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HOUSE BILL 2392

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State of Washington

65th Legislature

2018 Regular Session

By Representative Taylor

Prefiled 01/05/18.

1 AN ACT Relating to the relationship between the four-year  
2 balanced budget and vetoes of fiscal legislation; and amending RCW  
3 43.88.055 and 43.88.110.

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

5 **Sec. 1.** RCW 43.88.055 and 2012 1st sp.s. c 8 s 1 are each  
6 amended to read as follows:

7 (1) The legislature must adopt a four-year balanced budget as  
8 follows:

9 (a) Beginning in the 2013-2015 fiscal biennium, the legislature  
10 shall enact a balanced omnibus operating appropriations bill that  
11 leaves, in total, a positive ending fund balance in the general fund  
12 and related funds.

13 (b) Beginning in the 2013-2015 fiscal biennium, the projected  
14 maintenance level of the omnibus appropriations bill enacted by the  
15 legislature shall not exceed the available fiscal resources for the  
16 next ensuing fiscal biennium. Beginning with budgets enacted for the  
17 2019-2021 fiscal biennium, if a veto of appropriations or revenue  
18 legislation results in a projected maintenance level that exceeds  
19 available fiscal resources in the ensuing biennium, then the governor  
20 must make prioritized allotment reductions under RCW 43.88.110(8).

21 (2) For purposes of this section:

1 (a) "Available fiscal resources" means the beginning general fund  
2 and related fund balances and any fiscal resources estimated for the  
3 general fund and related funds, adjusted for enacted legislation, and  
4 with forecasted revenues adjusted to the greater of (i) the official  
5 general fund and related funds revenue forecast for the ensuing  
6 biennium, or (ii) the official general fund and related funds  
7 forecast for the second fiscal year of the current fiscal biennium,  
8 increased by 4.5 percent for each fiscal year of the ensuing  
9 biennium;

10 (b) "Projected maintenance level" means estimated appropriations  
11 necessary to maintain the continuing costs of program and service  
12 levels either funded in that appropriations bill or mandated by other  
13 state or federal law, and the amount of any general fund moneys  
14 projected to be transferred to the budget stabilization account  
15 pursuant to Article VII, section 12 of the state Constitution, but  
16 does not include in the 2013-2015 and 2015-2017 fiscal biennia the  
17 costs related to the enhanced funding under the new definition of  
18 basic education as established in chapter 548, Laws of 2009, and  
19 affirmed by the decision in *Mathew McCleary et al., v. The State of*  
20 *Washington*, 173 Wn.2d 477, 269 P.3d 227, (2012), from which the  
21 short-term exclusion of these obligations is solely for the purposes  
22 of calculating this estimate and does not in any way indicate an  
23 intent to avoid full funding of these obligations;

24 (c) "Related funds," as used in this section, means the  
25 Washington opportunity pathways account and the education legacy  
26 trust account.

27 (3) Subsection (1)(a) and (b) of this section does not apply to  
28 an appropriations bill that makes net reductions in general fund and  
29 related funds appropriations and is enacted between July 1st and  
30 February 15th of any fiscal year.

31 (4) Subsection (1)(b) of this section does not apply in a fiscal  
32 biennium in which money is appropriated from the budget stabilization  
33 account.

34 **Sec. 2.** RCW 43.88.110 and 2014 c 162 s 4 are each amended to  
35 read as follows:

36 This section sets forth the expenditure programs and the  
37 allotment and reserve procedures to be followed by the executive  
38 branch for public funds.

1 (1) Allotments of an appropriation for any fiscal period shall  
2 conform to the terms, limits, or conditions of the appropriation.

3 (2) The director of financial management shall provide all  
4 agencies with a complete set of operating and capital instructions  
5 for preparing a statement of proposed expenditures at least thirty  
6 days before the beginning of a fiscal period. The set of instructions  
7 need not include specific appropriation amounts for the agency.

8 (3) Within forty-five days after the beginning of the fiscal  
9 period or within forty-five days after the governor signs the omnibus  
10 biennial appropriations act, whichever is later, all agencies shall  
11 submit to the governor a statement of proposed expenditures at such  
12 times and in such form as may be required by the governor.

13 (4) The office of financial management shall develop a method for  
14 monitoring capital appropriations and expenditures that will capture  
15 at least the following elements:

16 (a) Appropriations made for capital projects including  
17 transportation projects;

18 (b) Estimates of total project costs including past, current,  
19 ensuing, and future biennial costs;

20 (c) Comparisons of actual costs to estimated costs;

21 (d) Comparisons of estimated construction start and completion  
22 dates with actual dates;

23 (e) Documentation of fund shifts between projects.

24 This data may be incorporated into the existing accounting system  
25 or into a separate project management system, as deemed appropriate  
26 by the office of financial management.

27 (5) The office of financial management, prior to approving  
28 allotments for major capital construction projects valued over five  
29 million dollars, with the exception of projects at institutions of  
30 higher education as defined in RCW 28B.10.016, which may be valued up  
31 to ten million dollars, shall institute procedures for reviewing such  
32 projects at the predesign stage that will reduce long-term costs and  
33 increase facility efficiency. The procedures shall include, but not  
34 be limited to, the following elements:

35 (a) Evaluation of facility program requirements and consistency  
36 with long-range plans;

37 (b) Utilization of a system of cost, quality, and performance  
38 standards to compare major capital construction projects; and

39 (c) A requirement to incorporate value-engineering analysis and  
40 constructability review into the project schedule.

1 (6) No expenditure may be incurred or obligation entered into for  
2 such major capital construction projects including, without  
3 exception, land acquisition, site development, predesign, design,  
4 construction, and equipment acquisition and installation, until the  
5 allotment of the funds to be expended has been approved by the office  
6 of financial management. This limitation does not prohibit the  
7 continuation of expenditures and obligations into the succeeding  
8 biennium for projects for which allotments have been approved in the  
9 immediate prior biennium.

10 (7) If at any time during the fiscal period the governor projects  
11 a cash deficit in a particular fund or account as defined by RCW  
12 43.88.050, the governor shall make across-the-board reductions in  
13 allotments for that particular fund or account so as to prevent a  
14 cash deficit, unless the legislature has directed the liquidation of  
15 the cash deficit over one or more fiscal periods. Except for the  
16 legislative and judicial branches and other agencies headed by  
17 elective officials, the governor shall review the statement of  
18 proposed operating expenditures for reasonableness and conformance  
19 with legislative intent. The governor may request corrections of  
20 proposed allotments submitted by the legislative and judicial  
21 branches and agencies headed by elective officials if those proposed  
22 allotments contain significant technical errors. Once the governor  
23 approves the proposed allotments, further revisions may at the  
24 request of the office of financial management or upon the agency's  
25 initiative be made on a quarterly basis and must be accompanied by an  
26 explanation of the reasons for significant changes. However, changes  
27 in appropriation level authorized by the legislature, changes  
28 required by across-the-board reductions mandated by the governor,  
29 changes caused by executive increases to spending authority, and  
30 changes caused by executive decreases to spending authority for  
31 failure to comply with the provisions of chapter 36.70A RCW may  
32 require additional revisions. Revisions shall not be made  
33 retroactively. However, the governor may assign to a reserve status  
34 any portion of an agency appropriation withheld as part of across-  
35 the-board reductions made by the governor and any portion of an  
36 agency appropriation conditioned on a contingent event by the  
37 appropriations act. The governor may remove these amounts from  
38 reserve status if the across-the-board reductions are subsequently  
39 modified or if the contingent event occurs. The director of financial  
40 management shall enter approved statements of proposed expenditures

1 into the state budgeting, accounting, and reporting system within  
2 forty-five days after receipt of the proposed statements from the  
3 agencies. If an agency or the director of financial management is  
4 unable to meet these requirements, the director of financial  
5 management shall provide a timely explanation in writing to the  
6 legislative fiscal committees.

7 (8)(a) Beginning with budgets enacted for the 2019-2021 fiscal  
8 biennium, if the legislature enacts an operating budget that complies  
9 with the ensuing biennium balance requirement in RCW 43.88.055, but  
10 vetoed of appropriations or revenue legislation result in projected  
11 maintenance level expenditures for the ensuing biennium that exceed  
12 projected available fiscal resources for the ensuing biennium, then  
13 the governor must make allotment reductions in accordance with the  
14 priorities established in this subsection (8). The allotment  
15 reductions in the current biennium must be sufficient to eliminate  
16 the shortfall by reducing projected maintenance level expenditures in  
17 the ensuing biennium.

18 (b) The governor must make allotment reductions in appropriations  
19 in the following priority:

20 (i) The legislature, the judiciary, and statewide elected  
21 officials in the executive branch;

22 (ii) For all other state purposes not specifically listed in this  
23 subsection, excluding the state program of basic education and  
24 payments of principal and interest on state debt;

25 (iii) For public assistance programs;

26 (iv) For public health;

27 (v) For public safety;

28 (vi) For assessing and collecting state revenue;

29 (vii) For education of children in grades kindergarten through  
30 twelve, other than the program of basic education.

31 (c) In making allotment reductions under this section, the  
32 governor must:

33 (i) Preserve funding for constitutionally essential functions of  
34 the legislature, the judiciary, statewide elected officials in the  
35 executive branch, the department of corrections, and the department  
36 of social and health services mental health division; and

37 (ii) Make all permitted allotment reductions to agencies in each  
38 specified priority order before taking allotment reductions in the  
39 next specified priority order.

1 (d) For purposes of this section, allotment reductions apply to  
2 the general fund and related funds as defined in RCW 43.88.055.

3 (e) To facilitate compliance with this subsection, the  
4 legislature in the omnibus operating appropriations act must assign  
5 agencies to one of the priority categories in (b) of this subsection.  
6 The legislature may divide the activities of an agency among multiple  
7 categories, but it is not required to do so.

8 (9) It is expressly provided that all agencies shall be required  
9 to maintain accounting records and to report thereon in the manner  
10 prescribed in this chapter and under the regulations issued pursuant  
11 to this chapter. Within ninety days of the end of the fiscal year,  
12 all agencies shall submit to the director of financial management  
13 their final adjustments to close their books for the fiscal year.  
14 Prior to submitting fiscal data, written or oral, to committees of  
15 the legislature, it is the responsibility of the agency submitting  
16 the data to reconcile it with the budget and accounting data reported  
17 by the agency to the director of financial management.

18 ~~((+9))~~ (10) The director of financial management may exempt  
19 certain public funds from the allotment controls established under  
20 this chapter if it is not practical or necessary to allot the funds.  
21 Allotment control exemptions expire at the end of the fiscal biennium  
22 for which they are granted. The director of financial management  
23 shall report any exemptions granted under this subsection to the  
24 legislative fiscal committees.

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