

HOUSE BILL REPORT

HB 2607

As Reported by House Committee On: Ways & Means

Title: An act relating to requiring a six-year budget outlook tied to existing revenues.

Brief Description: Requiring a six-year budget outlook tied to existing revenues.

Sponsors: Representatives Alexander, Hunter, Dammeier, Bailey, Parker, Angel, Kristiansen, Ross, Warnick, Seaquist, Haler, Finn, Rivers, Kelley, Dahlquist, Carlyle, Harris, Taylor, Buys, Wilcox, McCune, Orcutt, Zeiger and Shea.

Brief History:

Committee Activity:

Ways & Means: 2/1/12, 2/7/12 [DPS].

Brief Summary of Substitute Bill

- Requires the Office of Financial Management (OFM) to publish a six-year budget outlook (outlook) concurrent with release of the Governor's budget documents.
- Requires outlooks to use the most recent revenue and caseload forecasts.
- Requires that the assumptions used in developing the outlook be clearly stated.
- Requires outlooks to include the impact of all budget decisions with a future effective date.
- Requires the OFM to update the outlook to reflect both legislative actions and revenue forecast changes.

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 27 members: Representatives Hunter, Chair; Darneille, Vice Chair; Hasegawa, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Carlyle, Chandler, Cody, Dickerson, Haigh, Haler, Hinkle, Hudgins, Hunt,

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Kagi, Kenney, Ormsby, Parker, Pettigrew, Ross, Schmick, Seaquist, Springer, Sullivan and Wilcox.

Staff: Dave Johnson (786-7154).

Background:

State government operates on a fiscal biennium that begins on July 1 of each odd-numbered year. Historically, the state makes appropriations in three different budgets: operating, capital, and transportation. The state enacts a biennial budget for the fiscal biennium. Supplemental budgets amend the biennial budget and are frequently enacted in each of the following two years after adoption of the biennial budget.

The operating budget makes appropriations for the operation of state government and its various agencies and institutions (including human services, natural resources, and higher education), as well as for K-12 public schools. Appropriations for the acquisition of capital assets or for transportation activities are typically contained in the capital and transportation budgets.

Each December, the Governor is required to submit a budget request along with certain supporting materials outlined in statute. The Governor is required to use the most recent official caseload and revenue forecasts in his or her budget submittal. In addition, the Governor's budget submittal is required to use only estimated revenues for the fiscal period from the source and at the rates existing by law at the time of submission of the budget document (although he or she may include budgetary revenue transfers). The Governor may additionally submit, as an appendix to a supplemental or biennial budget, a proposal for expenditures from revenue sources derived from proposed changes in existing statutes.

In some years, the Governor has chosen to submit a six-year operating budget outlook (outlook) along with his or her budget request. When submitted, the outlook has typically compared General Fund resources and expenditures over a six-year time horizon beginning with the current biennium.

Summary of Substitute Bill:

When the Governor submits his or her operating budget documents to the Legislature, the Office of Financial Management (OFM) must simultaneously publish a six-year outlook that is based on the Governor's budget documents. The six-year period covered by the outlook is the current biennium and two subsequent biennia. The revenue and caseload projections used in the outlook must be based on the most recent official forecasts adopted by the Economic and Revenue Forecast Council and the Caseload Forecast Council for the years for which those forecasts are available, adjusted by the OFM for policy changes made in the Governor's budget documents. The outlook must clearly state the assumptions used in calculating the baseline expenditure and revenue estimates and any adjustments made to those estimates. The outlook must include the impact of previously enacted legislation or

proposed legislation with a future effective date, adjusted by the OFM for policy changes made in the Governor's budget documents.

After enactment of a biennial or supplemental operating budget, the OFM must update the outlook to reflect the enacted budget. The OFM must also update the outlook to reflect changes in the revenue forecast. Updated outlooks must include the impact of enacted legislation with a future effective date.

Substitute Bill Compared to Original Bill:

The original bill made legislative findings, required the OFM to publish a six-year outlook when the Governor's budget is released, and required the Legislature to summarize how a budget would change the OFM outlook prior to taking a floor or committee vote.

The substitute bill removes: legislative findings, the requirement that the Legislature summarize how a budget proposal would change that outlook prior to voting, and the requirement to identify budget decisions without specific funding sources. The substitute bill adds new language that specifies the time period the outlook must cover, requires the outlook to clearly state the assumptions used for both expenditures and revenues, and requires the OFM to update the outlook to reflect both legislative actions and revenue forecast changes. Language referring to legislation with a delayed effective date is changed to legislation with a future effective date.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Washington does fiscal notes over six years. This captures the impact of budget decisions not only over the current biennium but also over six years. When published, the outlook provides citizens and policy makers with a quick snapshot of the long-term fiscal health of the state. The national credit rating agencies also look favorably on this tool and this tool helped avoid a downgrade from one agency. This is a long-term look at budgeting processes that will help bring greater sustainability to our process. This bill will make sure that the policy is consistently applied and not just sometimes applied. The bill could be improved by requiring quarterly updates for revenue and caseload forecasts as well as requiring the outlook be published on the fiscal.wa.gov website.

(Opposed) None.

Persons Testifying: Representative Alexander, prime sponsor; Jason Mercier, Washington Policy Center; and Amber Carter, Association of Washington Business.

Persons Signed In To Testify But Not Testifying: None.