
SUBSTITUTE SENATE BILL 6262

State of Washington

62nd Legislature

2012 Regular Session

By Senate Ways & Means (originally sponsored by Senators Parlette, Kilmer, Benton, Murray, Brown, King, Hewitt, Becker, and Morton; by request of Commission on State Debt)

READ FIRST TIME 02/16/12.

1 AN ACT Relating to limitations on state debt; amending RCW
2 43.88.030 and 43.88.031; reenacting and amending RCW 39.42.070; adding
3 a new section to chapter 39.42 RCW; creating a new section; repealing
4 RCW 39.42.140; repealing 2011 1st sp.s. c 46 ss 1, 2, and 4
5 (uncodified); and providing a contingent effective date.

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

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

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

3 (1) The debt advisory council is created and consists of the state
4 treasurer, acting as the chair and a nonvoting member; one member
5 appointed from each of the two largest caucuses of the senate,
6 appointed by the president of the senate; one member appointed from
7 each of the two largest caucuses of the house of representatives,
8 appointed by the speaker of the house; the director of the office of
9 financial management; and the secretary of transportation. The members
10 of the debt advisory council serve without additional compensation, but
11 are reimbursed for travel expenses in accordance with RCW 44.04.120
12 while attending sessions of the council or on official business
13 authorized by the council. Staffing of the debt advisory council must
14 be provided by the office of the state treasurer.

15 (2) The purpose of the debt advisory council is to advise and make
16 recommendations to the governor and the legislature on the level of
17 state debt for appropriation purposes while balancing the need for
18 funding essential capital projects, preserving future budgetary
19 flexibility, and protecting the state's credit position and market
20 access. The debt advisory council shall oversee the preparation of and
21 approve, by an affirmative vote of at least four members,
22 recommendations to the governor and the legislature as required under
23 this section. The council's recommendations shall include the
24 following:

25 (a) The overall amount of all types of debt issued by or on behalf
26 of the state;

27 (b) The amounts of future debt issuance based on the ten-year
28 capital plan required in chapter 43.99 RCW;

29 (c) The amounts of future debt issuance based on transportation
30 planning required in chapter 47.06 RCW;

31 (d) The impact of planned debt issuance on the bond market;

32 (e) The debt service required to pay for different types of debt;
33 and

34 (f) Other debt policy such as saved bond capacity and future debt
35 service payments.

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

1 (1) The director of financial management shall provide all agencies
2 with a complete set of instructions for submitting biennial budget
3 requests to the director at least three months before agency budget
4 documents are due into the office of financial management. The budget
5 document or documents shall consist of the governor's budget message
6 which shall be explanatory of the budget and shall contain an outline
7 of the proposed financial policies of the state for the ensuing fiscal
8 period, as well as an outline of the proposed six-year financial
9 policies where applicable, and shall describe in connection therewith
10 the important features of the budget. The biennial budget document or
11 documents shall also describe performance indicators that demonstrate
12 measurable progress towards priority results. The message shall set
13 forth the reasons for salient changes from the previous fiscal period
14 in expenditure and revenue items and shall explain any major changes in
15 financial policy. Attached to the budget message shall be such
16 supporting schedules, exhibits and other explanatory material in
17 respect to both current operations and capital improvements as the
18 governor shall deem to be useful to the legislature. The budget
19 document or documents shall set forth a proposal for expenditures in
20 the ensuing fiscal period, or six-year period where applicable, based
21 upon the estimated revenues and caseloads as approved by the economic
22 and revenue forecast council and caseload forecast council or upon the
23 estimated revenues and caseloads of the office of financial management
24 for those funds, accounts, sources, and programs for which the forecast
25 councils do not prepare an official forecast. Revenues shall be
26 estimated for such fiscal period from the source and at the rates
27 existing by law at the time of submission of the budget document,
28 including the supplemental budgets submitted in the even-numbered years
29 of a biennium. However, the estimated revenues and caseloads for use
30 in the governor's budget document may be adjusted to reflect budgetary
31 revenue transfers and revenue and caseload estimates dependent upon
32 budgetary assumptions of enrollments, workloads, and caseloads. All
33 adjustments to the approved estimated revenues and caseloads must be
34 set forth in the budget document. The governor may additionally
35 submit, as an appendix to each supplemental, biennial, or six-year
36 agency budget or to the budget document or documents, a proposal for
37 expenditures in the ensuing fiscal period from revenue sources derived
38 from proposed changes in existing statutes.

1 The budget document or documents shall also contain:

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

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

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

9 (d) Such additional information dealing with revenues and
10 expenditures as the governor shall deem pertinent and useful to the
11 legislature;

12 (e) Tabulations showing expenditures classified by fund, function,
13 and agency;

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

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

19 (h) Tabulations showing each postretirement adjustment by
20 retirement system established after fiscal year 1991, to include, but
21 not be limited to, estimated total payments made to the end of the
22 previous biennial period, estimated payments for the present biennium,
23 and estimated payments for the ensuing biennium.

24 (2) The budget document or documents shall include detailed
25 estimates of all anticipated revenues applicable to proposed operating
26 or capital expenditures and shall also include all proposed operating
27 or capital expenditures, including debt service from all funds for
28 proposed debt issuance, including alternatively financed projects for
29 the full term of the financing. The total of beginning undesignated
30 fund balance and estimated revenues less working capital and other
31 reserves shall equal or exceed the total of proposed applicable
32 expenditures. The budget document or documents shall further include:

33 (a) Interest, amortization and redemption charges on the state
34 debt;

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

36 (c) Other statutory expenditures;

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

38 (e) Revenues derived from agency operations;

1 (f) Expenditures and revenues shall be given in comparative form
2 showing those incurred or received for the immediately past fiscal
3 period and those anticipated for the current biennium and next ensuing
4 biennium;

5 (g) A showing and explanation of amounts of general fund and other
6 funds obligations for debt service from all funds for bonds and
7 alternatively financed projects for the full term of the financing and
8 any transfers of moneys that otherwise would have been available for
9 appropriation;

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

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

14 (j) A showing and explanation of anticipated amounts of general
15 fund and other funds required to amortize the unfunded actuarial
16 accrued liability of the retirement system specified under chapter
17 41.45 RCW, and the contributions to meet such amortization, stated in
18 total dollars and as a level percentage of total compensation.

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

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

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

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

28 (b) A capital program consisting of proposed capital projects for
29 the next biennium and the two biennia succeeding the next biennium
30 consistent with the long-range facilities plan. Insomuch as is
31 practical, and recognizing emergent needs, the capital program shall
32 reflect the priorities, projects, and spending levels proposed in
33 previously submitted capital budget documents in order to provide a
34 reliable long-range planning tool for the legislature and state
35 agencies;

36 (c) A capital plan consisting of proposed capital spending for at
37 least four biennia succeeding the next biennium, including debt service

1 from all funds for bonds and alternatively financed projects for the
2 full term of the financing;

3 (d) A strategic plan for reducing backlogs of maintenance and
4 repair projects. The plan shall include a prioritized list of specific
5 facility deficiencies and capital projects to address the deficiencies
6 for each agency, cost estimates for each project, a schedule for
7 completing projects over a reasonable period of time, and
8 identification of normal maintenance activities to reduce future
9 backlogs;

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

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

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

15 (h) Estimated total project cost;

16 (i) For major projects valued over five million dollars, estimated
17 costs for the following project components: Acquisition, consultant
18 services, construction, equipment, project management, and other costs
19 included as part of the project. Project component costs shall be
20 displayed in a standard format defined by the office of financial
21 management to allow comparisons between projects;

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

24 (k) Estimated ensuing biennium costs;

25 (l) Estimated costs beyond the ensuing biennium, including debt
26 service from all funds for bonds and alternatively financed projects
27 for the full term of the financing;

28 (m) Estimated construction start and completion dates;

29 (n) Source and type of funds proposed;

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

32 (p) For any capital appropriation requested for a state agency for
33 the acquisition of land or the capital improvement of land in which the
34 primary purpose of the acquisition or improvement is recreation or
35 wildlife habitat conservation, the capital budget document, or an
36 omnibus list of recreation and habitat acquisitions provided with the
37 governor's budget document, shall identify the projected costs of
38 operation and maintenance for at least the two biennia succeeding the

1 next biennium. Omnibus lists of habitat and recreation land
2 acquisitions shall include individual project cost estimates for
3 operation and maintenance as well as a total for all state projects
4 included in the list. The document shall identify the source of funds
5 from which the operation and maintenance costs are proposed to be
6 funded;

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

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

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

13 For purposes of this subsection (5), the term "capital project"
14 shall be defined subsequent to the analysis, findings, and
15 recommendations of a joint committee comprised of representatives from
16 the house capital appropriations committee, senate ways and means
17 committee, legislative evaluation and accountability program committee,
18 and office of financial management.

19 (6) No change affecting the comparability of agency or program
20 information relating to expenditures, revenues, workload, performance
21 and personnel shall be made in the format of any budget document or
22 report presented to the legislature under this section or RCW
23 43.88.160(1) relative to the format of the budget document or report
24 which was presented to the previous regular session of the legislature
25 during an odd-numbered year without prior legislative concurrence.
26 Prior legislative concurrence shall consist of (a) a favorable majority
27 vote on the proposal by the standing committees on ways and means of
28 both houses if the legislature is in session or (b) a favorable
29 majority vote on the proposal by members of the legislative evaluation
30 and accountability program committee if the legislature is not in
31 session.

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

34 A capital appropriation bill shall include the estimated (~~general~~
35 ~~fund~~) debt service costs from all funds associated with new capital
36 appropriations contained in that bill for the biennia in which the

1 appropriations occur and for the (~~succeeding two biennia~~) full term
2 of the financing.

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

5 (~~On or after the effective date of this act,~~) The treasurer shall
6 compute general state revenues for the (~~three~~) six fiscal years
7 immediately preceding such date and shall determine the arithmetic mean
8 thereof. As soon as is practicable after the close of each fiscal year
9 thereafter, he or she shall do likewise. In determining the amount of
10 general state revenues, the treasurer shall include all state money
11 received in the treasury from each and every source (~~whatsoever~~
12 ~~except~~), including moneys received from ad valorem taxes levied by the
13 state and deposited in the general fund in each fiscal year, but not
14 including: (1) Fees and other revenues derived from the ownership or
15 operation of any undertaking, facility or project; (2) moneys received
16 as gifts, grants, donations, aid or assistance or otherwise from the
17 United States or any department, bureau or corporation thereof, or any
18 person, firm or corporation, public or private, when the terms and
19 conditions of such gift, grant, donation, aid or assistance require the
20 application and disbursement of such moneys otherwise than for the
21 general purposes of the state of Washington; (3) moneys to be paid into
22 and received from retirement system funds, and performance bonds and
23 deposits; (4) moneys to be paid into and received from trust funds
24 (~~including but not limited to moneys received from taxes levied for~~
25 ~~specific purposes~~) and the several permanent funds of the state and
26 the moneys derived therefrom but excluding bond redemption funds; (5)
27 moneys received from taxes levied for specific purposes and required to
28 be deposited for those purposes into specified funds or accounts other
29 than the general fund; and (6) proceeds received from the sale of bonds
30 or other evidences of indebtedness. Upon computing general state
31 revenues, the treasurer shall make and file in the office of the
32 secretary of state, a certificate containing the results of such
33 computations. Copies of said certificate shall be sent to each elected
34 official of the state and each member of the legislature. The
35 treasurer shall, at the same time, advise each elected official and
36 each member of the legislature of the current available debt capacity

1 of the state, and may make estimated projections for one or more years
2 concerning debt capacity.

3 NEW SECTION. **Sec. 6.** The following act or parts of acts are each
4 repealed:

- 5 (1) 2011 1st sp.s. c 46 s 1 (uncodified);
6 (2) 2011 1st sp.s. c 46 s 2 (uncodified);
7 (3) RCW 39.42.140 (Working debt limit) and 2011 1st sp.s. c 46 s 3;
8 and
9 (4) 2011 1st sp.s. c 46 s 4 (uncodified).

10 NEW SECTION. **Sec. 7.** Sections 1, 2, 5, and 6 of this act take
11 effect if the proposed amendment to Article VIII, section 1 of the
12 state Constitution (implementing recommendations of the commission on
13 state debt, HJR 4226 or SJR 8221) is validly submitted to and is
14 approved and ratified by the voters at the next general election. If
15 approved and ratified by the voters at the next general election,
16 section 5 of this act takes effect July 1, 2014. If the proposed
17 amendment is not approved and ratified, sections 1, 2, 5, and 6 of this
18 act are void in their entirety.

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