

---

SENATE BILL 5138

---

State of Washington                      63rd Legislature                      2013 Regular Session

By Senators Parlette and Hargrove; by request of State Treasurer

Read first time 01/21/13. Referred to Committee on Ways & Means.

1            AN ACT Relating to the creation of a council on state debt;  
2 amending RCW 43.88.030 and 43.88.031; reenacting and amending RCW  
3 39.42.070; adding a new section to chapter 39.42 RCW; adding a new  
4 section to chapter 43.08 RCW; adding a new section to chapter 43.88  
5 RCW; creating a new section; repealing RCW 39.42.140; and repealing  
6 2011 1st sp.s. c 46 ss 1 and 2 (uncodified).

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

8            NEW SECTION.    **Sec. 1.** The legislature finds that Washington state  
9 uses debt financing to meet many of its essential capital and  
10 transportation needs. This debt capacity is limited by the amount of  
11 discretionary state government operating and transportation revenues  
12 available to repay the debt. A comprehensive approach to manage the  
13 state's debt capacity will help guide Washington's policymakers'  
14 choices about the amounts, types, and uses of debt financing.

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

17            (1) The council on state debt is created and consists of the state  
18 treasurer, acting as the chair and a nonvoting member; one member

1 appointed from each of the two largest caucuses of the senate,  
2 appointed by the president of the senate; one member appointed from  
3 each of the two largest caucuses of the house of representatives,  
4 appointed by the speaker of the house of representatives; the director  
5 of financial management; and the secretary of transportation. The  
6 members of the council serve without additional compensation, but are  
7 reimbursed for travel expenses in accordance with RCW 44.04.120 while  
8 attending sessions of the council or on official business authorized by  
9 the council. The office of the state treasurer shall provide staff  
10 support for the council.

11 (2) The purpose of the council is to advise and make  
12 recommendations to the governor and the legislature on prudent levels  
13 and types of state debt to fund essential capital and transportation  
14 projects while protecting the state's credit rating, maintaining  
15 financial market access and also preserving future budgetary  
16 flexibility.

17 (3) The council shall oversee the preparation of and approve, by an  
18 affirmative vote of at least four members, recommendations to the  
19 governor and the legislature as required under this section. If the  
20 council is unable to approve the required recommendations before the  
21 date required in subsection (5) of this section, the office of the  
22 state treasurer's recommendation has the same effect as if approved by  
23 the council.

24 (4) The council's recommendations must take at least the following  
25 into consideration:

26 (a) The overall amount of all types of debt issued by or on behalf  
27 of the state as reflected in the debt affordability study prepared  
28 annually by the state treasurer; and

29 (b) The impact of planned and proposed debt issuance on the state's  
30 ability to access the bond market and the cost of those borrowings.

31 (5) On or before November 1st of each year, the council must  
32 recommend the following:

33 (a) A prudent level of various purpose general obligation debt  
34 service payments as a percentage of general state revenue;

35 (b) A prudent level of various purpose general obligation debt to  
36 be authorized for the following biennium when taking into account:

37 (i) Capital needs for that biennium;

1 (ii) Projected capital needs reflected in the ten-year capital  
2 project plan;

3 (iii) Debt capacity with respect to the constitutional debt limit  
4 for that biennium;

5 (iv) Projected constitutional debt capacity for the following four  
6 biennia; and

7 (v) The economic, revenue, and interest rate forecast;

8 (c) A prudent amount of other methods of financing, including but  
9 not limited to limited obligation debt backed by specific revenues and  
10 debt issued pursuant to chapter 39.94 RCW, that is available to fund  
11 capital projects when taking into account the factors set forth in (b)  
12 of this subsection;

13 (d) A prudent level of motor vehicle fuel tax general obligation  
14 debt service payments as a percentage of current and projected motor  
15 vehicle fuel tax revenues, taking into consideration the amount  
16 directed to local governments, the amounts needed to pay current debt  
17 service, and any other amounts directed to any other lawful source;

18 (e) A prudent level of motor vehicle fuel tax general obligation  
19 debt to be authorized for the following biennium when taking into  
20 account:

21 (i) The transportation needs for the following biennium according  
22 to the transportation plan;

23 (ii) The projected transportation needs as reflected in the  
24 transportation plan; and

25 (iii) The motor vehicle fuel tax capacity available when taking  
26 into consideration the amount directed to local governments, the  
27 amounts needed to pay current debt service, and any other amounts  
28 directed to any other lawful purposes;

29 (f) A prudent amount of other methods of financing, including but  
30 not limited to limited obligation bonds and financings authorized under  
31 chapter 47.29 RCW, available to fund transportation projects when  
32 taking into account the factors set forth in (e) of this subsection.  
33 A maximum level of debt to be authorized in any bond authorization bill  
34 required under section 7 of this act for capital projects; and

35 (g) A maximum level of debt to be authorized in any bond  
36 authorization bill required under section 7 of this act for  
37 transportation projects.

1 (6) The council must evaluate and include in its recommendations,  
2 the following:

3 (a) The combined impact of issuing the proposed debt as identified  
4 in the capital plan and transportation plan on the state's cost of  
5 capital;

6 (b) The combined impact of issuing the proposed debt as identified  
7 in the capital plan and the transportation plan on the general fund and  
8 the motor vehicle fund; and

9 (c) A prudent limitation on the percentage of general state  
10 revenues and motor vehicle fuel tax revenues to be permitted to be  
11 obligated to the payment of debt service when taking into consideration  
12 all relevant factors.

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

15 (1) The director of financial management shall provide all agencies  
16 with a complete set of instructions for submitting biennial budget  
17 requests to the director at least three months before agency budget  
18 documents are due into the office of financial management. The budget  
19 document or documents shall consist of the governor's budget message  
20 which shall be explanatory of the budget and shall contain an outline  
21 of the proposed financial policies of the state for the ensuing fiscal  
22 period, as well as an outline of the proposed six-year financial  
23 policies where applicable, and shall describe in connection therewith  
24 the important features of the budget. The biennial budget document or  
25 documents shall also describe performance indicators that demonstrate  
26 measurable progress towards priority results. The message shall set  
27 forth the reasons for salient changes from the previous fiscal period  
28 in expenditure and revenue items and shall explain any major changes in  
29 financial policy. Attached to the budget message shall be such  
30 supporting schedules, exhibits and other explanatory material in  
31 respect to both current operations and capital improvements as the  
32 governor shall deem to be useful to the legislature. The budget  
33 document or documents must not set forth a proposal that relies on an  
34 amount of state debt that exceeds the bond authorization bill required  
35 under section 7 of this act. The budget document or documents shall  
36 set forth a proposal for expenditures in the ensuing fiscal period, or  
37 six-year period where applicable, based upon the estimated revenues and

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

19 The budget document or documents shall also contain:

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

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

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

27 (d) Such additional information dealing with revenues and  
28 expenditures as the governor shall deem pertinent and useful to the  
29 legislature;

30 (e) Tabulations showing expenditures classified by fund, function,  
31 and agency;

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

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

37 (h) Tabulations showing each postretirement adjustment by  
38 retirement system established after fiscal year 1991, to include, but

1 not be limited to, estimated total payments made to the end of the  
2 previous biennial period, estimated payments for the present biennium,  
3 and estimated payments for the ensuing biennium.

4 (2) The budget document or documents shall include detailed  
5 estimates of all anticipated revenues applicable to proposed operating  
6 or capital expenditures and shall also include all proposed operating  
7 or capital expenditures, including debt service required to be paid  
8 from any fund for bonds, including payment requirements on projects  
9 financed by other methods for the full term of the financing. The  
10 total of beginning undesignated fund balance and estimated revenues  
11 less working capital and other reserves shall equal or exceed the total  
12 of proposed applicable expenditures. The budget document or documents  
13 shall further include:

14 (a) Interest, amortization and redemption charges on the state  
15 debt;

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

17 (c) Other statutory expenditures;

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

19 (e) Revenues derived from agency operations;

20 (f) Expenditures and revenues shall be given in comparative form  
21 showing those incurred or received for the immediately past fiscal  
22 period and those anticipated for the current biennium and next ensuing  
23 biennium;

24 (g) A showing and explanation of amounts of general fund and other  
25 funds obligations for debt service for bonds and payment requirements  
26 for projects financed by other methods for the full term of the  
27 financing and any transfers of moneys that otherwise would have been  
28 available for appropriation;

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

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

33 (j) A showing and explanation of anticipated amounts of general  
34 fund and other funds required to amortize the unfunded actuarial  
35 accrued liability of the retirement system specified under chapter  
36 41.45 RCW, and the contributions to meet such amortization, stated in  
37 total dollars and as a level percentage of total compensation.

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

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

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

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

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

18 (c) A capital plan consisting of proposed capital spending for at  
19 least four biennia succeeding the next biennium, including debt service  
20 required to be paid from any fund for bonds and payment requirements  
21 for projects financed by other methods for the full term of the  
22 financing;

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

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

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

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

35 (h) Estimated total project cost;

36 (i) For major projects valued over five million dollars, estimated  
37 costs for the following project components: Acquisition, consultant  
38 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, including debt  
8 service required to be paid from any fund for bonds and payment  
9 requirements for projects financed by other methods for the full term  
10 of the financing;

11 (m) Estimated construction start and completion dates;

12 (n) Source and type of funds proposed;

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

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

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

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

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

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



1 committee, legislative evaluation and accountability program committee,  
2 and office of financial management.

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

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

18 A capital appropriation bill shall include the estimated (~~general~~  
19 ~~fund~~) debt service costs from all funds associated with new capital  
20 appropriations contained in that bill for the biennia in which the  
21 appropriations occur and for the (~~succeeding two biennia~~) full term  
22 of the financing.

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

25 (~~On or after the effective date of this act,~~) The treasurer shall  
26 compute general state revenues for the (~~three~~) six fiscal years  
27 immediately preceding (~~such date~~) the effective date of this section  
28 and shall determine the arithmetic mean thereof. As soon as is  
29 practicable after the close of each fiscal year thereafter, he or she  
30 shall do likewise. In determining the amount of general state  
31 revenues, the treasurer shall include all state money received in the  
32 treasury from each and every source (~~whatsoever except~~), including  
33 moneys received from ad valorem taxes levied by the state and deposited  
34 in the general fund in each fiscal year, but not including: (1) Fees  
35 and other revenues derived from the ownership or operation of any  
36 undertaking, facility or project; (2) moneys received as gifts, grants,

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

23 NEW SECTION. **Sec. 6.** A new section is added to chapter 43.08 RCW  
24 to read as follows:

25 Each year, the treasurer shall cause to be published a debt  
26 affordability study that provides an assessment of the state's current  
27 debt portfolio and an analysis of the impact of future debt issuance.  
28 The study must include but is not limited to: An overview of the  
29 state's outstanding and projected debt; the structure of the debt  
30 portfolio; the state's credit rating and peer analysis; the cost of  
31 existing debt; sources of funds for interest, principal, or lease  
32 payments; and the purposes for which debt instruments and financing  
33 contracts are issued. To assist with this work, the office of the  
34 state treasurer shall convene and staff a work group to include staff  
35 from the fiscal committees of the state house of representatives and  
36 state senate and the office of financial management. A copy of the

1 debt affordability study shall be provided to the governor, the  
2 legislature, the council on state debt and the state finance committee.

3 NEW SECTION. **Sec. 7.** A new section is added to chapter 43.88 RCW  
4 to read as follows:

5 To the extent any budget document or documents set forth a proposal  
6 to issue debt, the governor shall also cause to be prepared a bond  
7 authorization bill that reflects the amount and type of debt proposed  
8 to be issued. In preparing the bond authorization bill, the governor  
9 shall take into consideration the council on state debt's  
10 recommendations with respect to the prudent level of debt to be issued  
11 and not exceed such recommendations.

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

- 14 (1) 2011 1st sp.s. c 46 s 1 (uncodified);  
15 (2) 2011 1st sp.s. c 46 s 2 (uncodified); and  
16 (3) RCW 39.42.140 (Working debt limit) and 2011 1st sp.s. c 46 s 3.

--- END ---