

SB 1562 A STAFF MEASURE SUMMARY

Carrier: Rep. Sanchez

House Committee On Revenue

Action Date: 03/05/24

Action: Do Pass the A-Eng bill.

Vote: 7-0-0-0

Yeas: 7 - Levy B, Marsh, Nathanson, Nguyen D, Reschke, Smith G, Walters

Fiscal: Has minimal fiscal impact

Revenue: Revenue impact issued

Prepared By: Chris Allanach, Legislative Revenue Officer

Meeting Dates: 3/4, 3/5

WHAT THE MEASURE DOES:

Increases the limit for transferring funds from the General Fund to the Rainy Day Fund from 7.5 percent to 12.5 percent of revenue received in the prior biennium. This will allow the state to increase the reserves in Rainy Day Fund as compared to current law.

ISSUES DISCUSSED:

- Unanimous support in the Senate
- Comparison to six month household savings benchmark
- Fiscal responsibility
- Potential recessionary impacts on budget programs
- Confirmation that the policy does not affect the kicker
- Potential for positive impact on the state's bond rating
- How the cap works

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The Rainy Day Fund was created by the 2007 Legislature, redirecting the 2005-07 Corporate kicker of \$344 million as an initial deposit. The initial source of revenue for the fund was the deposit of the biennial ending balance, up to one percent of General Fund appropriations. The 2009 Legislature added a second funding source. The current structure of this second source is the amount of corporation income/excise taxes attributable to any tax rate above 7.2 percent. Revenue is deposited into the fund as long as the fund balance just prior to the transfer is below 7.5 percent of the General Fund revenue in the prior biennium.