source, where such revenues would otherwise be deposited
3 into the state general fund, while increasing the revenues from that
4 particular source to another state or local government account. This
5 subsection does not apply to the dedication or use of lottery revenues
6 under RCW 67.70.240(3) or property taxes under RCW 84.52.068, in
7 support of education or education expenditures.

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

14 **Sec. 8.** RCW 43.84.092 and 2005 c 514 s 1105, 2005 c 353 s 3, 2005
15 c 339 s 22, 2005 c 314 s 109, 2005 c 312 s 7, and 2005 c 94 s 1 are
16 each reenacted and amended to read as follows:

17 (1) All earnings of investments of surplus balances in the state
18 treasury shall be deposited to the treasury income account, which
19 account is hereby established in the state treasury.

20 (2) The treasury income account shall be utilized to pay or receive
21 funds associated with federal programs as required by the federal cash
22 management improvement act of 1990. The treasury income account is
23 subject in all respects to chapter 43.88 RCW, but no appropriation is
24 required for refunds or allocations of interest earnings required by
25 the cash management improvement act. Refunds of interest to the
26 federal treasury required under the cash management improvement act
27 fall under RCW 43.88.180 and shall not require appropriation. The
28 office of financial management shall determine the amounts due to or
29 from the federal government pursuant to the cash management improvement
30 act. The office of financial management may direct transfers of funds
31 between accounts as deemed necessary to implement the provisions of the
32 cash management improvement act, and this subsection. Refunds or
33 allocations shall occur prior to the distributions of earnings set
34 forth in subsection (4) of this section.

35 (3) Except for the provisions of RCW 43.84.160, the treasury income
36 account may be utilized for the payment of purchased banking services
37 on behalf of treasury funds including, but not limited to, depository,

1 safekeeping, and disbursement functions for the state treasury and
2 affected state agencies. The treasury income account is subject in all
3 respects to chapter 43.88 RCW, but no appropriation is required for
4 payments to financial institutions. Payments shall occur prior to
5 distribution of earnings set forth in subsection (4) of this section.

6 (4) Monthly, the state treasurer shall distribute the earnings
7 credited to the treasury income account. The state treasurer shall
8 credit the general fund with all the earnings credited to the treasury
9 income account except:

10 (a) The following accounts and funds shall receive their
11 proportionate share of earnings based upon each account's and fund's
12 average daily balance for the period: The capitol building
13 construction account, the Cedar River channel construction and
14 operation account, the Central Washington University capital projects
15 account, the charitable, educational, penal and reformatory
16 institutions account, the common school construction fund, the county
17 criminal justice assistance account, the county sales and use tax
18 equalization account, the data processing building construction
19 account, the deferred compensation administrative account, the deferred
20 compensation principal account, the department of retirement systems
21 expense account, the developmental disabilities community trust
22 account, the drinking water assistance account, the drinking water
23 assistance administrative account, the drinking water assistance
24 repayment account, the Eastern Washington University capital projects
25 account, the education construction fund, the education legacy trust
26 account, the election account, the emergency reserve fund, The
27 Evergreen State College capital projects account, the federal forest
28 revolving account, the freight mobility investment account, the health
29 services account, the public health services account, the health system
30 capacity account, the personal health services account, the state
31 higher education construction account, the higher education
32 construction account, the highway infrastructure account, the high-
33 occupancy toll lanes operations account, the industrial insurance
34 premium refund account, the judges' retirement account, the judicial
35 retirement administrative account, the judicial retirement principal
36 account, the local leasehold excise tax account, the local real estate
37 excise tax account, the local sales and use tax account, the medical
38 aid account, the mobile home park relocation fund, the multimodal

1 transportation account, the municipal criminal justice assistance
2 account, the municipal sales and use tax equalization account, the
3 natural resources deposit account, the oyster reserve land account, the
4 pension funding stabilization account, the perpetual surveillance and
5 maintenance account, the public employees' retirement system plan 1
6 account, the public employees' retirement system combined plan 2 and
7 plan 3 account, the public facilities construction loan revolving
8 account beginning July 1, 2004, the public health supplemental account,
9 the Puyallup tribal settlement account, the real estate appraiser
10 commission account, the regional transportation investment district
11 account, the resource management cost account, the rural Washington
12 loan fund, the site closure account, the small city pavement and
13 sidewalk account, the special wildlife account, the state employees'
14 insurance account, the state employees' insurance reserve account, the
15 state investment board expense account, the state investment board
16 commingled trust fund accounts, the supplemental pension account, the
17 Tacoma Narrows toll bridge account, the teachers' retirement system
18 plan 1 account, the teachers' retirement system combined plan 2 and
19 plan 3 account, the tobacco prevention and control account, the tobacco
20 settlement account, the transportation infrastructure account, the
21 transportation partnership account, the tuition recovery trust fund,
22 the University of Washington bond retirement fund, the University of
23 Washington building account, the volunteer fire fighters' and reserve
24 officers' relief and pension principal fund, the volunteer fire
25 fighters' and reserve officers' administrative fund, the Washington
26 fruit express account, the Washington judicial retirement system
27 account, the Washington law enforcement officers' and fire fighters'
28 system plan 1 retirement account, the Washington law enforcement
29 officers' and fire fighters' system plan 2 retirement account, the
30 Washington school employees' retirement system combined plan 2 and 3
31 account, the Washington state health insurance pool account, the
32 Washington state patrol retirement account, the Washington State
33 University building account, the Washington State University bond
34 retirement fund, the water pollution control revolving fund, and the
35 Western Washington University capital projects account. Earnings
36 derived from investing balances of the agricultural permanent fund, the
37 normal school permanent fund, the permanent common school fund, the
38 scientific permanent fund, and the state university permanent fund

1 shall be allocated to their respective beneficiary accounts. All
2 earnings to be distributed under this subsection (4)(a) shall first be
3 reduced by the allocation to the state treasurer's service fund
4 pursuant to RCW 43.08.190.

5 (b) The following accounts and funds shall receive eighty percent
6 of their proportionate share of earnings based upon each account's or
7 fund's average daily balance for the period: The aeronautics account,
8 the aircraft search and rescue account, the county arterial
9 preservation account, the department of licensing services account, the
10 essential rail assistance account, the ferry bond retirement fund, the
11 grade crossing protective fund, the high capacity transportation
12 account, the highway bond retirement fund, the highway safety account,
13 the motor vehicle fund, the motorcycle safety education account, the
14 pilotage account, the public transportation systems account, the Puget
15 Sound capital construction account, the Puget Sound ferry operations
16 account, the recreational vehicle account, the rural arterial trust
17 account, the safety and education account, the special category C
18 account, the state patrol highway account, the transportation 2003
19 account (nickel account), the transportation equipment fund, the
20 transportation fund, the transportation improvement account, the
21 transportation improvement board bond retirement account, and the urban
22 arterial trust account.

23 (5) In conformance with Article II, section 37 of the state
24 Constitution, no treasury accounts or funds shall be allocated earnings
25 without the specific affirmative directive of this section.

26 **Sec. 9.** RCW 43.84.092 and 2005 c 514 s 1106, 2005 c 353 s 4, 2005
27 c 339 s 23, 2005 c 314 s 110, 2005 c 312 s 8, and 2005 c 94 s 2 are
28 each reenacted and amended to read as follows:

29 (1) All earnings of investments of surplus balances in the state
30 treasury shall be deposited to the treasury income account, which
31 account is hereby established in the state treasury.

32 (2) The treasury income account shall be utilized to pay or receive
33 funds associated with federal programs as required by the federal cash
34 management improvement act of 1990. The treasury income account is
35 subject in all respects to chapter 43.88 RCW, but no appropriation is
36 required for refunds or allocations of interest earnings required by
37 the cash management improvement act. Refunds of interest to the

1 federal treasury required under the cash management improvement act
2 fall under RCW 43.88.180 and shall not require appropriation. The
3 office of financial management shall determine the amounts due to or
4 from the federal government pursuant to the cash management improvement
5 act. The office of financial management may direct transfers of funds
6 between accounts as deemed necessary to implement the provisions of the
7 cash management improvement act, and this subsection. Refunds or
8 allocations shall occur prior to the distributions of earnings set
9 forth in subsection (4) of this section.

10 (3) Except for the provisions of RCW 43.84.160, the treasury income
11 account may be utilized for the payment of purchased banking services
12 on behalf of treasury funds including, but not limited to, depository,
13 safekeeping, and disbursement functions for the state treasury and
14 affected state agencies. The treasury income account is subject in all
15 respects to chapter 43.88 RCW, but no appropriation is required for
16 payments to financial institutions. Payments shall occur prior to
17 distribution of earnings set forth in subsection (4) of this section.

18 (4) Monthly, the state treasurer shall distribute the earnings
19 credited to the treasury income account. The state treasurer shall
20 credit the general fund with all the earnings credited to the treasury
21 income account except:

22 (a) The following accounts and funds shall receive their
23 proportionate share of earnings based upon each account's and fund's
24 average daily balance for the period: The capitol building
25 construction account, the Cedar River channel construction and
26 operation account, the Central Washington University capital projects
27 account, the charitable, educational, penal and reformatory
28 institutions account, the common school construction fund, the county
29 criminal justice assistance account, the county sales and use tax
30 equalization account, the data processing building construction
31 account, the deferred compensation administrative account, the deferred
32 compensation principal account, the department of retirement systems
33 expense account, the developmental disabilities community trust
34 account, the drinking water assistance account, the drinking water
35 assistance administrative account, the drinking water assistance
36 repayment account, the Eastern Washington University capital projects
37 account, the education construction fund, the education legacy trust
38 account, the election account, the emergency reserve fund, The

1 Evergreen State College capital projects account, the federal forest
2 revolving account, the freight mobility investment account, the health
3 services account, the public health services account, the health system
4 capacity account, the personal health services account, the state
5 higher education construction account, the higher education
6 construction account, the highway infrastructure account, the high-
7 occupancy toll lanes operations account, the industrial insurance
8 premium refund account, the judges' retirement account, the judicial
9 retirement administrative account, the judicial retirement principal
10 account, the local leasehold excise tax account, the local real estate
11 excise tax account, the local sales and use tax account, the medical
12 aid account, the mobile home park relocation fund, the multimodal
13 transportation account, the municipal criminal justice assistance
14 account, the municipal sales and use tax equalization account, the
15 natural resources deposit account, the oyster reserve land account, the
16 pension funding stabilization account, the perpetual surveillance and
17 maintenance account, the public employees' retirement system plan 1
18 account, the public employees' retirement system combined plan 2 and
19 plan 3 account, the public facilities construction loan revolving
20 account beginning July 1, 2004, the public health supplemental account,
21 the public works assistance account, the Puyallup tribal settlement
22 account, the real estate appraiser commission account, the regional
23 transportation investment district account, the resource management
24 cost account, the rural Washington loan fund, the site closure account,
25 the small city pavement and sidewalk account, the special wildlife
26 account, the state employees' insurance account, the state employees'
27 insurance reserve account, the state investment board expense account,
28 the state investment board commingled trust fund accounts, the
29 supplemental pension account, the Tacoma Narrows toll bridge account,
30 the teachers' retirement system plan 1 account, the teachers'
31 retirement system combined plan 2 and plan 3 account, the tobacco
32 prevention and control account, the tobacco settlement account, the
33 transportation infrastructure account, the transportation partnership
34 account, the tuition recovery trust fund, the University of Washington
35 bond retirement fund, the University of Washington building account,
36 the volunteer fire fighters' and reserve officers' relief and pension
37 principal fund, the volunteer fire fighters' and reserve officers'
38 administrative fund, the Washington fruit express account, the

1 Washington judicial retirement system account, the Washington law
2 enforcement officers' and fire fighters' system plan 1 retirement
3 account, the Washington law enforcement officers' and fire fighters'
4 system plan 2 retirement account, the Washington public safety
5 employees' plan 2 retirement account, the Washington school employees'
6 retirement system combined plan 2 and 3 account, the Washington state
7 health insurance pool account, the Washington state patrol retirement
8 account, the Washington State University building account, the
9 Washington State University bond retirement fund, the water pollution
10 control revolving fund, and the Western Washington University capital
11 projects account. Earnings derived from investing balances of the
12 agricultural permanent fund, the normal school permanent fund, the
13 permanent common school fund, the scientific permanent fund, and the
14 state university permanent fund shall be allocated to their respective
15 beneficiary accounts. All earnings to be distributed under this
16 subsection (4)(a) shall first be reduced by the allocation to the state
17 treasurer's service fund pursuant to RCW 43.08.190.

18 (b) The following accounts and funds shall receive eighty percent
19 of their proportionate share of earnings based upon each account's or
20 fund's average daily balance for the period: The aeronautics account,
21 the aircraft search and rescue account, the county arterial
22 preservation account, the department of licensing services account, the
23 essential rail assistance account, the ferry bond retirement fund, the
24 grade crossing protective fund, the high capacity transportation
25 account, the highway bond retirement fund, the highway safety account,
26 the motor vehicle fund, the motorcycle safety education account, the
27 pilotage account, the public transportation systems account, the Puget
28 Sound capital construction account, the Puget Sound ferry operations
29 account, the recreational vehicle account, the rural arterial trust
30 account, the safety and education account, the special category C
31 account, the state patrol highway account, the transportation 2003
32 account (nickel account), the transportation equipment fund, the
33 transportation fund, the transportation improvement account, the
34 transportation improvement board bond retirement account, and the urban
35 arterial trust account.

36 (5) In conformance with Article II, section 37 of the state
37 Constitution, no treasury accounts or funds shall be allocated earnings
38 without the specific affirmative directive of this section.

1 NEW SECTION. **Sec. 10.** Section 8 of this act expires July 1, 2006.

2 NEW SECTION. **Sec. 11.** Sections 6 and 7 of this act expire July 1,
3 2007.

4 NEW SECTION. **Sec. 12.** This act is necessary for the immediate
5 preservation of the public peace, health, or safety, or support of the
6 state government and its existing public institutions, and takes effect
7 immediately, except section 9 of this act, which takes effect July 1,
8 2006.

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