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HOUSE BILL 2827

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State of Washington                      62nd Legislature                      2012 1st Special Session

By Representative Hunter

Read first time 04/03/12. Referred to Committee on Ways & Means.

1            AN ACT Relating to improving state budgeting and planning by  
2 requiring a balanced state operating budget for the current biennium  
3 and developing a process for balancing the budget over a two-biennium  
4 period; amending RCW 82.33.010; adding new sections to chapter 43.88  
5 RCW; adding new sections to chapter 82.33 RCW; creating a new section;  
6 and providing an expiration date.

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

8            NEW SECTION.    **Sec. 1.** A new section is added to chapter 43.88 RCW  
9 to read as follows:

10            BALANCED LEGISLATIVE BUDGET REQUIRED FOR CURRENT FISCAL BIENNIUM;  
11 LEGISLATIVE BUDGETS MUST INCLUDE UPDATED BUDGET OUTLOOK. (1) When the  
12 legislature enacts any bill that makes appropriations from the state  
13 general fund or related funds, the legislature must prepare and publish  
14 a balance sheet which demonstrates that total proposed appropriations  
15 from the state general fund and related funds for that biennium will  
16 leave, in total, a positive ending fund balance.

17            (2) When either house of the legislature approves or reports from  
18 committee any bill that makes appropriations from the general fund or  
19 related funds, it must prepare and publish an updated legislative

1 budget outlook for the ensuing fiscal biennium. The legislative budget  
2 outlook must estimate how the revenue and expenditure decisions assumed  
3 or funded in the bill will change the most recent budget outlook  
4 prepared by the economic and revenue forecast council under section 2  
5 of this act. The legislative budget outlook must also reflect the  
6 estimated fiscal impact of assumed or enacted legislation with future  
7 implementation dates.

8 (3) Balance sheets and legislative budget outlooks required under  
9 this section must be prepared and published by senate committee  
10 services for bills approved by the senate or reported from its  
11 committees, by the office of program research for bills approved by or  
12 reported from the house of representatives or its committees, and  
13 jointly by senate committee services and the office of program research  
14 for conference committee reports and acts enacted by the legislature.

15 (4) The requirements of this section apply to any bill that makes  
16 appropriations from the general fund or related funds for the 2013-2015  
17 fiscal biennium or for any fiscal period thereafter. "Related funds,"  
18 as used in this section, means the Washington opportunity pathways  
19 account and the education legacy trust account.

20 (5) Subsection (1) of this section does not apply to an  
21 appropriations bill that (a) either makes net reductions in total  
22 general fund or related funds appropriations or increases the ending  
23 fund balance in the general fund or related funds, or both, and (b) is  
24 enacted between July 1st and February 15th of any fiscal year.

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

27 ECONOMIC AND REVENUE FORECAST COUNCIL MUST PREPARE AN OPERATING  
28 BUDGET OUTLOOK. (1) Each January, the economic and revenue forecast  
29 council established in RCW 82.33.010 must prepare and publish on its  
30 web site a multibiennium budget outlook for state operating budget  
31 revenues and expenditures. The purpose of the outlook is to inform  
32 policymakers and the public by projecting and comparing estimates of  
33 revenues and expenditures for ensuing fiscal biennia.

34 (2) The revenue and caseload projections used in the outlook must  
35 be based on the most recent official forecasts adopted by the council  
36 under RCW 82.33.010 and the caseload forecast council under chapter  
37 43.88C RCW for the years for which those forecasts are available.

- 1           (3) The outlook must:
- 2           (a) Estimate revenues to and expenditures from the state general  
3 fund and related funds. The estimate of ensuing biennium expenditures  
4 must focus on maintenance items including, but not limited to,  
5 continuation of current programs, forecasted growth of current  
6 entitlement programs, and actions required by law, including  
7 legislation with a future implementation date. Estimates of ensuing  
8 biennium expenditures must exclude policy items including, but not  
9 limited to, legislation not yet enacted by the legislature, collective  
10 bargaining agreements not yet approved by the legislature, and changes  
11 to levels of funding for employee salaries and benefits unless those  
12 changes are required by statute;
- 13           (b) Address major budget and revenue drivers, including trends and  
14 variability in these drivers;
- 15           (c) Clearly state the assumptions used in the estimates of baseline  
16 and projected expenditures and any adjustments made to those estimates;
- 17           (d) Clearly state the assumptions used in the baseline revenue  
18 estimates and any adjustments to those estimates;
- 19           (e) Include the impact of previously enacted legislation with a  
20 future implementation date; and
- 21           (f) Address other major fiscal factors, such as pension funding  
22 status and state general obligation debt.
- 23           (4) The outlook must also separately include projections based on  
24 the revenues and expenditures proposed in the governor's budget  
25 documents submitted to the legislature under RCW 43.88.030.
- 26           (5) By the later of June 30th or thirty days after the enactment of  
27 the legislative biennial or supplemental operating budget, the council  
28 must update the outlook to reflect the enacted budget and other  
29 relevant enacted legislation.
- 30           (6) In odd-numbered years, the period covered by the January  
31 outlook is the next two ensuing fiscal biennia. In even-numbered  
32 years, the period covered by the January outlook is the current  
33 biennium and the ensuing biennium.
- 34           (7) All state agencies must provide the council with immediate  
35 access to all information relating to revenues, caseload forecasts, and  
36 expenditures.
- 37           (8) "Related funds," as used in this chapter, means the Washington  
38 opportunity pathways account and the education legacy trust account.

1        NEW SECTION.    **Sec. 3.**    A new section is added to chapter 82.33 RCW  
2 to read as follows:

3        ECONOMIC AND REVENUE FORECAST COUNCIL MUST DEVELOP AND REPORT ON  
4 METHODOLOGY FOR PREPARING AN OPERATING BUDGET OUTLOOK.    (1) By December  
5 1, 2012, the economic and revenue forecast council established in RCW  
6 82.33.010 must develop and report on a proposed methodology for  
7 preparing the operating budget outlook required under section 2 of this  
8 act.

9        (2) The report must include an illustrative application of the  
10 proposed methodology to fiscal data and forecasts from fiscal years  
11 2000 through 2011, including analysis of the accuracy of the  
12 methodology as applied to projections of revenue, caseloads, and  
13 expenditures.

14        (3) The council must provide the proposed methodology and its  
15 report to the office of financial management and the appropriate fiscal  
16 committees of the legislature and must make the proposed methodology  
17 publicly available on its web site.

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

20        ECONOMIC AND REVENUE FORECAST COUNCIL MUST DEVELOP PROPOSAL FOR  
21 ENACTING BUDGETS THAT ARE BALANCED IN ENSUING BIENNIA.    (1) By December  
22 1, 2013, the economic and revenue forecast council established in RCW  
23 82.33.010 must prepare and present to the legislature for its  
24 consideration a proposed methodology for determining whether state  
25 operating and related funds appropriations and revenues are balanced  
26 for the ensuing as well as the current fiscal biennium.

27        (2)(a) The proposed methodology must build on the outlook process  
28 established in section 2 of this act.    In estimating ensuing fiscal  
29 biennium expenditures, the methodology must focus on maintenance items,  
30 including, but not limited to, continuation of current programs,  
31 forecasted growth of current entitlement programs, and actions required  
32 by law, including legislation with a future implementation date.  
33 Estimates of ensuing fiscal biennium expenditures must exclude policy  
34 items including, but not limited to, legislation not yet enacted by the  
35 legislature, collective bargaining agreements not yet approved by the  
36 legislature, and changes to levels of funding for employee salaries and  
37 benefits unless those changes are required by statute.

1 (b) The council must include an analysis of whether and the extent  
2 to which the proposed methodology for projecting revenues and  
3 expenditures for ensuing fiscal biennia may reliably be used to  
4 determine the future impact of pending appropriations and revenue  
5 legislation, and whether this information is sufficiently reliable to  
6 permit a conclusion that revenues and expenditures are in balance in  
7 ensuing fiscal biennia.

8 (c) The council may present more than one proposed methodology to  
9 the legislature. The methodologies may include, but are not limited  
10 to, use of a probability range within a stated confidence interval for  
11 revenues, caseloads, and expenditures.

12 (3) By December 1, 2013, the council must provide the proposed  
13 methodology to the office of financial management and the appropriate  
14 fiscal committees of the legislature, and it must publish the proposed  
15 methodology on its web site.

16 NEW SECTION. **Sec. 5.** A new section is added to chapter 43.88 RCW  
17 to read as follows:

18 GOVERNOR MUST SUBMIT OUTLOOK WITH BUDGET DOCUMENTS. When  
19 submitting operating budget documents to the legislature under RCW  
20 43.88.030, the governor must also submit an operating budget outlook  
21 based on the governor's operating budget proposal. The governor must  
22 use revenue, caseload, and budget outlook assumptions as used in the  
23 most recent forecasts of the economic and revenue forecast council  
24 under chapter 82.33 RCW and the caseload forecast council under chapter  
25 43.88C RCW. When the governor proposes new legislation that affects  
26 expenditures or revenues, the outlook submitted by the governor must  
27 indicate how these changes affect the outlook prepared by the economic  
28 and revenue forecast council under section 2 of this act. The outlook  
29 must also reflect the estimated fiscal impact of assumed or enacted  
30 legislation with future implementation dates. This requirement applies  
31 beginning with the budget documents submitted in December 2013.

32 NEW SECTION. **Sec. 6.** A new section is added to chapter 82.33 RCW  
33 to read as follows:

34 BUDGET OUTLOOK WORK GROUP. (1) To promote the free flow of  
35 information and to promote legislative input in the preparation of  
36 budget outlooks under section 2 of this act, immediate access to all

1 information relating to the budget outlook process must be available to  
2 the budget outlook work group hereby created. Revenue collection  
3 information must be available to the budget outlook work group on the  
4 first business day following the conclusion of each collection period.  
5 The budget outlook work group consists of staff members selected by the  
6 executive head or chair of each of the following agencies or  
7 committees:

8 (a) Department of revenue, one member;

9 (b) Office of financial management, two members;

10 (c) Office of the state treasurer, one member;

11 (d) Caseload forecast council, one member;

12 (e) Ways and means committee of the senate, two committee staff  
13 members; and

14 (f) Ways and means committee of the house of representatives, two  
15 committee staff members.

16 (2) The budget outlook work group shall provide technical support  
17 to the economic and revenue forecast council in preparing the budget  
18 outlook under section 2 of this act. Meetings of the budget outlook  
19 work group may be called by any member of the group for the purposes of  
20 assisting the economic and revenue forecast council, reviewing the  
21 state economic and revenue and caseload forecasts, reviewing monthly  
22 revenue collection or expenditure data, or for any other purpose which  
23 may assist the council in preparing budget outlooks.

24 **Sec. 7.** RCW 82.33.010 and 1990 c 229 s 1 are each amended to read  
25 as follows:

26 STATE TREASURER ADDED TO ECONOMIC AND REVENUE FORECAST COUNCIL  
27 MEMBERSHIP; COUNCIL DUTIES REVISED. (1) The economic and revenue  
28 forecast council is hereby created. The council shall consist of the  
29 state treasurer or his or her designee, two individuals appointed by  
30 the governor, and four individuals, one of whom is appointed by the  
31 chairperson of each of the two largest political caucuses in the senate  
32 and house of representatives. The chair of the council shall be  
33 selected from among the four caucus appointees. The council may select  
34 such other officers as the members deem necessary.

35 (2) The council shall employ an economic and revenue forecast  
36 supervisor to supervise the preparation of all economic and revenue  
37 forecasts and state budget outlooks. As used in this chapter,

1 "supervisor" means the economic and revenue forecast supervisor.  
2 Approval by an affirmative vote of at least five members of the council  
3 is required for any decisions regarding employment of the supervisor.  
4 Employment of the supervisor shall terminate after each term of three  
5 years. At the end of the first year of each three-year term the  
6 council shall consider extension of the supervisor's term by one year.  
7 The council may fix the compensation of the supervisor. The supervisor  
8 shall employ staff sufficient to accomplish the purposes of this  
9 section.

10 (3) The economic and revenue forecast council shall oversee the  
11 preparation of and approve, by an affirmative vote of at least four  
12 members, the official, optimistic, and pessimistic state economic and  
13 revenue forecasts prepared under RCW 82.33.020. If the council is  
14 unable to approve a forecast before a date required in RCW 82.33.020,  
15 the supervisor shall submit the forecast without approval and the  
16 forecast shall have the same effect as if approved by the council.

17 (4) The economic and revenue forecast council shall oversee the  
18 preparation of and approve, by an affirmative vote of at least four  
19 members, the state budget outlook prepared under section 2 of this act.  
20 If the council is unable to approve a state budget outlook before a  
21 date required in section 2 of this act, the supervisor shall submit the  
22 outlook without approval and the outlook has the same effect as if  
23 approved by the council.

24 (5) A councilmember who does not cast an affirmative vote for  
25 approval of the official economic and revenue forecast or the state  
26 budget outlook may request, and the supervisor shall provide, an  
27 alternative economic and revenue forecast or state budget outlook based  
28 on assumptions specified by the member.

29 ((+5+)) (6) Members of the economic and revenue forecast council  
30 shall serve without additional compensation but shall be reimbursed for  
31 travel expenses in accordance with RCW 44.04.120 while attending  
32 sessions of the council or on official business authorized by the  
33 council. Nonlegislative members of the council shall be reimbursed for  
34 travel expenses in accordance with RCW 43.03.050 and 43.03.060.

35 NEW SECTION. Sec. 8. JOINT LEGISLATIVE AUDIT AND REVIEW COMMITTEE  
36 REVIEW. The joint legislative audit and review committee must review  
37 and report on the implementation and effectiveness of the budget

1 outlook process established in sections 1, 2, and 5 of this act. The  
2 review must include, but is not limited to, the accuracy of budget  
3 outlook projections when compared to actual revenues, caseloads, and  
4 expenditures. The committee must provide the report to the appropriate  
5 committees of the legislature by December 1, 2022.

6 NEW SECTION. **Sec. 9.** SEVERABILITY. If any provision of this act  
7 or its application to any person or circumstance is held invalid, the  
8 remainder of the act or the application of the provision to other  
9 persons or circumstances is not affected.

10 NEW SECTION. **Sec. 10.** EXPIRATION DATE. This act expires July 1,  
11 2023.

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