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**SENATE BILL 6376**

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**State of Washington 66th Legislature 2020 Regular Session**

**By** Senators Frockt, Mullet, Rolfes, and Honeyford

AN ACT Relating to forecasting state debt capacity; amending RCW 82.33.010; reenacting and amending RCW 82.33.020; adding a new section to chapter 82.33 RCW; and creating a new section.

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

NEW SECTION. **Sec.**  The legislature finds that the forecast of the state debt capacity of debt subject to the limit established in Article VIII, section 1 of the state Constitution is a foundational element of the capital budget. The legislature further finds that calculating the state's debt limit for the fiscal year is a duty assigned to the state treasurer in Article VIII, section 1 of the state Constitution, but the task of forecasting the state's debt capacity for future fiscal years is not constitutionally or statutorily assigned to any office, agency, branch, or board. The legislature further finds that the forecast of state debt capacity is currently developed through an informal and collaborative process of the executive and legislative branches. The legislature finds that the current process is adequate, but lacks transparency and could benefit from additional analytical rigor from professional economists and the use of consistent assumptions and methodology. Therefore, the legislature intends to improve the capital budget process by adding the preparation and adoption of state capital budget debt capacity forecasting to the duties of the nonpartisan economic and revenue forecast council, an independent agency that is not part of the executive or legislative branches.

**Sec.**  RCW 82.33.010 and 2012 1st sp.s. c 8 s 2 are each amended to read as follows:

(1) The economic and revenue forecast council is hereby created. The council shall consist of two individuals appointed by the governor, the state treasurer, and four individuals, one of whom is appointed by the chairperson of each of the two largest political caucuses in the senate and house of representatives. The chair of the council shall be selected from among the four caucus appointees. The council may select such other officers as the members deem necessary.

(2) The council shall employ an economic and revenue forecast supervisor to supervise the preparation of all economic and revenue forecasts ((~~and~~)), the presentation of state budget outlooks, and the presentation of state capital debt capacity forecasts. As used in this chapter, "supervisor" means the economic and revenue forecast supervisor. Approval by an affirmative vote of at least five members of the council is required for any decisions regarding employment of the supervisor. Employment of the supervisor shall terminate after each term of three years. At the end of the first year of each three-year term the council shall consider extension of the supervisor's term by one year. The council may fix the compensation of the supervisor. The supervisor shall employ staff sufficient to accomplish the purposes of this section.

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

(4) The economic and revenue forecast council shall oversee the preparation of and approve, by an affirmative vote of at least five members, the state budget outlook prepared under RCW 82.33.060. If the council is unable to approve a state budget outlook before a date required in RCW 82.33.060, the supervisor shall submit the outlook prepared under RCW 82.33.060 without approval and the outlook shall have the same effect as if approved by the council.

(5) The economic and revenue forecast council shall oversee the preparation of and approve, by an affirmative vote of at least five members, the state capital budget debt capacity forecast prepared under section 4 of this act. If the council is unable to approve the state capital budget debt capacity forecast before a date required in section 4 of this act, the supervisor shall submit the forecast prepared under section 4 of this act without approval and the forecast shall have the same effect as if approved by the council.

(6) A councilmember who does not cast an affirmative vote for approval of the official economic and revenue forecast ((~~or~~)), the state budget outlook, or the state capital budget debt capacity forecast may request, and the supervisor shall provide, an alternative economic and revenue forecast ((~~or~~)), state budget outlook, or state capital budget debt capacity forecast based on assumptions specified by the member including, for purposes of the state budget outlook or state capital budget debt capacity forecast, revenues to and expenditures from additional funds.

((~~(6)~~)) (7) Members of the economic and revenue forecast council shall serve without additional compensation but shall be reimbursed for travel expenses in accordance with RCW 44.04.120 while attending sessions of the council or on official business authorized by the council. Nonlegislative members of the council shall be reimbursed for travel expenses in accordance with RCW 43.03.050 and 43.03.060.

**Sec.**  RCW 82.33.020 and 2015 c 3 s 14 are each reenacted and amended to read as follows:

(1) Four times each year the supervisor must prepare, subject to the approval of the economic and revenue forecast council under RCW 82.33.010:

(a) An official state economic and revenue forecast;

(b) An unofficial state economic and revenue forecast based on optimistic economic and revenue projections; ((~~and~~))

(c) An unofficial state economic and revenue forecast based on pessimistic economic and revenue projections; and

(d) An official state capital budget debt capacity forecast.

(2) The supervisor must submit forecasts prepared under this section, along with any unofficial forecasts provided under RCW 82.33.010, to the governor and the members of the committees on ways and means and the chairs of the committees on transportation of the senate and house of representatives, including one copy to the staff of each of the committees, on or before November 20th, February 20th in the even-numbered years, March 20th in the odd-numbered years, June 27th, and September 27th. In fiscal year 2015, the March 20th forecast shall be submitted on or before February 20, 2015. All forecasts must include both estimated receipts and estimated revenues in conformance with generally accepted accounting principles as provided by RCW 43.88.037. In odd-numbered years, the period covered by forecasts for the state general fund and related funds must cover the current fiscal biennium and the next ensuing fiscal biennium. In even-numbered years, the period covered by the forecasts for the state general fund and related funds shall be current fiscal and the next two ensuing fiscal biennia. The state capital budget debt capacity forecast is limited to debt subject to the limit provided in Article VIII, section 1 of the state Constitution and the period covered by the forecast shall be the current biennium and the next three ensuing fiscal biennia.

(3) All agencies of state government must provide to the supervisor immediate access to all information relating to economic and revenue forecasts and the state capital budget debt capacity forecast. Revenue collection information must be available to the supervisor the first business day following the conclusion of each collection period.

(4) The economic and revenue forecast supervisor and staff must colocate and share information, data, and files with the tax research section of the department of revenue but may not duplicate the duties and functions of one another.

(5) As part of its forecasts under subsection (1)(a) through (c) of this section, the supervisor must provide estimated revenue from tuition fees as defined in RCW 28B.15.020.

(6) The economic and revenue forecast council must, in consultation with the economic and revenue forecast work group created in RCW 82.33.040, review the existing economic and revenue forecast council revenue model, data, and methodologies and in light of recent economic changes, engage outside experts if necessary, and recommend changes to the economic and revenue forecast council revenue forecasting process to increase confidence and promote accuracy in the revenue forecast. The recommendations are due by September 30, 2012, and every five years thereafter.

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

(1) The state capital budget debt capacity forecast work group is created and shall consist of one staff member selected by the executive head or chairperson of each of the following agencies or committees:

(a) Office of financial management;

(b) Office of the state treasurer;

(c) Economic and revenue forecast council;

(d) Ways and means committee of the senate; and

(e) Capital budget committee of the house of representatives.

(2) The purpose of the state capital budget debt capacity forecast work group is to develop and review the assumptions and methodology used by the supervisor to prepare the state capital budget debt capacity forecast and provide any other technical support to the supervisor and the economic and revenue forecast council.

(3) Except as provided in subsection (5) of this section, the state capital budget debt capacity forecast must use the following assumptions:

(a) Interest rates from the most recent official state economic and revenue forecast, consistent with the bond buyer index;

(b) General state revenues from the most recent official state economic and revenue forecast and for fiscal periods beyond the economic and revenue forecast two percent growth in property tax revenues and four and one-half percent growth in all other general state revenues;

(c) Eight percent biennial growth in appropriations from bond proceeds in future biennia; and

(d) A spending rate for new appropriations at fifteen percent of the total amount appropriated in the first fiscal year, thirty-five percent in the second and third fiscal year, and fifteen percent in the fourth fiscal year.

(4) Using a consensus approach, the group may develop additional assumptions for the state capital budget debt capacity forecast to supplement those provided in subsection (3) of this section. Any issue of the work group may be put to a vote by the council in the event that consensus cannot be reached.

(5) The economic and revenue forecast council may, by an affirmative vote of at least six members, revise the assumptions provided in subsection (3) of this section to be used for subsequent state capital budget debt capacity forecasts.

(6) The state capital budget debt capacity forecast work group must clearly state the assumptions and methodology used in calculating the state capital budget debt capacity forecast. The economic and revenue forecast council must publish its assumptions and methodology on the economic and revenue forecast council's web site.

(7) Meetings of the state capital budget debt capacity forecast work group may be called by the supervisor or any member of the group for the purpose of preparing and reviewing the state capital budget debt capacity forecast or for any other purpose which may assist the economic and revenue forecast council.

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