

SSB 5138 - S AMD 152
By Senator Parlette

ADOPTED AS AMENDED 03/07/2013

1 Strike everything after the enacting clause and insert the
2 following:

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

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

12 (1) The state finance committee shall advise and make
13 recommendations to the governor and the legislature on the levels and
14 types of state debt to be authorized to fund essential capital and
15 transportation projects while protecting the state's credit rating,
16 maintaining financial market access, and also preserving future
17 budgetary flexibility.

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

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

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

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

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

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

3 (i) Capital needs for that biennium;

4 (ii) Projected capital needs reflected in the ten-year capital
5 project plan;

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

8 (iv) Projected constitutional debt capacity for the following four
9 biennia; and

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

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

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

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

23 (i) The transportation needs for the following biennium according
24 to the transportation plan;

25 (ii) The projected transportation needs as reflected in the
26 transportation plan; and

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

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

37 (g) A maximum level of debt to be authorized in any bond

1 authorization bill required under section 7 of this act for
2 transportation projects.

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

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

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

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

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

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

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

20 The budget document or documents shall also contain:

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

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

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

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

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

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

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

1 (h) Tabulations showing each postretirement adjustment by
2 retirement system established after fiscal year 1991, to include, but
3 not be limited to, estimated total payments made to the end of the
4 previous biennial period, estimated payments for the present biennium,
5 and estimated payments for the ensuing biennium.

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

16 (a) Interest, amortization and redemption charges on the state
17 debt;

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

19 (c) Other statutory expenditures;

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

21 (e) Revenues derived from agency operations;

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

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

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

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

35 (j) A showing and explanation of anticipated amounts of general
36 fund and other funds required to amortize the unfunded actuarial
37 accrued liability of the retirement system specified under chapter

1 41.45 RCW, and the contributions to meet such amortization, stated in
2 total dollars and as a level percentage of total compensation.

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

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

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

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

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

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

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

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

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

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

37 (h) Estimated total project cost;

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

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

9 (k) Estimated ensuing biennium costs;

10 (l) Estimated costs beyond the ensuing biennium, including debt
11 service required to be paid from any fund for bonds and payment
12 requirements for projects financed by other methods for the full term
13 of the financing;

14 (m) Estimated construction start and completion dates;

15 (n) Source and type of funds proposed;

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

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

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

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

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

37 For purposes of this subsection (5), the term "capital project"
38 shall be defined subsequent to the analysis, findings, and

1 recommendations of a joint committee comprised of representatives from
2 the house capital appropriations committee, senate ways and means
3 committee, legislative evaluation and accountability program committee,
4 and office of financial management.

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

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

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

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

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

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

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

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

1 state senate and the office of financial management. A copy of the
2 debt affordability study shall be provided to the governor, the
3 legislature, and the state finance committee.

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

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

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

- 15 (1) 2011 1st sp.s. c 46 s 1 (uncodified); and
16 (2) 2011 1st sp.s. c 46 s 2 (uncodified)."

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17 On page 1, line 1 of the title, after "debt;" strike the remainder
18 of the title and insert "amending RCW 43.88.030 and 43.88.031;
19 reenacting and amending RCW 39.42.070; adding a new section to chapter
20 39.42 RCW; adding a new section to chapter 43.08 RCW; adding a new
21 section to chapter 43.88 RCW; creating a new section; and repealing
22 2011 1st sp.s. c 46 ss 1 and 2 (uncodified)."

EFFECT: Makes a technical correction to eliminate a remaining
reference to the debt council.

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