



September 6, 2007

SUMMARY OF CONSTITUTIONAL AMENDMENT ESSJR 8206
Concerning the establishment of a budget stabilization account.

*This summary has been prepared in response to specific questions about the provisions and effects of Constitutional Amendment ESSJR 8206 and is provided for legislative purposes only; it is **not** provided as an expression for or against the ballot measure. Please remember that it is inappropriate to use public resources to support or oppose a ballot measure. Please refer to the 2007 Legislative Ethics Manual or contact Senate Counsel for further guidance on when and how comment on ballot measures is appropriate.*

BRIEF SUMMARY

Engrossed Substitute Senate Joint Resolution 8206 amends the state Constitution to establish a Budget Stabilization Account (Account), into which 1 percent of general state revenues is deposited annually. In the event, forecasted employment growth is less than 1 percent or the Governor declares an emergency due to a catastrophic event, then the Legislature may appropriate funds from the Account. Otherwise, funds from the Account may be appropriated only with a three-fifths vote of the Legislature.

BACKGROUND

Initiative 601, adopted by the voters in 1993, established by statute a state General Fund expenditure limit and created the Emergency Reserve Fund. The Emergency Reserve Fund receives all state General Fund revenues in excess of the state expenditure limit. Appropriations may be made from the Emergency Reserve Fund only by a two-thirds vote of the Legislature.

"General state revenues" is defined in the state Constitution as being all state revenues that are not dedicated to a particular purpose. Thus, general state revenues consist of all revenues to the state General Fund, with the exception of property tax revenues, which are dedicated to the common school system.

SUMMARY OF ESSJR 8206

The resolution amends the Washington Constitution to establish a Budget Stabilization Account. Beginning in fiscal year 2009 and each fiscal year thereafter, 1 percent of general state revenues will be deposited to the Account.

Moneys may be appropriated from the Account by a majority vote of each house of the Legislature if: (1) forecasted state employment growth for any fiscal year is less than 1 percent; or (2) the Governor declares an emergency resulting from a catastrophic event that requires government action to protect life or public safety.

Other withdrawals from the Account may be made only by a three-fifths vote of the Legislature.

The Account retains its investment earnings. To the extent that the balance of the Account exceeds 10 percent of general state revenues, the Legislature may appropriate the excess balance to the Education Construction Fund (which is statutorily dedicated to K-12 and higher education construction projects).

Employment forecasts and revenue estimates for the Account are made by the Economic and Revenue Forecast Council.

Contingent upon voter approval of Engrossed Substitute Senate Joint Resolution 8206, the Legislature has enacted legislation to implement the Constitutional amendment (ESSB 5311; Chapter 484, Laws of 2007). Among other things, this legislation: (1) specifies that the Budget Stabilization Account is managed and invested by the State Investment Board and that the account retains its own investment; (2) directs that transfers to, and expenditures from, the Budget Stabilization Account do not affect the state expenditure limit; and (3) abolishes the Emergency Reserve Fund and transfers the money in the fund to the Budget Stabilization Account on July 1, 2008.

FISCAL IMPACT

Based on the June 2007 revenue forecast, the projected deposit into the Budget Stabilization Account will be approximately \$134 million in fiscal year 2009. In subsequent years, the amount of the deposit will vary depending on changes in state revenue collections.

If the Constitutional amendment is approved by the voters, it is also estimated that \$226.5 million will be transferred from the Emergency Reserve Fund to the Budget Stabilization Account pursuant to the provisions of ESSB 5311 (chapter 484, Laws of 2007).

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*This summary should not be considered legislative history for purposes of interpreting
Constitutional Amendment ESSJR 8206.*