
BILL REQUEST - CODE REVISER'S OFFICE

BILL REQ. #: Z-0934.1/12

ATTY/TYPIST: LL:seg

BRIEF DESCRIPTION: Implementing the recommendations of the
commission on state debt.

1 AN ACT Relating to limitations on state debt; amending RCW
2 43.88.030 and 43.88.031; reenacting and amending RCW 39.42.070; adding
3 new sections to chapter 39.42 RCW; creating a new section; repealing
4 RCW 39.42.140; repealing 2011 1st sp.s. c 46 ss 1, 2, and 4
5 (uncodified); and providing a contingent effective date.

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

7 NEW SECTION. **Sec. 1.** The legislature finds the commission on
8 state debt's recommendations accomplish several objectives that improve
9 the state's standing with regard to the amount of debt available for
10 capital projects and the required debt service to pay for those
11 projects. Implementation of the recommendations will result in more
12 stable and predictable bond-funded capital budgets and debt service.
13 The recommendations include amending the state Constitution by changing
14 the definition and calculation of general state revenue and reducing
15 the debt limit in conjunction with amending the working debt limit to
16 allow it to increase during recessions and decrease over time as the
17 economy recovers. The recommendations also include creating a debt
18 advisory council to advise on long-term debt. Therefore, the

1 legislature intends to implement the commission on state debt's
2 recommendations.

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

5 (1) The debt advisory council is created and consists of the state
6 treasurer, acting as the chair and a nonvoting member; one member
7 appointed from each of the two largest caucuses of the senate,
8 appointed by the president of the senate; one member appointed from
9 each of the two largest caucuses of the house of representatives,
10 appointed by the speaker of the house; the director of the office of
11 financial management; and the secretary of transportation. The members
12 of the debt advisory council serve without additional compensation, but
13 are reimbursed for travel expenses in accordance with RCW 44.04.120
14 while attending sessions of the council or on official business
15 authorized by the council. Staffing of the debt advisory council must
16 be provided by the office of the state treasurer.

17 (2) The purpose of the debt advisory council is to advise and make
18 recommendations to the governor and the legislature on the level of
19 state debt for appropriation purposes while balancing the need for
20 funding essential capital projects, preserving future budgetary
21 flexibility, and protecting the state's credit position and market
22 access. The debt advisory council shall oversee the preparation of and
23 approve, by an affirmative vote of at least four members,
24 recommendations to the governor and the legislature as required under
25 this section. The council's recommendations shall include the
26 following:

27 (a) The working debt limit for debt subject to the constitutional
28 debt limit during recessionary and economic recovery periods;

29 (b) The overall amount of all types of debt issued by or on behalf
30 of the state;

31 (c) The amounts of future debt issuance based on the ten-year
32 capital plan required in chapter 43.99 RCW;

33 (d) The amounts of future debt issuance based on transportation
34 planning required in chapter 47.06 RCW;

35 (e) The impact of planned debt issuance on the bond market;

36 (f) The debt service required to pay for different types of debt;

1 (g) Other debt policy such as saved bond capacity and future debt
2 service payments;

3 (h) Periods of recession and economic recovery for the purposes of
4 determining the working debt limit for bonds subject to the
5 constitutional debt limit; and

6 (i) Increasing the working debt limit to eight and one-half percent
7 during recessionary periods and decreasing over time the working debt
8 limit to eight percent within eight years following the recessionary
9 period.

10 NEW SECTION. **Sec. 3.** A new section is added to chapter 39.42 RCW
11 to read as follows:

12 (1) For purposes of budget development for various purpose capital
13 bond appropriations, the working debt limit, for debt subject to the
14 constitutional debt limit, is eight percent during nonrecessionary
15 periods.

16 (2) The working debt limit may increase to eight and one-half
17 percent during recessionary periods.

18 (3) The debt advisory council shall advise the governor and the
19 legislature on increasing the working debt limit and shall also advise
20 on timing a reduction of the limit so that it is eight percent within
21 eight years following a recessionary period. Recessionary and recovery
22 periods will be determined pursuant to section 2(2)(h) of this act.

23 (4) This section does not in any manner affect the validity of
24 indebtedness incurred in compliance with the provision of Article VIII,
25 section 1 of the Constitution.

26 **Sec. 4.** RCW 43.88.030 and 2006 c 334 s 43 are each amended to read
27 as follows:

28 (1) The director of financial management shall provide all agencies
29 with a complete set of instructions for submitting biennial budget
30 requests to the director at least three months before agency budget
31 documents are due into the office of financial management. The budget
32 document or documents shall consist of the governor's budget message
33 which shall be explanatory of the budget and shall contain an outline
34 of the proposed financial policies of the state for the ensuing fiscal
35 period, as well as an outline of the proposed six-year financial
36 policies where applicable, and shall describe in connection therewith

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

30 The budget document or documents shall also contain:

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

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

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

1 (d) Such additional information dealing with revenues and
2 expenditures as the governor shall deem pertinent and useful to the
3 legislature;

4 (e) Tabulations showing expenditures classified by fund, function,
5 and agency;

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

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

11 (h) Tabulations showing each postretirement adjustment by
12 retirement system established after fiscal year 1991, to include, but
13 not be limited to, estimated total payments made to the end of the
14 previous biennial period, estimated payments for the present biennium,
15 and estimated payments for the ensuing biennium.

16 (2) The budget document or documents shall include detailed
17 estimates of all anticipated revenues applicable to proposed operating
18 or capital expenditures and shall also include all proposed operating
19 or capital expenditures, including debt service from all funds for
20 proposed debt issuance, including alternatively financed projects for
21 the full term of the financing. The total of beginning undesignated
22 fund balance and estimated revenues less working capital and other
23 reserves shall equal or exceed the total of proposed applicable
24 expenditures. The budget document or documents shall further include:

25 (a) Interest, amortization and redemption charges on the state
26 debt;

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

28 (c) Other statutory expenditures;

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

30 (e) Revenues derived from agency operations;

31 (f) Expenditures and revenues shall be given in comparative form
32 showing those incurred or received for the immediately past fiscal
33 period and those anticipated for the current biennium and next ensuing
34 biennium;

35 (g) A showing and explanation of amounts of general fund and other
36 funds obligations for debt service from all funds for bonds and
37 alternatively financed projects for the full term of the financing and

1 any transfers of moneys that otherwise would have been available for
2 appropriation;

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

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

7 (j) A showing and explanation of anticipated amounts of general
8 fund and other funds required to amortize the unfunded actuarial
9 accrued liability of the retirement system specified under chapter
10 41.45 RCW, and the contributions to meet such amortization, stated in
11 total dollars and as a level percentage of total compensation.

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

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

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

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

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

29 (c) A capital plan consisting of proposed capital spending for at
30 least four biennia succeeding the next biennium, including debt service
31 from all funds for bonds and alternatively financed projects for the
32 full term of the financing;

33 (d) A strategic plan for reducing backlogs of maintenance and
34 repair projects. The plan shall include a prioritized list of specific
35 facility deficiencies and capital projects to address the deficiencies
36 for each agency, cost estimates for each project, a schedule for
37 completing projects over a reasonable period of time, and

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

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

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

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

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

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

26 **Sec. 5.** RCW 43.88.031 and 1991 c 284 s 2 are each amended to read
27 as follows:

28 A capital appropriation bill shall include the estimated (~~general~~
29 ~~fund~~) debt service costs from all funds associated with new capital
30 appropriations contained in that bill for the biennia in which the
31 appropriations occur and for the (~~succeeding two biennia~~) full term
32 of the financing.

33 **Sec. 6.** RCW 39.42.070 and 2009 c 500 s 1 and 2009 c 479 s 24 are
34 each reenacted and amended to read as follows:

35 (~~On or after the effective date of this act,~~) The treasurer shall
36 compute general state revenues for the (~~three~~) six fiscal years

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

33 NEW SECTION. **Sec. 7.** The following act or parts of acts are each
34 repealed:

- 35 (1) 2011 1st sp.s. c 46 s 1 (uncodified);
- 36 (2) 2011 1st sp.s. c 46 s 2 (uncodified);

1 (3) RCW 39.42.140 (Working debt limit) and 2011 1st sp.s. c 46 s 3;
2 and
3 (4) 2011 1st sp.s. c 46 s 4 (uncodified).

4 NEW SECTION. **Sec. 8.** Sections 1 through 3, 6, and 7 of this act
5 take effect if the proposed amendment to Article VIII, section 1 of the
6 state Constitution (implementing recommendations of the commission on
7 state debt, HJR . . . (Z-0931.1/12)) is validly submitted to and is
8 approved and ratified by the voters at the next general election. If
9 approved and ratified by the voters at the next general election,
10 section 6 of this act takes effect July 1, 2014. If the proposed
11 amendment is not approved and ratified, sections 1 through 3, 6, and 7
12 of this act are void in their entirety.

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