

SSB 6636 - H AMD 1432

By Representative Hunter

ADOPTED 04/10/2012

1 Strike everything after the enacting clause and insert the  
2 following:

3 "NEW SECTION. **Sec. 1.** A new section is added to chapter 43.88 RCW  
4 to read as follows:

5 (1) The legislature must adopt a four-year balanced budget as  
6 follows:

7 (a) Beginning in the 2013-2015 fiscal biennium, the legislature  
8 shall enact a balanced omnibus operating appropriations bill that  
9 leaves, in total, a positive ending fund balance in the general fund  
10 and related funds.

11 (b) Beginning in the 2013-2015 fiscal biennium, the projected  
12 maintenance level of the omnibus appropriations bill enacted by the  
13 legislature shall not exceed the available fiscal resources for the  
14 next ensuing fiscal biennium.

15 (2) For purposes of this section:

16 (a) "Available fiscal resources" means the beginning general fund  
17 and related fund balances and any fiscal resources estimated for the  
18 general fund and related funds, adjusted for enacted legislation, and  
19 with forecasted revenues adjusted to the greater of (i) the official  
20 general fund and related funds revenue forecast for the ensuing  
21 biennium, or (ii) the official general fund and related funds forecast  
22 for the second fiscal year of the current fiscal biennium, increased by  
23 4.5 percent for each fiscal year of the ensuing biennium;

24 (b) "Projected maintenance level" means estimated appropriations  
25 necessary to maintain the continuing costs of program and service  
26 levels either funded in that appropriations bill or mandated by other  
27 state or federal law, and the amount of any general fund moneys  
28 projected to be transferred to the budget stabilization account  
29 pursuant to Article VII, section 12 of the state Constitution, but does  
30 not include in the 2013-2015 and 2015-2017 fiscal biennia the costs

1 related to the enhanced funding under the new definition of basic  
2 education as established in chapter 548, Laws of 2009, and affirmed by  
3 the decision in *Mathew McCleary et al., v. The State of Washington*, 173  
4 Wn.2d 477, 269 P.3d 227, (2012), from which the short-term exclusion of  
5 these obligations is solely for the purposes of calculating this  
6 estimate and does not in any way indicate an intent to avoid full  
7 funding of these obligations;

8 (c) "Related funds," as used in this section, means the Washington  
9 opportunity pathways account and the education legacy trust account.

10 (3) Subsection (1)(a) and (b) of this section does not apply to an  
11 appropriations bill that makes net reductions in general fund and  
12 related funds appropriations and is enacted between July 1st and  
13 February 15th of any fiscal year.

14 (4) Subsection (1)(b) of this section does not apply in a fiscal  
15 biennium in which money is appropriated from the budget stabilization  
16 account.

17 **Sec. 2.** RCW 82.33.010 and 1990 c 229 s 1 are each amended to read  
18 as follows:

19 (1) The economic and revenue forecast council is hereby created.  
20 The council shall consist of two individuals appointed by the governor,  
21 the state treasurer, and four individuals, one of whom is appointed by  
22 the chairperson of each of the two largest political caucuses in the  
23 senate and house of representatives. The chair of the council shall be  
24 selected from among the four caucus appointees. The council may select  
25 such other officers as the members deem necessary.

26 (2) The council shall employ an economic and revenue forecast  
27 supervisor to supervise the preparation of all economic and revenue  
28 forecasts and the presentation of state budget outlooks. As used in  
29 this chapter, "supervisor" means the economic and revenue forecast  
30 supervisor. Approval by an affirmative vote of at least five members  
31 of the council is required for any decisions regarding employment of  
32 the supervisor. Employment of the supervisor shall terminate after  
33 each term of three years. At the end of the first year of each three-  
34 year term the council shall consider extension of the supervisor's term  
35 by one year. The council may fix the compensation of the supervisor.  
36 The supervisor shall employ staff sufficient to accomplish the purposes  
37 of this section.

1 (3) The economic and revenue forecast council shall oversee the  
2 preparation of and approve, by an affirmative vote of at least (~~four~~)  
3 five members, the official, optimistic, and pessimistic state economic  
4 and revenue forecasts prepared under RCW 82.33.020. If the council is  
5 unable to approve a forecast before a date required in RCW 82.33.020,  
6 the supervisor shall submit the forecast without approval and the  
7 forecast shall have the same effect as if approved by the council.

8 (4) The economic and revenue forecast council shall oversee the  
9 preparation of and approve, by an affirmative vote of at least five  
10 members, the state budget outlook prepared under section 4 of this act.  
11 If the council is unable to approve a state budget outlook before a  
12 date required in section 4 of this act, the supervisor shall submit the  
13 outlook prepared under section 4 of this act without approval and the  
14 outlook shall have the same effect as if approved by the council.

15 (5) A councilmember who does not cast an affirmative vote for  
16 approval of the official economic and revenue forecast or the state  
17 budget outlook may request, and the supervisor shall provide, an  
18 alternative economic and revenue forecast or state budget outlook based  
19 on assumptions specified by the member including, for purposes of the  
20 state budget outlook, revenues to and expenditures from additional  
21 funds.

22 (~~(+5)~~) (6) Members of the economic and revenue forecast council  
23 shall serve without additional compensation but shall be reimbursed for  
24 travel expenses in accordance with RCW 44.04.120 while attending  
25 sessions of the council or on official business authorized by the  
26 council. Nonlegislative members of the council shall be reimbursed for  
27 travel expenses in accordance with RCW 43.03.050 and 43.03.060.

28 **Sec. 3.** RCW 82.33.020 and 2005 c 319 s 137 are each amended to  
29 read as follows:

30 (1) Four times each year the supervisor shall prepare, subject to  
31 the approval of the economic and revenue forecast council under RCW  
32 82.33.010:

33 (a) An official state economic and revenue forecast;

34 (b) An unofficial state economic and revenue forecast based on  
35 optimistic economic and revenue projections; and

36 (c) An unofficial state economic and revenue forecast based on  
37 pessimistic economic and revenue projections.

1 (2) The supervisor shall submit forecasts prepared under this  
2 section, along with any unofficial forecasts provided under RCW  
3 82.33.010, to the governor and the members of the committees on ways  
4 and means and the chairs of the committees on transportation of the  
5 senate and house of representatives, including one copy to the staff of  
6 each of the committees, on or before November 20th, February 20th in  
7 the even-numbered years, March 20th in the odd-numbered years, June  
8 20th, and September 20th. All forecasts shall include both estimated  
9 receipts and estimated revenues in conformance with generally accepted  
10 accounting principles as provided by RCW 43.88.037. In odd-numbered  
11 years, the period covered by forecasts for the state general fund and  
12 related funds must cover the current fiscal biennium and the next  
13 ensuing fiscal biennium. In even-numbered years, the period covered by  
14 the forecasts for the state general fund and related funds shall be  
15 current fiscal and the next two ensuing fiscal biennia.

16 (3) All agencies of state government shall provide to the  
17 supervisor immediate access to all information relating to economic and  
18 revenue forecasts. Revenue collection information shall be available  
19 to the supervisor the first business day following the conclusion of  
20 each collection period.

21 (4) The economic and revenue forecast supervisor and staff shall  
22 co-locate and share information, data, and files with the tax research  
23 section of the department of revenue but shall not duplicate the duties  
24 and functions of one another.

25 (5) As part of its forecasts under subsection (1) of this section,  
26 the supervisor shall provide estimated revenue from tuition fees as  
27 defined in RCW 28B.15.020.

28 (6) The economic and revenue forecast council must, in consultation  
29 with the economic and revenue forecast work group created in RCW  
30 82.33.040, review the existing economic and revenue forecast council  
31 revenue model, data, and methodologies and in light of recent economic  
32 changes, engage outside experts if necessary, and recommend changes to  
33 the economic and revenue forecast council revenue forecasting process  
34 to increase confidence and promote accuracy in the revenue forecast.  
35 The recommendations are due by September 30, 2012, and every five years  
36 thereafter.

1        NEW SECTION.    **Sec. 4.**    A new section is added to chapter 82.33 RCW  
2 to read as follows:

3        (1) To facilitate compliance with, and subject to the terms of,  
4 section 1 of this act, the state budget outlook work group shall  
5 prepare, subject to the approval of the economic and revenue forecast  
6 council under RCW 82.33.010, an official state budget outlook for state  
7 revenues and expenditures for the general fund and related funds. In  
8 odd-numbered years, the period covered by the November state budget  
9 outlook shall be the current fiscal biennium and the next ensuing  
10 fiscal biennium. In even-numbered years, the period covered by the  
11 November state budget outlook shall be the next two ensuing fiscal  
12 biennia. The revenue and caseload projections used in the outlook must  
13 reflect the most recent official forecasts adopted by the economic and  
14 revenue forecast council and the caseload forecast council for the  
15 years for which those forecasts are available.

16        (2) The outlook must:

17        (a) Estimate revenues to and expenditures from the state general  
18 fund and related funds. The estimate of ensuing biennium expenditures  
19 must include maintenance items including, but not limited to,  
20 continuation of current programs, forecasted growth of current  
21 entitlement programs, and actions required by law, including  
22 legislation with a future implementation date. Estimates of ensuing  
23 biennium expenditures must exclude policy items including, but not  
24 limited to, legislation not yet enacted by the legislature, collective  
25 bargaining agreements not yet approved by the legislature, and changes  
26 to levels of funding for employee salaries and benefits unless those  
27 changes are required by statute. Estimated maintenance level  
28 expenditures must also exclude costs of court rulings issued during or  
29 within fewer than ninety days before the beginning of the current  
30 legislative session;

31        (b) Address major budget and revenue drivers, including trends and  
32 variability in these drivers;

33        (c) Clearly state the assumptions used in the estimates of baseline  
34 and projected expenditures and any adjustments made to those estimates;

35        (d) Clearly state the assumptions used in the baseline revenue  
36 estimates and any adjustments to those estimates; and

37        (e) Include the impact of previously enacted legislation with a  
38 future implementation date.

1 (3) The outlook must also separately include projections based on  
2 the revenues and expenditures proposed in the governor's budget  
3 documents submitted to the legislature under RCW 43.88.030.

4 (4) The economic and revenue forecast council shall submit state  
5 budget outlooks prepared under this section to the governor and the  
6 members of the committees on ways and means of the senate and house of  
7 representatives, including one copy to the staff of each of the  
8 committees, as required by this section.

9 (5) Each January, the state budget outlook work group shall also  
10 prepare, subject to the approval of the economic and revenue forecast  
11 council, a state budget outlook for state revenues and expenditures  
12 that reflects the governor's proposed budget document submitted to the  
13 legislature under chapter 43.88 RCW. Within thirty days following  
14 enactment of an operating budget by the legislature, the work group  
15 shall prepare, subject to the approval of the economic and revenue  
16 forecast council, a state budget outlook for state revenues and  
17 expenditures that reflects the enacted budget.

18 (6) All agencies of state government shall provide to the  
19 supervisor immediate access to all information relating to state budget  
20 outlooks.

21 (7) The state budget outlook work group must publish its proposed  
22 methodology on the economic and revenue forecast council web site. The  
23 state budget outlook work group, in consultation with the economic and  
24 revenue forecast work group and outside experts if necessary, must  
25 analyze the extent to which the proposed methodology for projecting  
26 expenditures for the ensuing fiscal biennia may be reliably used to  
27 determine the future impact of appropriations and make recommendations  
28 to change the outlook process to increase reliability and accuracy.  
29 The recommendations are due by December 1, 2013, and every five years  
30 thereafter.

31 NEW SECTION. **Sec. 5.** A new section is added to chapter 82.33 RCW  
32 to read as follows:

33 (1) To promote the free flow of information and to promote  
34 legislative input in the preparation of the state budget outlook,  
35 immediate access to all information relating to the state budget  
36 outlook shall be available to the state budget outlook work group,

1 hereby created. The state budget outlook work group shall consist of  
2 one staff member selected by the executive head or chairperson of each  
3 of the following agencies or committees:

- 4 (a) Office of financial management;
- 5 (b) Legislative evaluation and accountability program committee;
- 6 (c) Office of the state treasurer;
- 7 (d) Economic and revenue forecast council;
- 8 (e) Caseload forecast council;
- 9 (f) Ways and means committee of the senate; and
- 10 (g) Ways and means committee of the house of representatives.

11 (2) The state budget outlook work group shall provide technical  
12 support to the economic and revenue forecast council. Meetings of the  
13 state budget outlook work group may be called by any member of the  
14 group for the purpose of assisting the economic and revenue forecast  
15 council, reviewing the state budget outlook, or for any other purpose  
16 which may assist the economic and revenue forecast council.

17 NEW SECTION. **Sec. 6.** If any provision of this act or its  
18 application to any person or circumstance is held invalid, the  
19 remainder of the act or the application of the provision to other  
20 persons or circumstances is not affected."

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**ADOPTED 04/10/2012**

21 On page 1, line 2 of the title, after "biennium;" strike the  
22 remainder of the title and insert "amending RCW 82.33.010 and  
23 82.33.020; adding a new section to chapter 43.88 RCW; and adding new  
24 sections to chapter 82.33 RCW."

EFFECT: Balanced Budget

The balancing requirement is defined differently. Beginning with appropriations for the 2013-2015 fiscal biennium, the legislature must adopt a balanced budget for the state general fund (GFS) and related funds as follows:

Current biennium: The budget must leave a positive ending fund balance in the GFS and related funds.

Ensuing biennium: The projected maintenance level in the ensuing biennium may not exceed the available fiscal resources in the ensuing biennium. "Available fiscal resources" means beginning fund balances and estimated resources for the GFS and related funds, adjusted for enacted legislation, and with revenues adjusted to the greater of (1) the official forecast for the ensuing biennium, or (2) the official forecast for the second year of the current biennium increased for growth of 4.5 percent per year. "Projected maintenance level" means the continuing costs of programs and services funded in the appropriations bills or mandated by other law, along with moneys transferred into the Budget Stabilization Account, and excluding, for the 2013-2015 and 2015-2017 biennia, the costs of enhanced basic education funding required under ESHB 2261 (2009) and the McCleary ruling.

The exceptions to the balance requirements are retained for "early action" budget bills and years in which moneys are appropriated from the Budget Stabilization Account. The exception for budgets approved by a 3/5 vote of both houses is removed. "Related funds" means the Education Legacy Trust Account and the Opportunity Pathways Account, but no longer includes other funds added by the Economic and Revenue Forecast Council (ERFC).

#### Outlook Timing and Content

Rather than being prepared four times per year, the Outlook is prepared in November and updated for the enacted budget. An update is also prepared in January to reflect the governor's budget proposal. Estimated ensuing biennium expenditures are described. These estimates must include maintenance level items, must exclude policy level items, and must also exclude costs of court rulings issued during or within fewer than 90 days of the start of the current legislative session.

#### Outlook Process

The state Treasurer is added to the Economic and Revenue Forecast Council (ERFC) membership; approval of the revenue forecast and the Outlook requires the affirmative votes of five members. If the ERFC cannot approve a forecast, the ERFC forecast supervisor submits the Outlook. Staffing of Outlook preparation is clarified. The ERFC approves the Outlook, but the Outlook is prepared by the State Budget Outlook Work Group rather than the forecast supervisor. The forecast supervisor facilitates the presentation of the Outlook. The Work Group must publish and make recommendations on its Outlook methodology, due December 1, 2013, and every five years thereafter. Membership of the Work Group is revised: The staff member from the Office of the State Actuary is removed and staff members from the ERFC and Caseload Forecast Council are added.

#### Revenue Forecasts

Requirements are added regarding the economic and revenue forecast. The period of the revenue forecasts prepared by the ERFC for the GFS and related funds is extended. In odd-numbered years, the forecasts will cover the current biennium and the ensuing biennium; in even-numbered years, the forecasts will also cover the next following biennium. The ERFC must, in consultation with the Revenue and Forecast



Work Group, make recommendations on improving revenue forecast methodology. Recommendations are due September 30, 2012, and every five years thereafter.

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