**1838-S.E AMS WM S2881.2 - NOT FOR FLOOR USE**

**ESHB 1838** - S COMM AMD

By Committee on Ways & Means

**NOT ADOPTED 04/10/2023**

Strike everything after the enacting clause and insert the following:

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

(1)(a) 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 following members:

(i) The director of the office of financial management;

(ii) The director of the department of revenue;

(iii) The state treasurer;

(iv) The chair and ranking member of the house finance committee; and

(v) The chair and ranking member of the senate ways and means committee.

(b) The chair of the council shall be selected from among the ((~~four caucus appointees~~)) legislative members of the council identified in (a)(iv) and (v) of this subsection. The council may select such other officers as the members deem necessary.

(2) The council shall employ an economic ((~~and~~)), revenue, and transportation revenue forecast supervisor to supervise the preparation of all economic and revenue forecasts, transportation revenue forecasts under section 3 of this act, and the presentation of state budget outlooks under section 2 of this act. 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)~~)) A councilmember who does not cast an affirmative vote for approval of the official economic and revenue forecast ((~~or the state budget outlook~~)) may request, and the supervisor shall provide, an alternative economic and revenue forecast ((~~or state budget outlook~~)) based on assumptions specified by the member including, for purposes of the state budget outlook, revenues to and expenditures from additional funds.

((~~(6)~~)) (5) 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.

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

(1)(a) The budget outlook council is hereby created. The council shall consist of the following members:

(i) The director of the office of financial management;

(ii) The director of the department of revenue;

(iii) The state treasurer;

(iv) The chair and ranking member of the house appropriations committee; and

(v) The chair and ranking member of the senate ways and means committee.

(b) The chair of the council shall be selected from among the legislative members of the council identified in (a)(iv) and (v) of this subsection. The council may select such other officers as the members deem necessary.

(2) The budget outlook 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.

(3) A councilmember who does not cast an affirmative vote for approval of the state budget outlook may request, and the supervisor shall provide, an alternative state budget outlook based on assumptions specified by the member including, revenues to and expenditures from additional funds.

(4) Members of the budget outlook 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.

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

(1)(a) The transportation economic and revenue forecast council is hereby created. The council shall consist of the following members:

(i) The director of the office of financial management;

(ii) The director of the department of licensing;

(iii) The state treasurer;

(iv) The chair and ranking member of the house transportation committee; and

(v) The chair and ranking member of the senate transportation committee.

(b) The chair of the council shall be selected from among the legislative members of the council identified in (a)(iv) and (v) of this subsection. The council may select such other officers as the members deem necessary.

(2) The council shall work with the economic and revenue forecast supervisor identified under RCW 82.33.010 to supervise the preparation of all transportation economic and revenue forecasts. The supervisor shall employ staff sufficient to accomplish the purposes of this section.

(3)(a) The transportation 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 transportation economic and revenue forecasts prepared under RCW 82.33.020.

(b) 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) A councilmember who does not cast an affirmative vote for approval of the official transportation economic and revenue forecast may request, and the supervisor shall provide, an alternative economic and revenue forecast based on assumptions specified by the member.

(5) Members of the transportation 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 82.33.060 and 2020 c 218 s 5 are each amended to read as follows:

(1) To facilitate compliance with, and subject to the terms of, RCW 43.88.055 and 43.88.030, the state budget outlook work group shall prepare, subject to the approval of the ((~~economic and revenue forecast~~)) budget outlook council under ((~~RCW 82.33.010~~)) section 2 of this act, an official state budget outlook for state revenues and expenditures for the general fund and related funds. The revenue and caseload projections used in the outlook must reflect the most recent official forecasts adopted by the economic and revenue forecast council and the caseload forecast council for the years for which those forecasts are available.

(2) The outlook must:

(a) Estimate revenues to and expenditures from the state general fund and related funds. The estimate of ensuing biennium expenditures must include maintenance items including, but not limited to, continuation of current programs, forecasted growth of current entitlement programs, and actions required by law, including legislation with a future implementation date. Estimates of ensuing biennium expenditures must exclude policy items including, but not limited to, legislation not yet enacted by the legislature, collective bargaining agreements not yet approved by the legislature, and changes to levels of funding for employee salaries and benefits unless those changes are required by statute. Estimated maintenance level expenditures must also exclude costs of court rulings issued during or within fewer than ninety days before the beginning of the current legislative session;

(b) Address major budget and revenue drivers, including trends and variability in these drivers;

(c) Clearly state the assumptions used in the estimates of baseline and projected expenditures and any adjustments made to those estimates;

(d) Clearly state the assumptions used in the baseline revenue estimates and any adjustments to those estimates; and

(e) Include the impact of previously enacted legislation with a future implementation date.

(3) The outlook must also separately include projections based on the revenues and expenditures proposed in the governor's budget documents submitted to the legislature under RCW 43.88.030.

(4) The ((~~economic and revenue forecast~~)) budget outlook council shall submit state budget outlooks prepared under this section to the governor and the members of the committees on ways and means of the senate and appropriations of the house of representatives, including one copy to the staff of each of the committees, as required by this section.

(5) Each January, the state budget outlook work group shall also prepare, subject to the approval of the ((~~economic and revenue forecast~~)) budget outlook council, a state budget outlook for state revenues and expenditures that reflects the governor's proposed budget document submitted to the legislature under chapter 43.88 RCW. Within ((~~thirty~~)) 30 days following enactment of an operating budget by the legislature, the work group shall prepare, subject to the approval of the ((~~economic and revenue forecast~~)) budget outlook council, a state budget outlook for state revenues and expenditures that reflects the enacted budget.

(6) All agencies of state government shall provide to the supervisor immediate access to all information relating to state budget outlooks.

(7) The state budget outlook work group must publish its proposed methodology on the economic and revenue forecast council website. The state budget outlook work group, in consultation with the economic and revenue forecast work group and outside experts if necessary, must analyze the extent to which the proposed methodology for projecting expenditures for the ensuing fiscal biennia may be reliably used to determine the future impact of appropriations and make recommendations to change the outlook process to increase reliability and accuracy. The recommendations are due by December 1, 2013, and every five years thereafter.

**Sec.**  RCW 82.33.070 and 2012 1st sp.s. c 8 s 5 are each amended to read as follows:

(1) To promote the free flow of information and to promote legislative input in the preparation of the state budget outlook, immediate access to all information relating to the state budget outlook shall be available to the state budget outlook work group, hereby created. The state budget outlook work group 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) Legislative evaluation and accountability program committee;

(c) Office of the state treasurer;

(d) Economic and revenue forecast council;

(e) Caseload forecast council;

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

(g) ((~~Ways and means~~)) Appropriations committee of the house of representatives.

(2) The state budget outlook work group shall provide technical support to the ((~~economic and revenue forecast~~)) budget outlook council. Meetings of the state budget outlook work group may be called by any member of the group for the purpose of assisting the ((~~economic and revenue forecast~~)) budget outlook council, reviewing the state budget outlook, or for any other purpose, which may assist the ((~~economic and revenue forecast~~)) budget outlook council.

**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.

(2) Beginning with the September 2024, and four times each year thereafter, the supervisor must prepare, subject to the approval of the transportation economic and revenue forecast council created under section 3 of this act, an official transportation revenue forecast for the transportation budget. Additionally, the supervisor must prepare unofficial projections as deemed warranted by the supervisor, which may include optimistic and pessimistic assumptions. For purposes of this subsection, the transportation revenue forecast for the transportation budget includes, but is not limited to, transportation taxes, vehicle fees, drivers' fees, fares and tolls, and aircraft and vessel fees.

(3) 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 committee of the senate and appropriations committee of the house of representatives 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 be based on the most recent economic and revenue forecast council economic forecast. 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, and the period for the transportation related funds must cover the current fiscal biennium and the next two ensuing fiscal biennia. 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, and the period for the transportation related funds shall be the current fiscal and the next two ensuing fiscal biennia.

((~~(3)~~)) (4) All agencies of state government must provide to the supervisor immediate access to all information relating to economic and revenue forecasts. Revenue collection information must be available to the supervisor the first business day following the conclusion of each collection period.

((~~(4)~~)) (5) 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 and the department of licensing but may not duplicate the duties and functions of one another.

((~~(5)~~)) (6) As part of its forecasts under subsection (1) of this section, the supervisor must provide estimated revenue from tuition fees as defined in RCW 28B.15.020.

((~~(6)~~)) (7) 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.

**Sec.**  RCW 82.33.040 and 1986 c 158 s 23 are each amended to read as follows:

(1) To promote the free flow of information and to promote legislative input in the preparation of forecasts, immediate access to all information relating to economic and revenue forecasts shall be available to the economic and revenue forecast work group, hereby created. Revenue collection information shall be available to the economic and revenue forecast work group the first business day following the ((~~conclusion of each collection period~~)) close of each fiscal month. The economic and revenue forecast work group shall consist of one staff member selected by the executive head or chairperson of each of the following agencies or committees:

(a) Department of revenue;

(b) Office of financial management;

(c) Legislative evaluation and accountability program committee;

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

(e) ((~~Ways and means~~)) Finance committee of the house of representatives;

(f) Transportation committee of the senate;

(g) Transportation committee of the house of representatives;

(h) Washington state department of transportation; and

(i) Department of licensing.

(2) The economic and revenue forecast work group shall provide technical support to the economic and revenue forecast council. Meetings of the economic and revenue forecast work group may be called by any member of the group for the purpose of assisting the economic and revenue forecast council, reviewing the state economic and revenue forecasts, or reviewing monthly revenue collection data or for any other purpose which may assist the economic and revenue forecast council.

(3) Staff members from the Washington state department of transportation, department of licensing, transportation committee of the senate, and transportation committee of the house of representatives shall only provide technical support for the transportation revenue forecast for the transportation budget.

**Sec.**  RCW 43.88.020 and 2005 c 319 s 107 are each amended to read as follows:

(1) "Budget" means a proposed plan of expenditures for a given period or purpose and the proposed means for financing these expenditures.

(2) "Budget document" means a formal statement, either written or provided on any electronic media or both, offered by the governor to the legislature, as provided in RCW 43.88.030.

(3) "Director of financial management" means the official appointed by the governor to serve at the governor's pleasure and to whom the governor may delegate necessary authority to carry out the governor's duties as provided in this chapter. The director of financial management shall be head of the office of financial management which shall be in the office of the governor.

(4) "Agency" means and includes every state office, officer, each institution, whether educational, correctional, or other, and every department, division, board, and commission, except as otherwise provided in this chapter.

(5) "Public funds", for purposes of this chapter, means all moneys, including cash, checks, bills, notes, drafts, stocks, and bonds, whether held in trust, for operating purposes, or for capital purposes, and collected or disbursed under law, whether or not such funds are otherwise subject to legislative appropriation, including funds maintained outside the state treasury.

(6) "Regulations" means the policies, standards, and requirements, stated in writing, designed to carry out the purposes of this chapter, as issued by the governor or the governor's designated agent, and which shall have the force and effect of law.

(7) "Ensuing biennium" means the fiscal biennium beginning on July 1st of the same year in which a regular session of the legislature is held during an odd-numbered year pursuant to Article II, section 12 of the Constitution and which biennium next succeeds the current biennium.

(8) "Dedicated fund" means a fund in the state treasury, or a separate account or fund in the general fund in the state treasury, that by law is dedicated, appropriated, or set aside for a limited object or purpose; but "dedicated fund" does not include a revolving fund or a trust fund.

(9) "Revolving fund" means a fund in the state treasury, established by law, from which is paid the cost of goods or services furnished to or by a state agency, and which is replenished through charges made for such goods or services or through transfers from other accounts or funds.

(10) "Trust fund" means a fund in the state treasury in which designated persons or classes of persons have a vested beneficial interest or equitable ownership, or which was created or established by a gift, grant, contribution, devise, or bequest that limits the use of the fund to designated objects or purposes.

(11) "Administrative expenses" means expenditures for: (a) Salaries, wages, and related costs of personnel and (b) operations and maintenance including but not limited to costs of supplies, materials, services, and equipment.

(12) "Fiscal year" means the year beginning July 1st and ending the following June 30th.

(13) "Lapse" means the termination of authority to expend an appropriation.

(14) "Legislative fiscal committees" means the joint legislative audit and review committee, the legislative evaluation and accountability program committee, and the ways and means and transportation committees of the senate and house of representatives.

(15) "Fiscal period" means the period for which an appropriation is made as specified within the act making the appropriation.

(16) "Primary budget driver" means the primary determinant of a budget level, other than a price variable, which causes or is associated with the major expenditure of an agency or budget unit within an agency, such as a caseload, enrollment, workload, or population statistic.

(17) "State tax revenue limit" means the limitation created by chapter 43.135 RCW.

(18) "General state revenues" means the revenues defined by Article VIII, section 1(c) of the state Constitution.

(19) "Annual growth rate in real personal income" means the estimated percentage growth in personal income for the state during the current fiscal year, expressed in constant value dollars, as published by the office of financial management or its successor agency.

(20) "Estimated revenues" means estimates of revenue in the most recent official economic ((~~and~~)), revenue ((~~forecast~~)), and transportation revenue forecasts, prepared under RCW 82.33.020((~~, and prepared by the office of financial management for those funds, accounts, and sources for which the office of the economic and revenue forecast council does not prepare an official forecast, that are prepared by the office of financial management in consultation with the transportation revenue forecast council~~)).

(21) "Estimated receipts" means the estimated receipt of cash in the most recent official economic and revenue forecast prepared under RCW 82.33.020, and prepared by the office of financial management for those funds, accounts, and sources for which the office of the economic and revenue forecast council does not prepare an official forecast.

(22) "State budgeting, accounting, and reporting system" means a system that gathers, maintains, and communicates fiscal information. The system links fiscal information beginning with development of agency budget requests through adoption of legislative appropriations to tracking actual receipts and expenditures against approved plans.

(23) "Allotment of appropriation" means the agency's statement of proposed expenditures, the director of financial management's review of that statement, and the placement of the approved statement into the state budgeting, accounting, and reporting system.

(24) "Statement of proposed expenditures" means a plan prepared by each agency that breaks each appropriation out into monthly detail representing the best estimate of how the appropriation will be expended.

(25) "Undesignated fund balance (or deficit)" means unreserved and undesignated current assets or other resources available for expenditure over and above any current liabilities which are expected to be incurred by the close of the fiscal period.

(26) "Internal audit" means an independent appraisal activity within an agency for the review of operations as a service to management, including a systematic examination of accounting and fiscal controls to assure that human and material resources are guarded against waste, loss, or misuse; and that reliable data are gathered, maintained, and fairly disclosed in a written report of the audit findings.

(27) "Performance verification" means an analysis that (a) verifies the accuracy of data used by state agencies in quantifying intended results and measuring performance toward those results, and (b) verifies whether or not the reported results were achieved.

(28) "Performance audit" has the same meaning as it is defined in RCW 44.28.005.

NEW SECTION. **Sec.**  The following acts or parts of acts are each repealed:

(1) RCW 43.88.125 (Study of transportation-related funds or accounts—Coordination of activities) and 2005 c 319 s 114, 1996 c 288 s 49, 1981 c 270 s 15, 1977 ex.s. c 235 s 6, 1975 1st ex.s. c 293 s 19, & 1971 ex.s. c 195 s 2; and

(2) RCW 43.88.122 (Transportation agency revenue forecasts—Variances) and 2000 2nd sp.s. c 4 s 14 & 1991 c 358 s 7.

NEW SECTION. **Sec.**  Section 9 of this act takes effect July 1, 2024."

**ESHB 1838** - S COMM AMD

By Committee on Ways & Means

**NOT ADOPTED 04/10/2023**

On page 1, line 3 of the title, after "council;" strike the remainder of the title and insert "amending RCW 82.33.010, 82.33.060, 82.33.070, 82.33.040, and 43.88.020; reenacting and amending RCW 82.33.020; adding new sections to chapter 82.33 RCW; repealing RCW 43.88.125 and 43.88.122; and providing an effective date."

EFFECT: Strikes the provisions in the underlying bill and replaces them as follows:

(1) Changes the membership of the Economic and Revenue Forecast Council (ERFC) from two appointees by the Governor and four legislative appointees and replaces them with the following members:

(a) The director of the Office of Financial Management;

(b) The director of the Department of Revenue;

(c) The State Treasurer;

(d) The chair and ranking member of the House Finance Committee; and

(e) The chair and ranking member of the Senate Ways and Means Committee.

(2) Removes the adoption of the Budget Outlooks from the duties of the ERFC and creates a Budget Outlook Council with the following members:

(a) The director of the Office of Financial Management;

(b) The director of the Department of Revenue;

(c) The State Treasurer;

(d) The chair and ranking member of the House Appropriations Committee; and

(e) The chair and ranking member of the Senate Ways and Means Committee.

(3) Creates a Transportation Revenue Forecast Council, to adopt transportation revenue forecasts consistent with requirements related to revenue forecasts adopted by the ERFC, beginning with the September 2024 forecast, and with the following members:

(a) The director of the Office of Financial Management;

(b) The director of the Department of Licensing;

(c) The State Treasurer;

(d) The chair and ranking member of the House Transportation Committee; and

(e) The chair and ranking member of the Senate Transportation Committee.

(4) Directs the director of the ERFC to support the work of the Budget Outlook and Transportation Revenue Forecast Councils.

(5) Adds staff from the House and Senate Transportation Committees and the Department of Licensing to the ERFC work group.

(6) Removes references to and repeals statues related to the current process for transportation revenue forecasts.

(7) Provides an effective date for the sections repealing the current transportation revenue forecasting requirements of July 1, 2024.