

SSB 6262 - S AMD 304
By Senator Parlette

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

3 "NEW SECTION. **Sec. 1.** The legislature finds the commission on
4 state debt's recommendations accomplish several objectives that improve
5 the state's standing with regard to the amount of debt available for
6 capital projects and the required debt service to pay for those
7 projects. Implementation of the recommendations will result in more
8 stable and predictable bond-funded capital budgets and debt service.
9 The recommendations include amending the state Constitution by changing
10 the definition and calculation of general state revenue and reducing
11 the debt limit in conjunction with amending the working debt limit.
12 The recommendations also include creating a state debt council to
13 advise on long-term debt. Therefore, the legislature intends to
14 implement the commission on state debt's recommendations.

15 NEW SECTION. **Sec. 2.** A new section is added to chapter 39.42 RCW
16 to read as follows:

17 (1) The state debt council is created and consists of the state
18 treasurer, acting as the chair and a nonvoting member; one member
19 appointed from each of the two largest caucuses of the senate,
20 appointed by the president of the senate; one member appointed from
21 each of the two largest caucuses of the house of representatives,
22 appointed by the speaker of the house; the director of the office of
23 financial management; and the secretary of transportation. The members
24 of the state debt council serve without additional compensation, but
25 are reimbursed for travel expenses in accordance with RCW 44.04.120
26 while attending sessions of the council or on official business
27 authorized by the council. Staffing of the state debt council must be
28 provided by the office of the state treasurer.

1 (2) The purpose of the state debt council is to report annually to
2 the governor and the legislature on the level of existing state debt,
3 the sources of funds for repayment of that debt, and corresponding
4 changes in tangible assets resulting from that debt. The state debt
5 council shall project long-term capacity for future debt given
6 different revenue, interest rate, and future appropriation assumptions.
7 The state debt council shall oversee the preparation of and approve, by
8 an affirmative vote of at least four members, the report to the
9 governor and the legislature as required under this section. The
10 council's report shall include the following:

11 (a) A summary of current outstanding debt, the sources of revenue
12 for repayment of that debt, and potential savings from future refunding
13 of higher interest rate debt;

14 (b) A summary of the estimated net change in the financial value of
15 tangible assets financed with state debt, including assets of the state
16 public education system;

17 (c) A projection of long-term debt capacity and suggested
18 improvements in the model, data, and assumptions used to project future
19 debt capacity;

20 (d) The amounts of required future debt issuance based on the ten-
21 year capital plan required in chapter 43.99 RCW;

22 (e) The amounts of future debt issuance based on transportation
23 planning required in chapter 47.06 RCW; and

24 (f) The debt service required to pay for different types of debt.

25 **Sec. 3.** RCW 43.88.030 and 2006 c 334 s 43 are each amended to read
26 as follows:

27 (1) The director of financial management shall provide all agencies
28 with a complete set of instructions for submitting biennial budget
29 requests to the director at least three months before agency budget
30 documents are due into the office of financial management. The budget
31 document or documents shall consist of the governor's budget message
32 which shall be explanatory of the budget and shall contain an outline
33 of the proposed financial policies of the state for the ensuing fiscal
34 period, as well as an outline of the proposed six-year financial
35 policies where applicable, and shall describe in connection therewith
36 the important features of the budget. The biennial budget document or
37 documents shall also describe performance indicators that demonstrate

1 measurable progress towards priority results. The message shall set
2 forth the reasons for salient changes from the previous fiscal period
3 in expenditure and revenue items and shall explain any major changes in
4 financial policy. Attached to the budget message shall be such
5 supporting schedules, exhibits and other explanatory material in
6 respect to both current operations and capital improvements as the
7 governor shall deem to be useful to the legislature. The budget
8 document or documents shall set forth a proposal for expenditures in
9 the ensuing fiscal period, or six-year period where applicable, based
10 upon the estimated revenues and caseloads as approved by the economic
11 and revenue forecast council and caseload forecast council or upon the
12 estimated revenues and caseloads of the office of financial management
13 for those funds, accounts, sources, and programs for which the forecast
14 councils do not prepare an official forecast. Revenues shall be
15 estimated for such fiscal period from the source and at the rates
16 existing by law at the time of submission of the budget document,
17 including the supplemental budgets submitted in the even-numbered years
18 of a biennium. However, the estimated revenues and caseloads for use
19 in the governor's budget document may be adjusted to reflect budgetary
20 revenue transfers and revenue and caseload estimates dependent upon
21 budgetary assumptions of enrollments, workloads, and caseloads. All
22 adjustments to the approved estimated revenues and caseloads must be
23 set forth in the budget document. The governor may additionally
24 submit, as an appendix to each supplemental, biennial, or six-year
25 agency budget or to the budget document or documents, a proposal for
26 expenditures in the ensuing fiscal period from revenue sources derived
27 from proposed changes in existing statutes.

28 The budget document or documents shall also contain:

29 (a) Revenues classified by fund and source for the immediately past
30 fiscal period, those received or anticipated for the current fiscal
31 period, and those anticipated for the ensuing biennium;

32 (b) The undesignated fund balance or deficit, by fund;

33 (c) Such additional information dealing with expenditures,
34 revenues, workload, performance, and personnel as the legislature may
35 direct by law or concurrent resolution;

36 (d) Such additional information dealing with revenues and
37 expenditures as the governor shall deem pertinent and useful to the
38 legislature;

- 1 (e) Tabulations showing expenditures classified by fund, function,
2 and agency;
- 3 (f) The expenditures that include nonbudgeted, nonappropriated
4 accounts outside the state treasury;
- 5 (g) Identification of all proposed direct expenditures to implement
6 the Puget Sound water quality plan under chapter 90.71 RCW, shown by
7 agency and in total; and
- 8 (h) Tabulations showing each postretirement adjustment by
9 retirement system established after fiscal year 1991, to include, but
10 not be limited to, estimated total payments made to the end of the
11 previous biennial period, estimated payments for the present biennium,
12 and estimated payments for the ensuing biennium.
- 13 (2) The budget document or documents shall include detailed
14 estimates of all anticipated revenues applicable to proposed operating
15 or capital expenditures and shall also include all proposed operating
16 or capital expenditures, including debt service from all funds for
17 proposed debt issuance, including alternatively financed projects for
18 the full term of the financing. The total of beginning undesignated
19 fund balance and estimated revenues less working capital and other
20 reserves shall equal or exceed the total of proposed applicable
21 expenditures. The budget document or documents shall further include:
- 22 (a) Interest, amortization and redemption charges on the state
23 debt;
- 24 (b) Payments of all reliefs, judgments, and claims;
- 25 (c) Other statutory expenditures;
- 26 (d) Expenditures incident to the operation for each agency;
- 27 (e) Revenues derived from agency operations;
- 28 (f) Expenditures and revenues shall be given in comparative form
29 showing those incurred or received for the immediately past fiscal
30 period and those anticipated for the current biennium and next ensuing
31 biennium;
- 32 (g) A showing and explanation of amounts of general fund and other
33 funds obligations for debt service from all funds for bonds and
34 alternatively financed projects for the full term of the financing and
35 any transfers of moneys that otherwise would have been available for
36 appropriation;
- 37 (h) Common school expenditures on a fiscal-year basis;

1 (i) A showing, by agency, of the value and purpose of financing
2 contracts for the lease/purchase or acquisition of personal or real
3 property for the current and ensuing fiscal periods; and

4 (j) A showing and explanation of anticipated amounts of general
5 fund and other funds required to amortize the unfunded actuarial
6 accrued liability of the retirement system specified under chapter
7 41.45 RCW, and the contributions to meet such amortization, stated in
8 total dollars and as a level percentage of total compensation.

9 (3) The governor's operating budget document or documents shall
10 reflect the statewide priorities as required by RCW 43.88.090.

11 (4) The governor's operating budget document or documents shall
12 identify activities that are not addressing the statewide priorities.

13 (5) A separate capital budget document or schedule shall be
14 submitted that will contain the following:

15 (a) A statement setting forth a long-range facilities plan for the
16 state that identifies and includes the highest priority needs within
17 affordable spending levels;

18 (b) A capital program consisting of proposed capital projects for
19 the next biennium and the two biennia succeeding the next biennium
20 consistent with the long-range facilities plan. Inasmuch as is
21 practical, and recognizing emergent needs, the capital program shall
22 reflect the priorities, projects, and spending levels proposed in
23 previously submitted capital budget documents in order to provide a
24 reliable long-range planning tool for the legislature and state
25 agencies;

26 (c) A capital plan consisting of proposed capital spending for at
27 least four biennia succeeding the next biennium, including debt service
28 from all funds for bonds and alternatively financed projects for the
29 full term of the financing;

30 (d) A strategic plan for reducing backlogs of maintenance and
31 repair projects. The plan shall include a prioritized list of specific
32 facility deficiencies and capital projects to address the deficiencies
33 for each agency, cost estimates for each project, a schedule for
34 completing projects over a reasonable period of time, and
35 identification of normal maintenance activities to reduce future
36 backlogs;

37 (e) A statement of the reason or purpose for a project;

- 1 (f) Verification that a project is consistent with the provisions
- 2 set forth in chapter 36.70A RCW;
- 3 (g) A statement about the proposed site, size, and estimated life
- 4 of the project, if applicable;
- 5 (h) Estimated total project cost;
- 6 (i) For major projects valued over five million dollars, estimated
- 7 costs for the following project components: Acquisition, consultant
- 8 services, construction, equipment, project management, and other costs
- 9 included as part of the project. Project component costs shall be
- 10 displayed in a standard format defined by the office of financial
- 11 management to allow comparisons between projects;
- 12 (j) Estimated total project cost for each phase of the project as
- 13 defined by the office of financial management;
- 14 (k) Estimated ensuing biennium costs;
- 15 (l) Estimated costs beyond the ensuing biennium, including debt
- 16 service from all funds for bonds and alternatively financed projects
- 17 for the full term of the financing;
- 18 (m) Estimated construction start and completion dates;
- 19 (n) Source and type of funds proposed;
- 20 (o) Estimated ongoing operating budget costs or savings resulting
- 21 from the project, including staffing and maintenance costs;
- 22 (p) For any capital appropriation requested for a state agency for
- 23 the acquisition of land or the capital improvement of land in which the
- 24 primary purpose of the acquisition or improvement is recreation or
- 25 wildlife habitat conservation, the capital budget document, or an
- 26 omnibus list of recreation and habitat acquisitions provided with the
- 27 governor's budget document, shall identify the projected costs of
- 28 operation and maintenance for at least the two biennia succeeding the
- 29 next biennium. Omnibus lists of habitat and recreation land
- 30 acquisitions shall include individual project cost estimates for
- 31 operation and maintenance as well as a total for all state projects
- 32 included in the list. The document shall identify the source of funds
- 33 from which the operation and maintenance costs are proposed to be
- 34 funded;
- 35 (q) Such other information bearing upon capital projects as the
- 36 governor deems to be useful;
- 37 (r) Standard terms, including a standard and uniform definition of
- 38 normal maintenance, for all capital projects;

1 (s) Such other information as the legislature may direct by law or
2 concurrent resolution.

3 For purposes of this subsection (5), the term "capital project"
4 shall be defined subsequent to the analysis, findings, and
5 recommendations of a joint committee comprised of representatives from
6 the house capital appropriations committee, senate ways and means
7 committee, legislative evaluation and accountability program committee,
8 and office of financial management.

9 (6) No change affecting the comparability of agency or program
10 information relating to expenditures, revenues, workload, performance
11 and personnel shall be made in the format of any budget document or
12 report presented to the legislature under this section or RCW
13 43.88.160(1) relative to the format of the budget document or report
14 which was presented to the previous regular session of the legislature
15 during an odd-numbered year without prior legislative concurrence.
16 Prior legislative concurrence shall consist of (a) a favorable majority
17 vote on the proposal by the standing committees on ways and means of
18 both houses if the legislature is in session or (b) a favorable
19 majority vote on the proposal by members of the legislative evaluation
20 and accountability program committee if the legislature is not in
21 session.

22 **Sec. 4.** RCW 43.88.031 and 1991 c 284 s 2 are each amended to read
23 as follows:

24 A capital appropriation bill shall include the estimated (~~general~~
25 ~~fund~~) debt service costs from all funds associated with new capital
26 appropriations contained in that bill for the biennia in which the
27 appropriations occur and for the (~~succeeding two biennia~~) full term
28 of the financing.

29 **Sec. 5.** RCW 39.42.070 and 2009 c 500 s 1 and 2009 c 479 s 24 are
30 each reenacted and amended to read as follows:

31 (~~On or after the effective date of this act,~~) The treasurer shall
32 compute general state revenues for the (~~three~~) six fiscal years
33 immediately preceding such date and shall determine the arithmetic mean
34 thereof. As soon as is practicable after the close of each fiscal year
35 thereafter, he or she shall do likewise. In determining the amount of
36 general state revenues, the treasurer shall include all state money

1 received in the treasury from each and every source (~~whatsoever~~
2 ~~except~~), including moneys received from ad valorem taxes levied by the
3 state and deposited in the general fund in each fiscal year, but not
4 including: (1) Fees and other revenues derived from the ownership or
5 operation of any undertaking, facility or project; (2) moneys received
6 as gifts, grants, donations, aid or assistance or otherwise from the
7 United States or any department, bureau or corporation thereof, or any
8 person, firm or corporation, public or private, when the terms and
9 conditions of such gift, grant, donation, aid or assistance require the
10 application and disbursement of such moneys otherwise than for the
11 general purposes of the state of Washington; (3) moneys to be paid into
12 and received from retirement system funds, and performance bonds and
13 deposits; (4) moneys to be paid into and received from trust funds
14 (~~including but not limited to moneys received from taxes levied for~~
15 ~~specific purposes~~) and the several permanent funds of the state and
16 the moneys derived therefrom but excluding bond redemption funds; (5)
17 moneys received from taxes levied for specific purposes and required to
18 be deposited for those purposes into specified funds or accounts other
19 than the general fund; and (6) proceeds received from the sale of bonds
20 or other evidences of indebtedness. Upon computing general state
21 revenues, the treasurer shall make and file in the office of the
22 secretary of state, a certificate containing the results of such
23 computations. Copies of said certificate shall be sent to each elected
24 official of the state and each member of the legislature. The
25 treasurer shall, at the same time, advise each elected official and
26 each member of the legislature of the current available debt capacity
27 of the state, and may make estimated projections for one or more years
28 concerning debt capacity.

29 NEW SECTION. **Sec. 6.** RCW 39.42.140 (Working debt limit) and 2011
30 1st sp.s. c 46 s 3 are each repealed.

31 **Sec. 7.** RCW 39.42.140 and 2011 1st sp.s. c 46 s 3 are each amended
32 to read as follows:

33 The state finance committee must recommend a working debt limit for
34 purposes of budget development for various purpose capital bond
35 appropriations. Nothing in this section shall in any manner affect the
36 validity of indebtedness incurred in compliance with the provisions of

1 Article VIII, section 1 of the state Constitution. The working debt
2 limit must be updated periodically following forecasts of the economic
3 and revenue forecast council. The governor and legislature must
4 develop capital bond budgets within the most recent recommended working
5 debt limit. The working debt limit must be lower than the state
6 constitutional debt limit in order to reserve capacity under the
7 constitutional limit for emergencies and economic uncertainties. In
8 order to begin to accomplish the objectives of stabilizing debt
9 capacity and reducing the debt service burden on the operating budget,
10 the state finance committee must recommend working debt limits of eight
11 and one-half percent from July 1, (~~(2015)~~) 2016, to and including June
12 30, (~~(2017)~~) 2018; eight and one-quarter percent from July 1, (~~(2017)~~)
13 2018, to and including June 30, (~~(2019)~~) 2020; eight percent from July
14 1, (~~(2019)~~) 2020, to and including June 30, (~~(2021)~~) 2023; seven and
15 three-quarters percent from July 1, (~~(2021)~~) 2023, and thereafter. The
16 state finance committee may recommend modified working debt limits in
17 response to extraordinary economic conditions. The state finance
18 committee is authorized to reduce or delay the issuance of bonds if an
19 issuance would result in exceeding the recommended working debt limit.

20 NEW SECTION. **Sec. 8.** The following act or parts of acts are each
21 repealed:

- 22 (1) 2011 1st sp.s. c 46 s 1 (uncodified);
- 23 (2) 2011 1st sp.s. c 46 s 2 (uncodified); and
- 24 (3) 2011 1st sp.s. c 46 s 4 (uncodified).

25 NEW SECTION. **Sec. 9.** Sections 1, 2, 5, and 6 of this act take
26 effect if the proposed amendment to Article VIII, section 1 of the
27 state Constitution (implementing recommendations of the commission on
28 state debt, HJR 4226 or ESJR 8221) is validly submitted to and is
29 approved and ratified by the voters at the next general election. If
30 approved and ratified by the voters at the next general election,
31 section 5 of this act takes effect July 1, 2014, and section 7 of this
32 act does not take effect. If the proposed amendment is not approved
33 and ratified, sections 1, 2, 5, and 6 of this act are void in their
34 entirety."

1 On page 1, line 1 of the title, after "debt;" strike the remainder
2 of the title and insert "amending RCW 43.88.030, 43.88.031, and
3 39.42.140; reenacting and amending RCW 39.42.070; adding a new section
4 to chapter 39.42 RCW; creating a new section; repealing RCW 39.42.140;
5 repealing 2011 1st sp.s. c 46 ss 1, 2, and 4 (uncodified); and
6 providing a contingent effective date."

EFFECT: The duties of the debt council are modified to focus more on technical information and less on policy recommendations. The fluctuating working debt limit based on the economy is eliminated. The existing phase down of the statutory working debt limit is delayed one year in the event the voters don't ratify the amendment of the constitutional debt limit in ESJR 8221.

--- END ---