
ENGROSSED SUBSTITUTE SENATE BILL 5138

State of Washington

63rd Legislature

2013 Regular Session

By Senate Ways & Means (originally sponsored by Senators Parlette and Hargrove; by request of State Treasurer)

READ FIRST TIME 03/01/13.

1 AN ACT Relating to improving the management of state debt; amending
2 RCW 43.88.030 and 43.88.031; reenacting and amending RCW 39.42.070;
3 adding a new section to chapter 39.42 RCW; adding a new section to
4 chapter 43.08 RCW; adding a new section to chapter 43.88 RCW; creating
5 a new section; and repealing 2011 1st sp.s. c 46 ss 1 and 2
6 (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 state finance committee shall advise and make
18 recommendations to the governor and the legislature on the levels and

1 types of state debt to be authorized to fund essential capital and
2 transportation projects while protecting the state's credit rating,
3 maintaining financial market access, and also preserving future
4 budgetary flexibility.

5 (2) The state finance committee's recommendations must take at
6 least the following into consideration:

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

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

12 (3) On or before November 1st of each year, they must recommend the
13 following:

14 (a) The level of various purpose general obligation debt service
15 payments as a percentage of general state revenue;

16 (b) The level of various purpose general obligation debt to be
17 authorized for the following biennium when taking into account:

18 (i) Capital needs for that biennium;

19 (ii) Projected capital needs reflected in the ten-year capital
20 project plan;

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

23 (iv) Projected constitutional debt capacity for the following four
24 biennia; and

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

26 (c) The amount of other methods of financing, including but not
27 limited to limited obligation debt backed by specific revenues and debt
28 issued pursuant to chapter 39.94 RCW, that is available to fund capital
29 projects when taking into account the factors set forth in (b) of this
30 subsection;

31 (d) The level of motor vehicle fuel tax general obligation debt
32 service payments as a percentage of current and projected motor vehicle
33 fuel tax revenues, taking into consideration the amount directed to
34 local governments, the amounts needed to pay current debt service, and
35 any other amounts directed to any other lawful source;

36 (e) The level of motor vehicle fuel tax general obligation debt to
37 be authorized for the following biennium when taking into account:

1 (i) The transportation needs for the following biennium according
2 to the transportation plan;

3 (ii) The projected transportation needs as reflected in the
4 transportation plan; and

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

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

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

18 (4) The state finance committee must evaluate and include in its
19 recommendations, the following:

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

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

26 (c) The percentage of general state revenues and motor vehicle fuel
27 tax revenues to be obligated to the payment of debt service when taking
28 into consideration all relevant factors.

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

31 (1) The director of financial management shall provide all agencies
32 with a complete set of instructions for submitting biennial budget
33 requests to the director at least three months before agency budget
34 documents are due into the office of financial management. The budget
35 document or documents shall consist of the governor's budget message
36 which shall be explanatory of the budget and shall contain an outline
37 of the proposed financial policies of the state for the ensuing fiscal

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

35 The budget document or documents shall also contain:

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

- 1 (b) The undesignated fund balance or deficit, by fund;
- 2 (c) Such additional information dealing with expenditures,
3 revenues, workload, performance, and personnel as the legislature may
4 direct by law or concurrent resolution;
- 5 (d) Such additional information dealing with revenues and
6 expenditures as the governor shall deem pertinent and useful to the
7 legislature;
- 8 (e) Tabulations showing expenditures classified by fund, function,
9 and agency;
- 10 (f) The expenditures that include nonbudgeted, nonappropriated
11 accounts outside the state treasury;
- 12 (g) Identification of all proposed direct expenditures to implement
13 the Puget Sound water quality plan under chapter 90.71 RCW, shown by
14 agency and in total; and
- 15 (h) Tabulations showing each postretirement adjustment by
16 retirement system established after fiscal year 1991, to include, but
17 not be limited to, estimated total payments made to the end of the
18 previous biennial period, estimated payments for the present biennium,
19 and estimated payments for the ensuing biennium.
- 20 (2) The budget document or documents shall include detailed
21 estimates of all anticipated revenues applicable to proposed operating
22 or capital expenditures and shall also include all proposed operating
23 or capital expenditures, including debt service required to be paid
24 from any fund for bonds, including payment requirements on projects
25 financed by other methods for the full term of the financing. The
26 total of beginning undesignated fund balance and estimated revenues
27 less working capital and other reserves shall equal or exceed the total
28 of proposed applicable expenditures. The budget document or documents
29 shall further include:
- 30 (a) Interest, amortization and redemption charges on the state
31 debt;
- 32 (b) Payments of all reliefs, judgments, and claims;
- 33 (c) Other statutory expenditures;
- 34 (d) Expenditures incident to the operation for each agency;
- 35 (e) Revenues derived from agency operations;
- 36 (f) Expenditures and revenues shall be given in comparative form
37 showing those incurred or received for the immediately past fiscal

1 period and those anticipated for the current biennium and next ensuing
2 biennium;

3 (g) A showing and explanation of amounts of general fund and other
4 funds obligations for debt service for bonds and payment requirements
5 for projects financed by other methods for the full term of the
6 financing and any transfers of moneys that otherwise would have been
7 available for appropriation;

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

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

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

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

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

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

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

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

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

- 1 (d) A strategic plan for reducing backlogs of maintenance and
2 repair projects. The plan shall include a prioritized list of specific
3 facility deficiencies and capital projects to address the deficiencies
4 for each agency, cost estimates for each project, a schedule for
5 completing projects over a reasonable period of time, and
6 identification of normal maintenance activities to reduce future
7 backlogs;
- 8 (e) A statement of the reason or purpose for a project;
- 9 (f) Verification that a project is consistent with the provisions
10 set forth in chapter 36.70A RCW;
- 11 (g) A statement about the proposed site, size, and estimated life
12 of the project, if applicable;
- 13 (h) Estimated total project cost;
- 14 (i) For major projects valued over five million dollars, estimated
15 costs for the following project components: Acquisition, consultant
16 services, construction, equipment, project management, and other costs
17 included as part of the project. Project component costs shall be
18 displayed in a standard format defined by the office of financial
19 management to allow comparisons between projects;
- 20 (j) Estimated total project cost for each phase of the project as
21 defined by the office of financial management;
- 22 (k) Estimated ensuing biennium costs;
- 23 (l) Estimated costs beyond the ensuing biennium, including debt
24 service required to be paid from any fund for bonds and payment
25 requirements for projects financed by other methods for the full term
26 of the financing;
- 27 (m) Estimated construction start and completion dates;
- 28 (n) Source and type of funds proposed;
- 29 (o) Estimated ongoing operating budget costs or savings resulting
30 from the project, including staffing and maintenance costs;
- 31 (p) For any capital appropriation requested for a state agency for
32 the acquisition of land or the capital improvement of land in which the
33 primary purpose of the acquisition or improvement is recreation or
34 wildlife habitat conservation, the capital budget document, or an
35 omnibus list of recreation and habitat acquisitions provided with the
36 governor's budget document, shall identify the projected costs of
37 operation and maintenance for at least the two biennia succeeding the
38 next biennium. Omnibus lists of habitat and recreation land

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

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

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

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

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

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

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

33 A capital appropriation bill shall include the estimated (~~general~~
34 ~~fund~~) debt service costs from all funds associated with new capital
35 appropriations contained in that bill for the biennia in which the
36 appropriations occur and for the (~~succeeding two biennia~~) full term
37 of the financing.

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

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

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

3 Each year, the treasurer shall cause to be published a debt
4 affordability study that provides an assessment of the state's current
5 debt portfolio and an analysis of the impact of future debt issuance.
6 The study must include but is not limited to: An overview of the
7 state's outstanding and projected debt; the structure of the debt
8 portfolio; the state's credit rating and peer analysis; the cost of
9 existing debt; sources of funds for interest, principal, or lease
10 payments; and the purposes for which debt instruments and financing
11 contracts are issued. To assist with this work, the office of the
12 state treasurer shall convene and staff a work group to include staff
13 from the fiscal committees of the state house of representatives and
14 state senate and the office of financial management. A copy of the
15 debt affordability study shall be provided to the governor, the
16 legislature, and the state finance committee.

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

19 To the extent any budget document or documents set forth a proposal
20 to issue debt not previously authorized, the governor shall also cause
21 to be prepared a bond authorization bill that reflects the amount and
22 type of debt proposed to be issued. In preparing the bond
23 authorization bill, the governor shall take into consideration the
24 state finance committee's recommendations with respect to the level of
25 debt to be issued and not exceed such recommendations.

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

- 28 (1) 2011 1st sp.s. c 46 s 1 (uncodified); and
29 (2) 2011 1st sp.s. c 46 s 2 (uncodified).

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