
SUBSTITUTE HOUSE BILL 2722

State of Washington 62nd Legislature 2012 Regular Session

By House Capital Budget (originally sponsored by Representatives Parker, Dunshee, Warnick, Zeiger, Angel, and Santos)

READ FIRST TIME 02/03/12.

1 AN ACT Relating to surplus property; and amending RCW 43.88.030,
2 43.82.010, and 43.82.150.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 43.88.030 and 2006 c 334 s 43 are each amended to read
5 as follows:

6 (1) The director of financial management shall provide all agencies
7 with a complete set of instructions for submitting biennial budget
8 requests to the director at least three months before agency budget
9 documents are due into the office of financial management. The budget
10 document or documents shall consist of the governor's budget message
11 which shall be explanatory of the budget and shall contain an outline
12 of the proposed financial policies of the state for the ensuing fiscal
13 period, as well as an outline of the proposed six-year financial
14 policies where applicable, and shall describe in connection therewith
15 the important features of the budget. The biennial budget document or
16 documents shall also describe performance indicators that demonstrate
17 measurable progress towards priority results. The message shall set
18 forth the reasons for salient changes from the previous fiscal period
19 in expenditure and revenue items and shall explain any major changes in

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

25 The budget document or documents shall also contain:

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

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

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

33 (d) Such additional information dealing with revenues and
34 expenditures as the governor shall deem pertinent and useful to the
35 legislature;

36 (e) Tabulations showing expenditures classified by fund, function,
37 and agency;

1 (f) The expenditures that include nonbudgeted, nonappropriated
2 accounts outside the state treasury;

3 (g) Identification of all proposed direct expenditures to implement
4 the Puget Sound water quality plan under chapter 90.71 RCW, shown by
5 agency and in total; and

6 (h) Tabulations showing each postretirement adjustment by
7 retirement system established after fiscal year 1991, to include, but
8 not be limited to, estimated total payments made to the end of the
9 previous biennial period, estimated payments for the present biennium,
10 and estimated payments for the ensuing biennium.

11 (2) The budget document or documents shall include detailed
12 estimates of all anticipated revenues applicable to proposed operating
13 or capital expenditures and shall also include all proposed operating
14 or capital expenditures. The total of beginning undesignated fund
15 balance and estimated revenues less working capital and other reserves
16 shall equal or exceed the total of proposed applicable expenditures.
17 The budget document or documents shall further include:

18 (a) Interest, amortization and redemption charges on the state
19 debt;

20 (b) Payments of all reliefs, judgments, and claims;

21 (c) Other statutory expenditures;

22 (d) Expenditures incident to the operation for each agency;

23 (e) Revenues derived from agency operations;

24 (f) Expenditures and revenues shall be given in comparative form
25 showing those incurred or received for the immediately past fiscal
26 period and those anticipated for the current biennium and next ensuing
27 biennium;

28 (g) A showing and explanation of amounts of general fund and other
29 funds obligations for debt service and any transfers of moneys that
30 otherwise would have been available for appropriation;

31 (h) Common school expenditures on a fiscal-year basis;

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

35 (j) A showing and explanation of anticipated amounts of general
36 fund and other funds required to amortize the unfunded actuarial
37 accrued liability of the retirement system specified under chapter

1 41.45 RCW, and the contributions to meet such amortization, stated in
2 total dollars and as a level percentage of total compensation.

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

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

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

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

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

20 (c) A capital plan consisting of proposed capital spending for at
21 least four biennia succeeding the next biennium;

22 (d) A strategic plan for reducing backlogs of maintenance and
23 repair projects. The plan shall include a prioritized list of specific
24 facility deficiencies and capital projects to address the deficiencies
25 for each agency, cost estimates for each project, a schedule for
26 completing projects over a reasonable period of time, and
27 identification of normal maintenance activities to reduce future
28 backlogs;

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

30 (f) Verification that a project is consistent with the provisions
31 set forth in chapter 36.70A RCW;

32 (g) A statement about the proposed site, size, and estimated life
33 of the project, if applicable;

34 (h) Estimated total project cost;

35 (i) For major projects valued over five million dollars, estimated
36 costs for the following project components: Acquisition, consultant
37 services, construction, equipment, project management, and other costs

1 included as part of the project. Project component costs shall be
2 displayed in a standard format defined by the office of financial
3 management to allow comparisons between projects;

4 (j) Estimated total project cost for each phase of the project as
5 defined by the office of financial management;

6 (k) Estimated ensuing biennium costs;

7 (l) Estimated costs beyond the ensuing biennium;

8 (m) Estimated construction start and completion dates;

9 (n) Source and type of funds proposed;

10 (o) Estimated ongoing operating budget costs or savings resulting
11 from the project, including staffing and maintenance costs;

12 (p) For any capital appropriation requested for a state agency for
13 the acquisition of land or the capital improvement of land in which the
14 primary purpose of the acquisition or improvement is recreation or
15 wildlife habitat conservation, the capital budget document, or an
16 omnibus list of recreation and habitat acquisitions provided with the
17 governor's budget document, shall identify the projected costs of
18 operation and maintenance for at least the two biennia succeeding the
19 next biennium. Omnibus lists of habitat and recreation land
20 acquisitions shall include individual project cost estimates for
21 operation and maintenance as well as a total for all state projects
22 included in the list. The document shall identify the source of funds
23 from which the operation and maintenance costs are proposed to be
24 funded;

25 (q) Such other information bearing upon capital projects as the
26 governor deems to be useful;

27 (r) Standard terms, including a standard and uniform definition of
28 normal maintenance, for all capital projects;

29 (s) A list of surplus properties including the identification of
30 the property, agency ownership, approximate value, and original fund
31 source used to acquire or construct the property when the governor's
32 biennial capital budget proposal is submitted to the legislature; and

33 (t) Such other information as the legislature may direct by law or
34 concurrent resolution.

35 For purposes of this subsection (5), the term "capital project"
36 shall be defined subsequent to the analysis, findings, and
37 recommendations of a joint committee comprised of representatives from

1 the house capital appropriations committee, senate ways and means
2 committee, legislative evaluation and accountability program committee,
3 and office of financial management.

4 (6) No change affecting the comparability of agency or program
5 information relating to expenditures, revenues, workload, performance
6 and personnel shall be made in the format of any budget document or
7 report presented to the legislature under this section or RCW
8 43.88.160(1) relative to the format of the budget document or report
9 which was presented to the previous regular session of the legislature
10 during an odd-numbered year without prior legislative concurrence.
11 Prior legislative concurrence shall consist of (a) a favorable majority
12 vote on the proposal by the standing committees on ways and means of
13 both houses if the legislature is in session or (b) a favorable
14 majority vote on the proposal by members of the legislative evaluation
15 and accountability program committee if the legislature is not in
16 session.

17 **Sec. 2.** RCW 43.82.010 and 2007 c 506 s 8 are each amended to read
18 as follows:

19 (1) The director of (~~general administration~~) enterprise services,
20 on behalf of the agency involved and after consultation with the office
21 of financial management, shall purchase, lease, lease purchase, rent,
22 or otherwise acquire all real estate, improved or unimproved, as may be
23 required by elected state officials, institutions, departments,
24 commissions, boards, and other state agencies, or federal agencies
25 where joint state and federal activities are undertaken and may grant
26 easements and transfer, exchange, sell, lease, or sublease all or part
27 of any surplus real estate for those state agencies which do not
28 otherwise have the specific authority to dispose of real estate. This
29 section does not transfer financial liability for the acquired property
30 to the department of (~~general administration~~) enterprise services.

31 (2) Except for real estate occupied by federal agencies, the
32 director shall determine the location, size, and design of any real
33 estate or improvements thereon acquired or held pursuant to subsection
34 (1) of this section. Facilities acquired or held pursuant to this
35 chapter, and any improvements thereon, shall conform to standards
36 adopted by the director and approved by the office of financial
37 management governing facility efficiency unless a specific exemption

1 from such standards is provided by the director of (~~general~~
2 ~~administration~~) enterprise services. The director of (~~general~~
3 ~~administration~~) enterprise services shall report to the office of
4 financial management and the appropriate committees of the legislature
5 annually on any exemptions granted pursuant to this subsection.

6 (3) The director of (~~general administration~~) enterprise services
7 may fix the terms and conditions of each lease entered into under this
8 chapter, except that no lease shall extend greater than twenty years in
9 duration. The director of (~~general administration~~) enterprise
10 services may enter into a long-term lease greater than ten years in
11 duration upon a determination by the director of the office of
12 financial management that the long-term lease provides a more favorable
13 rate than would otherwise be available, it appears to a substantial
14 certainty that the facility is necessary for use by the state for the
15 full length of the lease term, and the facility meets the standards
16 adopted pursuant to subsection (2) of this section. The director of
17 (~~general administration~~) enterprise services may enter into a long-
18 term lease greater than ten years in duration if an analysis shows that
19 the life-cycle cost of leasing the facility is less than the life-cycle
20 cost of purchasing or constructing a facility in lieu of leasing the
21 facility.

22 (4) Except as permitted under chapter 39.94 RCW, no lease for or on
23 behalf of any state agency may be used or referred to as collateral or
24 security for the payment of securities offered for sale through a
25 public offering. Except as permitted under chapter 39.94 RCW, no lease
26 for or on behalf of any state agency may be used or referred to as
27 collateral or security for the payment of securities offered for sale
28 through a private placement without the prior written approval of the
29 state treasurer. However, this limitation shall not prevent a lessor
30 from assigning or encumbering its interest in a lease as security for
31 the repayment of a promissory note provided that the transaction would
32 otherwise be an exempt transaction under RCW 21.20.320. The state
33 treasurer shall adopt rules that establish the criteria under which any
34 such approval may be granted. In establishing such criteria the state
35 treasurer shall give primary consideration to the protection of the
36 state's credit rating and the integrity of the state's debt management
37 program. If it appears to the state treasurer that any lease has been
38 used or referred to in violation of this subsection or rules adopted

1 under this subsection, then he or she may recommend that the governor
2 cause such lease to be terminated. The department of (~~general~~
3 ~~administration~~) enterprise services shall promptly notify the state
4 treasurer whenever it may appear to the department that any lease has
5 been used or referred to in violation of this subsection or rules
6 adopted under this subsection.

7 (5) It is the policy of the state to encourage the colocation and
8 consolidation of state services into single or adjacent facilities,
9 whenever appropriate, to improve public service delivery, minimize
10 duplication of facilities, increase efficiency of operations, and
11 promote sound growth management planning.

12 (6) The director of (~~general administration~~) enterprise services
13 shall provide coordinated long-range planning services to identify and
14 evaluate opportunities for collocating and consolidating state
15 facilities. Upon the renewal of any lease, the inception of a new
16 lease, or the purchase of a facility, the director of (~~general~~
17 ~~administration~~) enterprise services shall determine whether an
18 opportunity exists for collocating the agency or agencies in a single
19 facility with other agencies located in the same geographic area. If
20 a colocation opportunity exists, the director of (~~general~~
21 ~~administration~~) enterprise services shall consult with the affected
22 state agencies and the office of financial management to evaluate the
23 impact colocation would have on the cost and delivery of agency
24 programs, including whether program delivery would be enhanced due to
25 the centralization of services. The director of (~~general~~
26 ~~administration~~) enterprise services, in consultation with the office
27 of financial management, shall develop procedures for implementing
28 colocation and consolidation of state facilities.

29 (7) The director of (~~general administration~~) enterprise services
30 is authorized to purchase, lease, rent, or otherwise acquire improved
31 or unimproved real estate as owner or lessee and to lease or sublet all
32 or a part of such real estate to state or federal agencies. The
33 director of (~~general administration~~) enterprise services shall charge
34 each using agency its proportionate rental which shall include an
35 amount sufficient to pay all costs, including, but not limited to,
36 those for utilities, janitorial and accounting services, and sufficient
37 to provide for contingencies; which shall not exceed five percent of

1 the average annual rental, to meet unforeseen expenses incident to
2 management of the real estate.

3 (8) If the director of (~~general administration~~) enterprise
4 services determines that it is necessary or advisable to undertake any
5 work, construction, alteration, repair, or improvement on any real
6 estate acquired pursuant to subsection (1) or (7) of this section, the
7 director shall cause plans and specifications thereof and an estimate
8 of the cost of such work to be made and filed in his or her office and
9 the state agency benefiting thereby is hereby authorized to pay for
10 such work out of any available funds: PROVIDED, That the cost of
11 executing such work shall not exceed the sum of twenty-five thousand
12 dollars. Work, construction, alteration, repair, or improvement in
13 excess of twenty-five thousand dollars, other than that done by the
14 owner of the property if other than the state, shall be performed in
15 accordance with the public works law of this state.

16 (9) In order to obtain maximum utilization of space, the director
17 of (~~general administration~~) enterprise services shall make space
18 utilization studies, and shall establish standards for use of space by
19 state agencies. Such studies shall include the identification of
20 opportunities for colocation and consolidation of state agency office
21 and support facilities.

22 (10) The director of (~~general administration~~) enterprise services
23 may construct new buildings on, or improve existing facilities, and
24 furnish and equip, all real estate under his or her management. Prior
25 to the construction of new buildings or major improvements to existing
26 facilities or acquisition of facilities using a lease purchase
27 contract, the director of (~~general administration~~) enterprise
28 services shall conduct an evaluation of the facility design and budget
29 using life-cycle cost analysis, value-engineering, and other techniques
30 to maximize the long-term effectiveness and efficiency of the facility
31 or improvement.

32 (11) All conveyances and contracts to purchase, lease, rent,
33 transfer, exchange, or sell real estate and to grant and accept
34 easements shall be approved as to form by the attorney general, signed
35 by the director of (~~general administration~~) enterprise services or
36 the director's designee, and recorded with the county auditor of the
37 county in which the property is located.

1 (12) The director of (~~general administration~~) enterprise services
2 may delegate any or all of the functions specified in this section to
3 any agency upon such terms and conditions as the director deems
4 advisable. By January 1st of each year, beginning January 1, 2008, the
5 department shall submit an annual report to the office of financial
6 management and the appropriate committees of the legislature on all
7 delegated leases.

8 (13) This section does not apply to the acquisition of real estate
9 by:

10 (a) The state college and universities for research or experimental
11 purposes;

12 (b) The state liquor control board for liquor stores and
13 warehouses; and

14 (c) The department of natural resources, the department of fish and
15 wildlife, the department of transportation, and the state parks and
16 recreation commission for purposes other than the leasing of offices,
17 warehouses, and real estate for similar purposes.

18 (14) Notwithstanding any provision in this chapter to the contrary,
19 the department of (~~general administration~~) enterprise services may
20 negotiate ground leases for public lands on which property is to be
21 acquired under a financing contract pursuant to chapter 39.94 RCW under
22 terms approved by the state finance committee.

23 (15) The department of (~~general administration~~) enterprise
24 services shall report annually to the office of financial management
25 and the appropriate fiscal committees of the legislature on facility
26 leases executed for all state agencies for the preceding year, lease
27 terms, and annual lease costs. The report must include leases executed
28 under RCW 43.82.045 and subsection (12) of this section.

29 (16) The department of enterprise services shall report the status
30 of any surplus property that is actively being listed for sale
31 including the date the property was listed and listing price, and any
32 surplus property that has sold including the approximate value, sale
33 price, and fund into which the proceeds will be deposited to the office
34 of financial management and the appropriate fiscal committees of the
35 legislature by January 1st of odd-numbered years.

36 **Sec. 3.** RCW 43.82.150 and 2007 c 506 s 7 are each amended to read
37 as follows:

1 (1) The office of financial management shall develop and maintain
2 an inventory system to account for all owned or leased facilities
3 utilized by state government, or surplus properties. At a minimum, the
4 inventory system must include the facility owner, location, type,
5 condition, use, and size of each facility. In addition, for owned
6 facilities, the inventory system must include the date and cost of
7 original construction and the cost of any major remodeling or
8 renovation. The inventory must be updated by June 30th of each year.
9 The office of financial management shall publish a report summarizing
10 information contained in the inventory system for each agency by
11 October 1st of each year, beginning in 2010 and shall submit this
12 report to the appropriate fiscal committees of the legislature.

13 (2) All agencies, departments, boards, commissions, and
14 institutions of the state of Washington shall provide to the office of
15 financial management a complete inventory of owned and leased
16 facilities (~~(by September 1, 2010)~~), and a list of properties that are
17 identified to be surplus. The inventory and surplus must be updated
18 and submitted to the office of financial management by September 1st of
19 each subsequent year. The inventories and surpluses required under
20 this subsection must be submitted in a standard format prescribed by
21 the office of financial management.

22 ~~(3) ((The office of financial management shall report to the~~
23 ~~legislature by September 1, 2008, on recommended improvements to the~~
24 ~~inventory system, redevelopment costs, and an implementation schedule~~
25 ~~for the redevelopment of the inventory system. The report shall also~~
26 ~~make recommendations on other improvements that will improve~~
27 ~~accountability and assist in the evaluation of budget requests and~~
28 ~~facility management by the governor and the legislature.~~

29 ~~(4))~~) For the purposes of this section, "facilities" means
30 buildings and other structures with walls and a roof. "Facilities"
31 does not mean roads, bridges, parking areas, utility systems, and other
32 similar improvements to real property.

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