



Budget Tidbits... just the facts

Senate Republican Caucus

Budget Brief: #3 (1/30/07)

Meaningful Rainy Day Fund

This brief examines one concern with the Governor's constitutional rainy day fund proposal.

A. Potentially Most Significant Fiscal Legislation in 25 years

- The legislature this year stands poised to pass possibly the most significant fiscal legislation in 25 years – a constitutional rainy day fund. The key will be to put before voters a “truth-in-advertising” measure: one that ensures funds are available for the proverbial rainy day.

B. Governor's Proposal: One Flaw

- Two primary proposals before the legislature are Senate Republicans' (SJR 8200) and the Governor's (SJR 8206). Alike in most respects, both SJR 8200 & SJR 8206 propose:
 - Annually putting away 1 percent of revenue; permitting the fund to be tapped at any time by a 60 percent vote of the legislature; and that a simple majority can tap the fund in an economic downturn, defined as less than 1 percent forecasted employment growth.
- **The most notable difference between the legislation is the Governor adds an additional trigger for simple majority access: if the Governor declares an emergency that represents a threat to public health or public property or is authorized by statute.**
- Although well-intentioned the clause is a potential MAJOR loophole for four reasons:
 - First, there is no requirement the declared emergency have a sizable (or any) impact on the budget, or that the money be used solely for the emergency.
 - Second, virtually anything could fall within the proposed language. A potential budget reduction could constitute a “threat to public health” or a pro sports team leaving its publicly-financed arena could represent a “threat to public property.”
 - Third, the proviso authorizing an emergency declared by statute would permit the legislature unfettered discretion to re-define an emergency as it saw fit. Functionally, if the Governor concurred, the legislature could evade the 60 percent vote requirement at any time by re-defining an emergency and accessing the fund with a simple majority.
 - Fourth, we've seen how often the legislature uses an emergency clause (stadiums, tax breaks, etc.). This is essentially giving the Governor the same authority. In the past eighteen months alone the Governor has declared 12 emergencies.¹

- The emergency proviso boils down to a “trust the Governor” approach. *Yet the Governor is no more immune to political pressure than the legislature* and, in the wrong hands, the proviso could be used to functionally eviscerate the fund whenever desired.

C. Politics Goes by Wayside in Time of True Emergency

- As the *Everett Herald* opined when disagreeing with the Governor’s additional trigger:

*“In the one key area of disagreement, we think the Republicans have it right. Gregoire’s plan would allow a simple majority to tap the fund if the governor declares an emergency; Republicans would still require 60 percent support. That’s reasonable, because a meaningful rainy-day fund shouldn’t be easy to tap. **If a true emergency exists, a supermajority vote won’t be hard to muster.**”²*

- Therein lies the heart of the issue: if a true emergency were to hit Washington – ala Hurricane Katrina or a terrorist event – can anyone seriously doubt that legislators would not easily reach the 60 percent threshold to tap the fund?
- History shows the greater concern is – given the opportunity – politicians will squander a savings account before the true need occurs. This is what needs to be guarded against to ensure a constitutional rainy day fund is effective and meaningful.

D. Good News: Governor’s Office Open to Revisions

- The Governor’s budget director recently acknowledged their language is “too loose” and needs revision, and that the Governor’s intent is to put before voters a truly meaningful rainy day fund.³

Bottom Line

On the verge of passing the most significant fiscal legislation in decades, it is vital to make sure any constitutional rainy day fund is meaningful and effective and will do as advertised: ensure that a reserve is present when the proverbial “rainy day” occurs.

1. See Governor’s Proclamations (www.governor.wa.gov/execorders/default.asp)
2. “Dems would be smart to back rainy day fund”, *Everett Herald* Editorial (1/19/07)
3. Victor Moore testimony before House Appropriations, 1/25/07