
HOUSE BILL 1889

State of Washington

62nd Legislature

2011 Regular Session

By Representatives Hasegawa, Santos, Reykdal, Springer, Hunt, Ryu, Hudgins, Kenney, Dickerson, Pettigrew, Fitzgibbon, Tharinger, and Ormsby

Read first time 02/08/11. Referred to Committee on Ways & Means.

1 AN ACT Relating to incorporating state tax expenditures into the
2 state budget process; amending RCW 43.06.400 and 43.88.030; and adding
3 a new section to chapter 43.88 RCW.

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

5 NEW SECTION. **Sec. 1.** A new section is added to chapter 43.88 RCW
6 to read as follows:

7 (1) The omnibus operating appropriations bill enacted by the
8 legislature must include:

9 (a) A tax expenditure section or sections listing all discretionary
10 state tax expenditures together with an estimate of the state revenue
11 impact associated with each discretionary state tax expenditure;

12 (b) A section stating the total estimated revenue impact from all
13 discretionary state tax expenditures, total appropriations, and total
14 state expenditures representing the sum of discretionary state tax
15 expenditures and appropriations; and

16 (c) A section stating the total state revenue impact from all
17 nondiscretionary tax expenditures.

18 (2) The sections described in subsection (1) of this section must
19 be stated in part I of the omnibus operating appropriations bill.

1 (3) For the purposes of this section, "discretionary state tax
2 expenditure" means a tax preference, as defined in RCW 43.136.021, that
3 impacts revenues appropriated in the omnibus operating appropriations
4 bill and that is not required by the state Constitution, federal
5 Constitution, or federal law.

6 **Sec. 2.** RCW 43.06.400 and 1999 c 372 s 5 are each amended to read
7 as follows:

8 (~~Beginning in January 1984, and in January of every fourth year~~
9 ~~thereafter~~) Biennially, the department of revenue shall (~~submit to~~
10 ~~the legislature prior to the regular session~~) prepare a listing of the
11 amount of reduction for the current and next biennium in the revenues
12 of the state or the revenues of local government collected by the state
13 as a result of tax (~~exemptions~~) expenditures. The listing shall
14 include an estimate of the revenue lost from the tax (~~exemption~~)
15 expenditure, the purpose of the tax (~~exemption~~) expenditure, the
16 persons, organizations, or parts of the population which benefit from
17 the tax (~~exemption~~) expenditure, and whether or not the tax
18 (~~exemption~~) expenditure conflicts with another state program. The
19 listing shall include but not be limited to the following revenue
20 sources:

- 21 (1) Real and personal property tax exemptions under Title 84 RCW;
 - 22 (2) Business and occupation tax exemptions, deductions, and credits
23 under chapter 82.04 RCW;
 - 24 (3) Retail sales and use tax exemptions under chapters 82.08,
25 82.12, and 82.14 RCW;
 - 26 (4) Public utility tax exemptions and deductions under chapter
27 82.16 RCW;
 - 28 (5) Food fish and shellfish tax exemptions under chapter 82.27 RCW;
 - 29 (6) Leasehold excise tax exemptions under chapter 82.29A RCW;
 - 30 (7) Motor vehicle and special fuel tax exemptions and refunds under
31 chapters 82.36 and 82.38 RCW;
 - 32 (8) Aircraft fuel tax exemptions under chapter 82.42 RCW;
 - 33 (9) Motor vehicle excise tax exclusions under chapter 82.44 RCW;
 - 34 and
 - 35 (10) Insurance premiums tax exemptions under chapter 48.14 RCW.
- 36 The department of revenue shall prepare the listing required by

1 this section with the assistance of any other agencies or departments
2 as may be required.

3 The department of revenue shall (~~present the listing to the ways~~
4 ~~and means committees of each house in public hearings~~) submit the
5 listing to the governor at the time biennial budget requests are due
6 under RCW 43.88.030.

7 (~~Beginning in January 1984, and every four years thereafter~~) The
8 governor is requested to review the report from the department of
9 revenue and prepare a tax expenditure report as part of the biennial
10 budget documents under RCW 43.88.030. The tax expenditure report shall
11 include the listing of expenditures prepared by the department of
12 revenue and a budget analysis of each expenditure. The budget analysis
13 shall categorize each expenditure according to the programs or
14 functions each expenditure supports. The tax expenditure report does
15 not have to address tax expenditures required under the state
16 Constitution, federal Constitution, or federal law.

17 The governor shall identify each expenditure that will terminate
18 during the next biennium and make a recommendation as to whether the
19 expenditure should be allowed to terminate, continue, or continue with
20 modification. The governor also may submit other recommendations to
21 the legislature with respect to the repeal or modification of any tax
22 (~~exemption~~) expenditure. The (~~ways and means~~) fiscal committees of
23 each house and the appropriate standing committee of each house shall
24 hold public hearings and take appropriate action on the tax expenditure
25 report and recommendations submitted by the governor.

26 As used in this section, "tax (~~exemption~~) expenditure" means an
27 exemption, exclusion, or deduction from the base of a tax; a credit
28 against a tax; a deferral of a tax; or a preferential tax rate.

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

32 The budget document or documents shall also contain:

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

36 (b) The tax expenditure report prepared under RCW 43.06.400;

37 (c) The undesignated fund balance or deficit, by fund;

1 (~~(e)~~) (d) Such additional information dealing with expenditures,
2 revenues, workload, performance, and personnel as the legislature may
3 direct by law or concurrent resolution;

4 (~~(d)~~) (e) Such additional information dealing with revenues and
5 expenditures as the governor shall deem pertinent and useful to the
6 legislature;

7 (~~(e)~~) (f) Tabulations showing expenditures classified by fund,
8 function, and agency;

9 (~~(f)~~) (g) The expenditures that include nonbudgeted,
10 nonappropriated accounts outside the state treasury;

11 (~~(g)~~) (h) Identification of all proposed direct expenditures to
12 implement the Puget Sound water quality plan under chapter 90.71 RCW,
13 shown by agency and in total; and

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

19 (2) The budget document or documents shall include detailed
20 estimates of all anticipated revenues applicable to proposed operating
21 or capital expenditures and shall also include all proposed operating
22 or capital expenditures. The total of beginning undesignated fund
23 balance and estimated revenues less working capital and other reserves
24 shall equal or exceed the total of proposed applicable expenditures.
25 The budget document or documents shall further include:

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

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

29 (c) Other statutory expenditures;

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

31 (e) Revenues derived from agency operations;

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

36 (g) A showing and explanation of amounts of general fund and other
37 funds obligations for debt service and any transfers of moneys that
38 otherwise would have been available for appropriation;

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

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

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

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

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

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

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

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

27 (c) A capital plan consisting of proposed capital spending for at
28 least four biennia succeeding the next biennium;

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

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

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

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

3 (h) Estimated total project cost;

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

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

12 (k) Estimated ensuing biennium costs;

13 (l) Estimated costs beyond the ensuing biennium;

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.

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