

SECOND ENGROSSED SECOND SUBSTITUTE SENATE BILL 6856

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State of Washington                      56th Legislature      2000 1st Special Session

By Senate Committee on Transportation (originally sponsored by Senators Goings, Gardner, Haugen, Prentice and Jacobsen)

Read first time 03/10/2000.

1            AN ACT Relating to transportation funding; amending RCW 82.08.020,  
2 43.84.092, 43.84.092, 43.89.010, 46.68.035, 82.36.380, 82.38.270,  
3 43.88.020, 43.88.030, 43.88.120, 43.88.122, 44.40.070, 82.14.045,  
4 82.45.010, 35.21.755, 81.112.060, and 48.30.270; reenacting and  
5 amending RCW 43.84.092 and 82.04.050; reenacting RCW 43.84.092; adding  
6 a new section to chapter 47.66 RCW; adding new sections to chapter  
7 81.112 RCW; adding a new section to chapter 82.08 RCW; adding a new  
8 section to chapter 82.12 RCW; adding a new section to chapter 82.04  
9 RCW; adding a new section to chapter 82.29A RCW; adding a new section  
10 to chapter 84.36 RCW; adding a new section to chapter 35.21 RCW;  
11 creating new sections; providing effective dates; providing an  
12 expiration date; and declaring an emergency.

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

14            **Sec. 1.** RCW 82.08.020 and 1998 c 321 s 36 (Referendum Bill No. 49)  
15 are each amended to read as follows:

16            (1) There is levied and there shall be collected a tax on each  
17 retail sale in this state equal to six and five-tenths percent of the  
18 selling price.

1 (2) There is levied and there shall be collected an additional tax  
2 on each retail car rental, regardless of whether the vehicle is  
3 licensed in this state, equal to five and nine-tenths percent of the  
4 selling price. The revenue collected under this subsection shall be  
5 deposited (~~and distributed in the same manner as motor vehicle excise~~  
6 ~~tax revenue collected under RCW 82.44.020(1))~~ in the multimodal  
7 transportation account created in section 2 of this act.

8 (3) The taxes imposed under this chapter shall apply to successive  
9 retail sales of the same property.

10 (4) The rates provided in this section apply to taxes imposed under  
11 chapter 82.12 RCW as provided in RCW 82.12.020.

12 NEW SECTION. Sec. 2. A new section is added to chapter 47.66 RCW  
13 to read as follows:

14 The multimodal transportation account is created in the state  
15 treasury. Moneys in the account may be spent only after appropriation.  
16 Expenditures from the account may be used only for transportation  
17 purposes.

18 **Sec. 3.** RCW 43.84.092 and 1999 c 380 s 8, 1999 c 309 s 928, 1999  
19 c 268 s 4, and 1999 c 94 s 2 are each reenacted and amended to read as  
20 follows:

21 (1) All earnings of investments of surplus balances in the state  
22 treasury shall be deposited to the treasury income account, which  
23 account is hereby established in the state treasury.

24 (2) The treasury income account shall be utilized to pay or receive  
25 funds associated with federal programs as required by the federal cash  
26 management improvement act of 1990. The treasury income account is  
27 subject in all respects to chapter 43.88 RCW, but no appropriation is  
28 required for refunds or allocations of interest earnings required by  
29 the cash management improvement act. Refunds of interest to the  
30 federal treasury required under the cash management improvement act  
31 fall under RCW 43.88.180 and shall not require appropriation. The  
32 office of financial management shall determine the amounts due to or  
33 from the federal government pursuant to the cash management improvement  
34 act. The office of financial management may direct transfers of funds  
35 between accounts as deemed necessary to implement the provisions of the  
36 cash management improvement act, and this subsection. Refunds or

1 allocations shall occur prior to the distributions of earnings set  
2 forth in subsection (4) of this section.

3 (3) Except for the provisions of RCW 43.84.160, the treasury income  
4 account may be utilized for the payment of purchased banking services  
5 on behalf of treasury funds including, but not limited to, depository,  
6 safekeeping, and disbursement functions for the state treasury and  
7 affected state agencies. The treasury income account is subject in all  
8 respects to chapter 43.88 RCW, but no appropriation is required for  
9 payments to financial institutions. Payments shall occur prior to  
10 distribution of earnings set forth in subsection (4) of this section.

11 (4) Monthly, the state treasurer shall distribute the earnings  
12 credited to the treasury income account. The state treasurer shall  
13 credit the general fund with all the earnings credited to the treasury  
14 income account except:

15 (a) The following accounts and funds shall receive their  
16 proportionate share of earnings based upon each account's and fund's  
17 average daily balance for the period: The capitol building  
18 construction account, the Cedar River channel construction and  
19 operation account, the Central Washington University capital projects  
20 account, the charitable, educational, penal and reformatory  
21 institutions account, the common school construction fund, the county  
22 criminal justice assistance account, the county sales and use tax  
23 equalization account, the data processing building construction  
24 account, the deferred compensation administrative account, the deferred  
25 compensation principal account, the department of retirement systems  
26 expense account, the drinking water assistance account, the Eastern  
27 Washington University capital projects account, the education  
28 construction fund, the emergency reserve fund, the federal forest  
29 revolving account, the health services account, the public health  
30 services account, the health system capacity account, the personal  
31 health services account, the state higher education construction  
32 account, the higher education construction account, the highway  
33 infrastructure account, the industrial insurance premium refund  
34 account, the judges' retirement account, the judicial retirement  
35 administrative account, the judicial retirement principal account, the  
36 local leasehold excise tax account, the local real estate excise tax  
37 account, the local sales and use tax account, the medical aid account,  
38 the mobile home park relocation fund, the multimodal transportation  
39 account, the municipal criminal justice assistance account, the

1 municipal sales and use tax equalization account, the natural resources  
2 deposit account, the perpetual surveillance and maintenance account,  
3 the public employees' retirement system plan 1 account, the public  
4 employees' retirement system plan 2 account, the Puyallup tribal  
5 settlement account, the resource management cost account, the site  
6 closure account, the special wildlife account, the state employees'  
7 insurance account, the state employees' insurance reserve account, the  
8 state investment board expense account, the state investment board  
9 commingled trust fund accounts, the supplemental pension account, the  
10 teachers' retirement system plan 1 account, the teachers' retirement  
11 system plan 2 account, the tobacco prevention and control account, the  
12 tobacco settlement account, the transportation infrastructure account,  
13 the tuition recovery trust fund, the University of Washington bond  
14 retirement fund, the University of Washington building account, the  
15 volunteer fire fighters' and reserve officers' relief and pension  
16 principal ((~~account~~)) fund, the volunteer fire fighters' ((~~relief~~)) and  
17 ((~~pension~~)) reserve officers' administrative ((~~account~~)) fund, the  
18 Washington judicial retirement system account, the Washington law  
19 enforcement officers' and fire fighters' system plan 1 retirement  
20 account, the Washington law enforcement officers' and fire fighters'  
21 system plan 2 retirement account, the Washington state patrol  
22 retirement account, the Washington State University building account,  
23 the Washington State University bond retirement fund, the water  
24 pollution control revolving fund, and the Western Washington University  
25 capital projects account. Earnings derived from investing balances of  
26 the agricultural permanent fund, the normal school permanent fund, the  
27 permanent common school fund, the scientific permanent fund, and the  
28 state university permanent fund shall be allocated to their respective  
29 beneficiary accounts. All earnings to be distributed under this  
30 subsection (4)(a) shall first be reduced by the allocation to the state  
31 treasurer's service fund pursuant to RCW 43.08.190.

32 (b) The following accounts and funds shall receive eighty percent  
33 of their proportionate share of earnings based upon each account's or  
34 fund's average daily balance for the period: The aeronautics account,  
35 the aircraft search and rescue account, the county arterial  
36 preservation account, the department of licensing services account, the  
37 essential rail assistance account, the ferry bond retirement fund, the  
38 grade crossing protective fund, the high capacity transportation  
39 account, the highway bond retirement fund, the highway safety account,

1 the marine operating fund, the motor vehicle fund, the motorcycle  
2 safety education account, the pilotage account, the public  
3 transportation systems account, the Puget Sound capital construction  
4 account, the Puget Sound ferry operations account, the recreational  
5 vehicle account, the rural arterial trust account, the safety and  
6 education account, the special category C account, the state patrol  
7 highway account, the transportation equipment fund, the transportation  
8 fund, the transportation improvement account, the transportation  
9 improvement board bond retirement account, and the urban arterial trust  
10 account.

11 (5) In conformance with Article II, section 37 of the state  
12 Constitution, no treasury accounts or funds shall be allocated earnings  
13 without the specific affirmative directive of this section.

14 **Sec. 4.** RCW 43.84.092 and 2000 c 79 s 38 are each amended to read  
15 as follows:

16 (1) All earnings of investments of surplus balances in the state  
17 treasury shall be deposited to the treasury income account, which  
18 account is hereby established in the state treasury.

19 (2) The treasury income account shall be utilized to pay or receive  
20 funds associated with federal programs as required by the federal cash  
21 management improvement act of 1990. The treasury income account is  
22 subject in all respects to chapter 43.88 RCW, but no appropriation is  
23 required for refunds or allocations of interest earnings required by  
24 the cash management improvement act. Refunds of interest to the  
25 federal treasury required under the cash management improvement act  
26 fall under RCW 43.88.180 and shall not require appropriation. The  
27 office of financial management shall determine the amounts due to or  
28 from the federal government pursuant to the cash management improvement  
29 act. The office of financial management may direct transfers of funds  
30 between accounts as deemed necessary to implement the provisions of the  
31 cash management improvement act, and this subsection. Refunds or  
32 allocations shall occur prior to the distributions of earnings set  
33 forth in subsection (4) of this section.

34 (3) Except for the provisions of RCW 43.84.160, the treasury income  
35 account may be utilized for the payment of purchased banking services  
36 on behalf of treasury funds including, but not limited to, depository,  
37 safekeeping, and disbursement functions for the state treasury and  
38 affected state agencies. The treasury income account is subject in all

1 respects to chapter 43.88 RCW, but no appropriation is required for  
2 payments to financial institutions. Payments shall occur prior to  
3 distribution of earnings set forth in subsection (4) of this section.

4 (4) Monthly, the state treasurer shall distribute the earnings  
5 credited to the treasury income account. The state treasurer shall  
6 credit the general fund with all the earnings credited to the treasury  
7 income account except:

8 (a) The following accounts and funds shall receive their  
9 proportionate share of earnings based upon each account's and fund's  
10 average daily balance for the period: The capitol building  
11 construction account, the Cedar River channel construction and  
12 operation account, the Central Washington University capital projects  
13 account, the charitable, educational, penal and reformatory  
14 institutions account, the common school construction fund, the county  
15 criminal justice assistance account, the county sales and use tax  
16 equalization account, the data processing building construction  
17 account, the deferred compensation administrative account, the deferred  
18 compensation principal account, the department of retirement systems  
19 expense account, the drinking water assistance account, the Eastern  
20 Washington University capital projects account, the education  
21 construction fund, the emergency reserve fund, the federal forest  
22 revolving account, the health services account, the public health  
23 services account, the health system capacity account, the personal  
24 health services account, the state higher education construction  
25 account, the higher education construction account, the highway  
26 infrastructure account, the industrial insurance premium refund  
27 account, the judges' retirement account, the judicial retirement  
28 administrative account, the judicial retirement principal account, the  
29 local leasehold excise tax account, the local real estate excise tax  
30 account, the local sales and use tax account, the medical aid account,  
31 the mobile home park relocation fund, the multimodal transportation  
32 account, the municipal criminal justice assistance account, the  
33 municipal sales and use tax equalization account, the natural resources  
34 deposit account, the perpetual surveillance and maintenance account,  
35 the public employees' retirement system plan 1 account, the public  
36 employees' retirement system plan 2 account, the Puyallup tribal  
37 settlement account, the resource management cost account, the site  
38 closure account, the special wildlife account, the state employees'  
39 insurance account, the state employees' insurance reserve account, the

1 state investment board expense account, the state investment board  
2 commingled trust fund accounts, the supplemental pension account, the  
3 teachers' retirement system plan 1 account, the teachers' retirement  
4 system plan 2 account, the tobacco prevention and control account, the  
5 tobacco settlement account, the transportation infrastructure account,  
6 the tuition recovery trust fund, the University of Washington bond  
7 retirement fund, the University of Washington building account, the  
8 volunteer fire fighters' and reserve officers' relief and pension  
9 principal fund, the volunteer fire fighters' and reserve officers'  
10 administrative fund, the Washington judicial retirement system account,  
11 the Washington law enforcement officers' and fire fighters' system plan  
12 1 retirement account, the Washington law enforcement officers' and fire  
13 fighters' system plan 2 retirement account, the Washington state health  
14 insurance pool account, the Washington state patrol retirement account,  
15 the Washington State University building account, the Washington State  
16 University bond retirement fund, the water pollution control revolving  
17 fund, and the Western Washington University capital projects account.  
18 Earnings derived from investing balances of the agricultural permanent  
19 fund, the normal school permanent fund, the permanent common school  
20 fund, the scientific permanent fund, and the state university permanent  
21 fund shall be allocated to their respective beneficiary accounts. All  
22 earnings to be distributed under this subsection (4)(a) shall first be  
23 reduced by the allocation to the state treasurer's service fund  
24 pursuant to RCW 43.08.190.

25 (b) The following accounts and funds shall receive eighty percent  
26 of their proportionate share of earnings based upon each account's or  
27 fund's average daily balance for the period: The aeronautics account,  
28 the aircraft search and rescue account, the county arterial  
29 preservation account, the department of licensing services account, the  
30 essential rail assistance account, the ferry bond retirement fund, the  
31 grade crossing protective fund, the high capacity transportation  
32 account, the highway bond retirement fund, the highway safety account,  
33 the motor vehicle fund, the motorcycle safety education account, the  
34 pilotage account, the public transportation systems account, the Puget  
35 Sound capital construction account, the Puget Sound ferry operations  
36 account, the recreational vehicle account, the rural arterial trust  
37 account, the safety and education account, the special category C  
38 account, the state patrol highway account, the transportation equipment  
39 fund, the transportation fund, the transportation improvement account,

1 the transportation improvement board bond retirement account, and the  
2 urban arterial trust account.

3 (5) In conformance with Article II, section 37 of the state  
4 Constitution, no treasury accounts or funds shall be allocated earnings  
5 without the specific affirmative directive of this section.

6 **Sec. 5.** RCW 43.84.092 and 2000 c 79 s 39 are each amended to read  
7 as follows:

8 (1) All earnings of investments of surplus balances in the state  
9 treasury shall be deposited to the treasury income account, which  
10 account is hereby established in the state treasury.

11 (2) The treasury income account shall be utilized to pay or receive  
12 funds associated with federal programs as required by the federal cash  
13 management improvement act of 1990. The treasury income account is  
14 subject in all respects to chapter 43.88 RCW, but no appropriation is  
15 required for refunds or allocations of interest earnings required by  
16 the cash management improvement act. Refunds of interest to the  
17 federal treasury required under the cash management improvement act  
18 fall under RCW 43.88.180 and shall not require appropriation. The  
19 office of financial management shall determine the amounts due to or  
20 from the federal government pursuant to the cash management improvement  
21 act. The office of financial management may direct transfers of funds  
22 between accounts as deemed necessary to implement the provisions of the  
23 cash management improvement act, and this subsection. Refunds or  
24 allocations shall occur prior to the distributions of earnings set  
25 forth in subsection (4) of this section.

26 (3) Except for the provisions of RCW 43.84.160, the treasury income  
27 account may be utilized for the payment of purchased banking services  
28 on behalf of treasury funds including, but not limited to, depository,  
29 safekeeping, and disbursement functions for the state treasury and  
30 affected state agencies. The treasury income account is subject in all  
31 respects to chapter 43.88 RCW, but no appropriation is required for  
32 payments to financial institutions. Payments shall occur prior to  
33 distribution of earnings set forth in subsection (4) of this section.

34 (4) Monthly, the state treasurer shall distribute the earnings  
35 credited to the treasury income account. The state treasurer shall  
36 credit the general fund with all the earnings credited to the treasury  
37 income account except:



1 (a) The following accounts and funds shall receive their  
2 proportionate share of earnings based upon each account's and fund's  
3 average daily balance for the period: The capitol building  
4 construction account, the Cedar River channel construction and  
5 operation account, the Central Washington University capital projects  
6 account, the charitable, educational, penal and reformatory  
7 institutions account, the common school construction fund, the county  
8 criminal justice assistance account, the county sales and use tax  
9 equalization account, the data processing building construction  
10 account, the deferred compensation administrative account, the deferred  
11 compensation principal account, the department of retirement systems  
12 expense account, the drinking water assistance account, the Eastern  
13 Washington University capital projects account, the education  
14 construction fund, the emergency reserve fund, the federal forest  
15 revolving account, the health services account, the public health  
16 services account, the health system capacity account, the personal  
17 health services account, the state higher education construction  
18 account, the higher education construction account, the highway  
19 infrastructure account, the industrial insurance premium refund  
20 account, the judges' retirement account, the judicial retirement  
21 administrative account, the judicial retirement principal account, the  
22 local leasehold excise tax account, the local real estate excise tax  
23 account, the local sales and use tax account, the medical aid account,  
24 the mobile home park relocation fund, the multimodal transportation  
25 account, the municipal criminal justice assistance account, the  
26 municipal sales and use tax equalization account, the natural resources  
27 deposit account, the perpetual surveillance and maintenance account,  
28 the public employees' retirement system plan 1 account, the public  
29 employees' retirement system plan 2 account, the Puyallup tribal  
30 settlement account, the resource management cost account, the site  
31 closure account, the special wildlife account, the state employees'  
32 insurance account, the state employees' insurance reserve account, the  
33 state investment board expense account, the state investment board  
34 commingled trust fund accounts, the supplemental pension account, the  
35 teachers' retirement system plan 1 account, the teachers' retirement  
36 system combined plan 2 and plan 3 account, the tobacco prevention and  
37 control account, the tobacco settlement account, the transportation  
38 infrastructure account, the tuition recovery trust fund, the University  
39 of Washington bond retirement fund, the University of Washington

1 building account, the volunteer fire fighters' and reserve officers'  
2 relief and pension principal fund, the volunteer fire fighters' and  
3 reserve officers' administrative fund, the Washington judicial  
4 retirement system account, the Washington law enforcement officers' and  
5 fire fighters' system plan 1 retirement account, the Washington law  
6 enforcement officers' and fire fighters' system plan 2 retirement  
7 account, the Washington school employees' retirement system combined  
8 plan 2 and 3 account, the Washington state health insurance pool  
9 account, the Washington state patrol retirement account, the Washington  
10 State University building account, the Washington State University bond  
11 retirement fund, the water pollution control revolving fund, and the  
12 Western Washington University capital projects account. Earnings  
13 derived from investing balances of the agricultural permanent fund, the  
14 normal school permanent fund, the permanent common school fund, the  
15 scientific permanent fund, and the state university permanent fund  
16 shall be allocated to their respective beneficiary accounts. All  
17 earnings to be distributed under this subsection (4)(a) shall first be  
18 reduced by the allocation to the state treasurer's service fund  
19 pursuant to RCW 43.08.190.

20 (b) The following accounts and funds shall receive eighty percent  
21 of their proportionate share of earnings based upon each account's or  
22 fund's average daily balance for the period: The aeronautics account,  
23 the aircraft search and rescue account, the county arterial  
24 preservation account, the department of licensing services account, the  
25 essential rail assistance account, the ferry bond retirement fund, the  
26 grade crossing protective fund, the high capacity transportation  
27 account, the highway bond retirement fund, the highway safety account,  
28 the motor vehicle fund, the motorcycle safety education account, the  
29 pilotage account, the public transportation systems account, the Puget  
30 Sound capital construction account, the Puget Sound ferry operations  
31 account, the recreational vehicle account, the rural arterial trust  
32 account, the safety and education account, the special category C  
33 account, the state patrol highway account, the transportation equipment  
34 fund, the transportation fund, the transportation improvement account,  
35 the transportation improvement board bond retirement account, and the  
36 urban arterial trust account.

37 (5) In conformance with Article II, section 37 of the state  
38 Constitution, no treasury accounts or funds shall be allocated earnings  
39 without the specific affirmative directive of this section.

1       **Sec. 6.** RCW 43.84.092 and 2000 2nd sp.s. c . . . s 5 (section 5 of  
2 this act) and 2000 c 247 s 702 are each reenacted to read as follows:

3       (1) All earnings of investments of surplus balances in the state  
4 treasury shall be deposited to the treasury income account, which  
5 account is hereby established in the state treasury.

6       (2) The treasury income account shall be utilized to pay or receive  
7 funds associated with federal programs as required by the federal cash  
8 management improvement act of 1990. The treasury income account is  
9 subject in all respects to chapter 43.88 RCW, but no appropriation is  
10 required for refunds or allocations of interest earnings required by  
11 the cash management improvement act. Refunds of interest to the  
12 federal treasury required under the cash management improvement act  
13 fall under RCW 43.88.180 and shall not require appropriation. The  
14 office of financial management shall determine the amounts due to or  
15 from the federal government pursuant to the cash management improvement  
16 act. The office of financial management may direct transfers of funds  
17 between accounts as deemed necessary to implement the provisions of the  
18 cash management improvement act, and this subsection. Refunds or  
19 allocations shall occur prior to the distributions of earnings set  
20 forth in subsection (4) of this section.

21       (3) Except for the provisions of RCW 43.84.160, the treasury income  
22 account may be utilized for the payment of purchased banking services  
23 on behalf of treasury funds including, but not limited to, depository,  
24 safekeeping, and disbursement functions for the state treasury and  
25 affected state agencies. The treasury income account is subject in all  
26 respects to chapter 43.88 RCW, but no appropriation is required for  
27 payments to financial institutions. Payments shall occur prior to  
28 distribution of earnings set forth in subsection (4) of this section.

29       (4) Monthly, the state treasurer shall distribute the earnings  
30 credited to the treasury income account. The state treasurer shall  
31 credit the general fund with all the earnings credited to the treasury  
32 income account except:

33       (a) The following accounts and funds shall receive their  
34 proportionate share of earnings based upon each account's and fund's  
35 average daily balance for the period: The capitol building  
36 construction account, the Cedar River channel construction and  
37 operation account, the Central Washington University capital projects  
38 account, the charitable, educational, penal and reformatory  
39 institutions account, the common school construction fund, the county

1 criminal justice assistance account, the county sales and use tax  
2 equalization account, the data processing building construction  
3 account, the deferred compensation administrative account, the deferred  
4 compensation principal account, the department of retirement systems  
5 expense account, the drinking water assistance account, the Eastern  
6 Washington University capital projects account, the education  
7 construction fund, the emergency reserve fund, the federal forest  
8 revolving account, the health services account, the public health  
9 services account, the health system capacity account, the personal  
10 health services account, the state higher education construction  
11 account, the higher education construction account, the highway  
12 infrastructure account, the industrial insurance premium refund  
13 account, the judges' retirement account, the judicial retirement  
14 administrative account, the judicial retirement principal account, the  
15 local leasehold excise tax account, the local real estate excise tax  
16 account, the local sales and use tax account, the medical aid account,  
17 the mobile home park relocation fund, the multimodal transportation  
18 account, the municipal criminal justice assistance account, the  
19 municipal sales and use tax equalization account, the natural resources  
20 deposit account, the perpetual surveillance and maintenance account,  
21 the public employees' retirement system plan 1 account, the public  
22 employees' retirement system combined plan 2 and plan 3 account, the  
23 Puyallup tribal settlement account, the resource management cost  
24 account, the site closure account, the special wildlife account, the  
25 state employees' insurance account, the state employees' insurance  
26 reserve account, the state investment board expense account, the state  
27 investment board commingled trust fund accounts, the supplemental  
28 pension account, the teachers' retirement system plan 1 account, the  
29 teachers' retirement system combined plan 2 and plan 3 account, the  
30 tobacco prevention and control account, the tobacco settlement account,  
31 the transportation infrastructure account, the tuition recovery trust  
32 fund, the University of Washington bond retirement fund, the University  
33 of Washington building account, the volunteer fire fighters' and  
34 reserve officers' relief and pension principal fund, the volunteer fire  
35 fighters' and reserve officers' administrative fund, the Washington  
36 judicial retirement system account, the Washington law enforcement  
37 officers' and fire fighters' system plan 1 retirement account, the  
38 Washington law enforcement officers' and fire fighters' system plan 2  
39 retirement account, the Washington school employees' retirement system

1 combined plan 2 and 3 account, the Washington state health insurance  
2 pool account, the Washington state patrol retirement account, the  
3 Washington State University building account, the Washington State  
4 University bond retirement fund, the water pollution control revolving  
5 fund, and the Western Washington University capital projects account.  
6 Earnings derived from investing balances of the agricultural permanent  
7 fund, the normal school permanent fund, the permanent common school  
8 fund, the scientific permanent fund, and the state university permanent  
9 fund shall be allocated to their respective beneficiary accounts. All  
10 earnings to be distributed under this subsection (4)(a) shall first be  
11 reduced by the allocation to the state treasurer's service fund  
12 pursuant to RCW 43.08.190.

13 (b) The following accounts and funds shall receive eighty percent  
14 of their proportionate share of earnings based upon each account's or  
15 fund's average daily balance for the period: The aeronautics account,  
16 the aircraft search and rescue account, the county arterial  
17 preservation account, the department of licensing services account, the  
18 essential rail assistance account, the ferry bond retirement fund, the  
19 grade crossing protective fund, the high capacity transportation  
20 account, the highway bond retirement fund, the highway safety account,  
21 the motor vehicle fund, the motorcycle safety education account, the  
22 pilotage account, the public transportation systems account, the Puget  
23 Sound capital construction account, the Puget Sound ferry operations  
24 account, the recreational vehicle account, the rural arterial trust  
25 account, the safety and education account, the special category C  
26 account, the state patrol highway account, the transportation equipment  
27 fund, the transportation fund, the transportation improvement account,  
28 the transportation improvement board bond retirement account, and the  
29 urban arterial trust account.

30 (5) In conformance with Article II, section 37 of the state  
31 Constitution, no treasury accounts or funds shall be allocated earnings  
32 without the specific affirmative directive of this section.

33 **Sec. 7.** RCW 43.89.010 and 1993 sp.s. c 23 s 63 are each amended to  
34 read as follows:

35 The chief of the Washington state patrol is hereby authorized to  
36 establish a ((teletypewriter)) communications network which will inter-  
37 connect the law enforcement agencies of the state and its political  
38 subdivisions into a unified written communications system. The chief

1 of the Washington state patrol is authorized to lease or purchase such  
2 facilities and equipment as may be necessary to establish and maintain  
3 (~~such teletypewriter~~) the communications network.

4 (1) The communications network shall be used exclusively for the  
5 official business of the state, and the official business of any city,  
6 county, city and county, or other public agency.

7 (2) This section does not prohibit the occasional use of the  
8 state's communications network by any other state or public agency  
9 thereof when the messages transmitted relate to the enforcement of the  
10 criminal laws of the state.

11 (3) The chief of the Washington state patrol shall fix the monthly  
12 operational charge to be paid by any department or agency of state  
13 government, or any city, county, city and county, or other public  
14 agency participating in the communications network: PROVIDED, That in  
15 computing charges to be made against a city, county, or city and county  
16 the state shall bear at least fifty percent of the costs of such  
17 service as its share in providing a modern unified communications  
18 network to the law enforcement agencies of the state. Of the fees  
19 collected pursuant to this section, one-half shall be deposited in the  
20 motor vehicle fund and one-half shall be deposited in the  
21 (~~transportation fund~~) state patrol highway account.

22 (4) The chief of the Washington state patrol is authorized to  
23 arrange for the connection of the communications network with the law  
24 enforcement communications system of any adjacent state, or the  
25 Province of British Columbia, Canada.

26 **Sec. 8.** RCW 46.68.035 and 1993 c 102 s 7 are each amended to read  
27 as follows:

28 All proceeds from combined vehicle licensing fees received by the  
29 director for vehicles licensed under RCW 46.16.070 and 46.16.085 shall  
30 be forwarded to the state treasurer to be distributed into accounts  
31 according to the following method:

32 (1) The sum of two dollars for each vehicle shall be deposited into  
33 the (~~highway safety fund~~) multimodal transportation account, except  
34 that for each vehicle registered by a county auditor or agent to a  
35 county auditor pursuant to RCW 46.01.140, the sum of two dollars shall  
36 be credited to the current county expense fund.

37 (2) The remainder shall be distributed as follows:

1       (a) (~~23.677 percent shall be deposited into the state patrol~~  
2 ~~highway account of the motor vehicle fund;~~  
3       ~~(b)~~) 1.521 percent shall be deposited into the Puget Sound ferry  
4 operations account of the motor vehicle fund; and  
5       (~~(c)~~) (b) The remaining proceeds shall be deposited into the  
6 motor vehicle fund.

7       **Sec. 9.** RCW 82.36.380 and 1995 c 287 s 2 are each amended to read  
8 as follows:

9       (1) It is unlawful for a person or corporation to evade a tax or  
10 fee imposed under this chapter.

11       (2) Evasion of taxes or fees under this chapter is a class C felony  
12 under chapter 9A.20 RCW. In addition to other penalties and remedies  
13 provided by law, the court shall order a person or corporation found  
14 guilty of violating subsection (1) of this section to:

15       (a) Pay the tax or fee evaded plus interest, commencing at the date  
16 the tax or fee was first due, at the rate of twelve percent per year,  
17 compounded monthly; and

18       (b) Pay a penalty of one hundred percent of the tax evaded, to the  
19 multimodal transportation (~~fund~~) account of the state.

20       **Sec. 10.** RCW 82.38.270 and 1995 c 287 s 4 are each amended to read  
21 as follows:

22       (1) It is unlawful for a person or corporation to evade a tax or  
23 fee imposed under this chapter.

24       (2) Evasion of taxes or fees under this chapter is a class C felony  
25 under chapter 9A.20 RCW. In addition to other penalties and remedies  
26 provided by law, the court shall order a person or corporation found  
27 guilty of violating subsection (1) of this section to:

28       (a) Pay the tax or fee evaded plus interest, commencing at the date  
29 the tax or fee was first due, at the rate of twelve percent per year,  
30 compounded monthly; and

31       (b) Pay a penalty of one hundred percent of the tax evaded, to the  
32 multimodal transportation (~~fund~~) account of the state.

33       **Sec. 11.** RCW 43.88.020 and 1996 c 288 s 23 are each amended to  
34 read as follows:

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

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

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

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

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

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

27 (7) "Ensuing biennium" means the fiscal biennium beginning on July  
28 1st of the same year in which a regular session of the legislature is  
29 held during an odd-numbered year pursuant to Article II, section 12 of  
30 the Constitution and which biennium next succeeds the current biennium.

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

36 (9) "Revolving fund" means a fund in the state treasury,  
37 established by law, from which is paid the cost of goods or services  
38 furnished to or by a state agency, and which is replenished through



1 charges made for such goods or services or through transfers from other  
2 accounts or funds.

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

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

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

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

16 (14) "Legislative fiscal committees" means the joint legislative  
17 audit and review committee, the legislative evaluation and  
18 accountability program committee, the ways and means and transportation  
19 committees of the senate and house of representatives, and, where  
20 appropriate, the legislative transportation committee.

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

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

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

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

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

36 (20) "Estimated revenues" means estimates of revenue in the most  
37 recent official economic and revenue forecast prepared under RCW  
38 82.33.020, and prepared by the office of financial management for those  
39 funds, accounts, and sources for which the office of the economic and

1 revenue forecast council does not prepare an official forecast  
2 including estimates of revenues to support financial plans under RCW  
3 44.40.070, that are prepared by the office of financial management in  
4 consultation with the (~~interagency task force~~) transportation revenue  
5 forecast council.

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

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

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

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

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

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

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

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

3 **Sec. 12.** RCW 43.88.030 and 1998 c 346 s 910 are each amended to  
4 read as follows:

5 (1) The director of financial management shall provide all agencies  
6 with a complete set of instructions for submitting biennial budget  
7 requests to the director at least three months before agency budget  
8 documents are due into the office of financial management. The  
9 director shall provide agencies and committees that are required under  
10 RCW 44.40.070 to develop comprehensive six-year program and financial  
11 plans with a complete set of instructions for submitting these program  
12 and financial plans at the same time that instructions for submitting  
13 other budget requests are provided. The budget document or documents  
14 shall consist of the governor's budget message which shall be  
15 explanatory of the budget and shall contain an outline of the proposed  
16 financial policies of the state for the ensuing fiscal period, as well  
17 as an outline of the proposed six-year financial policies where  
18 applicable, and shall describe in connection therewith the important  
19 features of the budget. The message shall set forth the reasons for  
20 salient changes from the previous fiscal period in expenditure and  
21 revenue items and shall explain any major changes in financial policy.  
22 Attached to the budget message shall be such supporting schedules,  
23 exhibits and other explanatory material in respect to both current  
24 operations and capital improvements as the governor shall deem to be  
25 useful to the legislature. The budget document or documents shall set  
26 forth a proposal for expenditures in the ensuing fiscal period, or six-  
27 year period where applicable, based upon the estimated revenues and  
28 caseloads as approved by the economic and revenue forecast council and  
29 caseload forecast council or upon the estimated revenues and caseloads  
30 of the office of financial management for those funds, accounts,  
31 sources, and programs for which the forecast councils do not prepare an  
32 official forecast, including those revenues anticipated to support the  
33 six-year programs and financial plans under RCW 44.40.070. In  
34 estimating revenues to support financial plans under RCW 44.40.070, the  
35 office of financial management shall rely on information and advice  
36 from the ((interagency)) transportation revenue ((task force)) forecast  
37 council. Revenues shall be estimated for such fiscal period from the  
38 source and at the rates existing by law at the time of submission of

1 the budget document, including the supplemental budgets submitted in  
2 the even-numbered years of a biennium. However, the estimated revenues  
3 and caseloads for use in the governor's budget document may be adjusted  
4 to reflect budgetary revenue transfers and revenue and caseload  
5 estimates dependent upon budgetary assumptions of enrollments,  
6 workloads, and caseloads. All adjustments to the approved estimated  
7 revenues and caseloads must be set forth in the budget document. The  
8 governor may additionally submit, as an appendix to each supplemental,  
9 biennial, or six-year agency budget or to the budget document or  
10 documents, a proposal for expenditures in the ensuing fiscal period  
11 from revenue sources derived from proposed changes in existing  
12 statutes.

13 Supplemental and biennial documents shall reflect a six-year  
14 expenditure plan consistent with estimated revenues from existing  
15 sources and at existing rates for those agencies required to submit  
16 six-year program and financial plans under RCW 44.40.070. Any  
17 additional revenue resulting from proposed changes to existing statutes  
18 shall be separately identified within the document as well as related  
19 expenditures for the six-year period.

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, those anticipated for the ensuing biennium, and those  
24 anticipated for the ensuing six-year period to support the six-year  
25 programs and financial plans required under RCW 44.40.070;

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

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

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

33 (e) Tabulations showing expenditures classified by fund, function,  
34 activity, and agency;

35 (f) A delineation of each agency's activities, including those  
36 activities funded from nonbudgeted, nonappropriated sources, including  
37 funds maintained outside the state treasury;

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

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

9 (2) The budget document or documents shall include detailed  
10 estimates of all anticipated revenues applicable to proposed operating  
11 or capital expenditures and shall also include all proposed operating  
12 or capital expenditures. The total of beginning undesignated fund  
13 balance and estimated revenues less working capital and other reserves  
14 shall equal or exceed the total of proposed applicable expenditures.  
15 The budget document or documents 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, as well as those required to support the six-year programs  
26 and financial plans required under RCW 44.40.070;

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

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

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

34 (j) A showing and explanation of anticipated amounts of general  
35 fund and other funds required to amortize the unfunded actuarial  
36 accrued liability of the retirement system specified under chapter  
37 41.45 RCW, and the contributions to meet such amortization, stated in  
38 total dollars and as a level percentage of total compensation.

1 (3) A separate capital budget document or schedule shall be  
2 submitted that will contain the following:

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

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

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

16 (d) A strategic plan for reducing backlogs of maintenance and  
17 repair projects. The plan shall include a prioritized list of specific  
18 facility deficiencies and capital projects to address the deficiencies  
19 for each agency, cost estimates for each project, a schedule for  
20 completing projects over a reasonable period of time, and  
21 identification of normal maintenance activities to reduce future  
22 backlogs;

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

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

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

28 (h) Estimated total project cost;

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

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

37 (k) Estimated ensuing biennium costs;

38 (l) Estimated costs beyond the ensuing biennium;

39 (m) Estimated construction start and completion dates;

1 (n) Source and type of funds proposed;

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

4 (p) For any capital appropriation requested for a state agency for  
5 the acquisition of land or the capital improvement of land in which the  
6 primary purpose of the acquisition or improvement is recreation or  
7 wildlife habitat conservation, the capital budget document, or an  
8 omnibus list of recreation and habitat acquisitions provided with the  
9 governor's budget document, shall identify the projected costs of  
10 operation and maintenance for at least the two biennia succeeding the  
11 next biennium. Omnibus lists of habitat and recreation land  
12 acquisitions shall include individual project cost estimates for  
13 operation and maintenance as well as a total for all state projects  
14 included in the list. The document shall identify the source of funds  
15 from which the operation and maintenance costs are proposed to be  
16 funded;

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

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

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

23 For purposes of this subsection (3), the term "capital project"  
24 shall be defined subsequent to the analysis, findings, and  
25 recommendations of a joint committee comprised of representatives from  
26 the house capital appropriations committee, senate ways and means  
27 committee, legislative transportation committee, legislative evaluation  
28 and accountability program committee, and office of financial  
29 management.

30 (4) No change affecting the comparability of agency or program  
31 information relating to expenditures, revenues, workload, performance  
32 and personnel shall be made in the format of any budget document or  
33 report presented to the legislature under this section or RCW  
34 43.88.160(1) relative to the format of the budget document or report  
35 which was presented to the previous regular session of the legislature  
36 during an odd-numbered year without prior legislative concurrence.  
37 Prior legislative concurrence shall consist of (a) a favorable majority  
38 vote on the proposal by the standing committees on ways and means of  
39 both houses if the legislature is in session or (b) a favorable

1 majority vote on the proposal by members of the legislative evaluation  
2 and accountability program committee if the legislature is not in  
3 session.

4 **Sec. 13.** RCW 43.88.120 and 1991 c 358 s 3 are each amended to read  
5 as follows:

6 Each agency engaged in the collection of revenues shall prepare  
7 estimated revenues and estimated receipts for the current and ensuing  
8 biennium and shall submit the estimates to the director of financial  
9 management and the director of revenue at times and in the form  
10 specified by the directors, along with any other information which the  
11 directors may request. For those agencies required to develop six-year  
12 programs and financial plans under RCW 44.40.070, six-year revenue  
13 estimates shall be submitted to the director of financial management  
14 and the ((legislative)) transportation committees of the senate and the  
15 house of representatives unless the responsibility for reporting these  
16 revenue estimates is assumed elsewhere.

17 A copy of such revenue estimates shall be simultaneously submitted  
18 to the economic and revenue forecast work group when required by the  
19 office of the economic and revenue forecast council.

20 **Sec. 14.** RCW 43.88.122 and 1991 c 358 s 7 are each amended to read  
21 as follows:

22 Where there are variances of revenue forecasts between the office  
23 of financial management and the ((interagency)) transportation revenue  
24 ((task force)) forecast council, for those transportation agencies that  
25 are required to develop plans under RCW 44.40.070, the office of  
26 financial management shall submit (1) a reconciliation of the  
27 differences between the revenue forecasts and (2) the assumptions used  
28 by the office of financial management to the ((legislative))  
29 transportation committees of the senate and the house of  
30 representatives.

31 **Sec. 15.** RCW 44.40.070 and 1998 c 245 s 87 are each amended to  
32 read as follows:

33 Prior to October 1st of each even-numbered year the transportation  
34 revenue forecast council, consisting of all state agencies whose major  
35 programs consist of transportation activities, including the department  
36 of transportation, the transportation improvement board, the Washington



1 state patrol, the department of licensing, the traffic safety  
2 commission, the county road administration board, and the board of  
3 pilotage commissioners, shall adopt or revise, after consultation with  
4 the ((legislative)) transportation committees of the senate and house  
5 of representatives, a comprehensive six-year program and financial plan  
6 for all transportation activities under each agency's jurisdiction.

7 The comprehensive six-year program and financial plan shall state  
8 the general objectives and needs of each agency's major transportation  
9 programs, including workload and performance estimates.

10 **Sec. 16.** RCW 82.14.045 and 1998 c 321 s 7 (Referendum Bill No. 49)  
11 are each amended to read as follows:

12 (1) The legislative body of any city pursuant to RCW 35.92.060, of  
13 any county which has created an unincorporated transportation benefit  
14 area pursuant to RCW 36.57.100 and 36.57.110, of any public  
15 transportation benefit area pursuant to RCW 36.57A.080 and 36.57A.090,  
16 of any county transportation authority established pursuant to chapter  
17 36.57 RCW, and of any metropolitan municipal corporation within a  
18 county with a population of one million or more pursuant to chapter  
19 35.58 RCW, may, by resolution or ordinance for the sole purpose of  
20 providing funds for the operation, maintenance, or capital needs of  
21 public transportation systems and in lieu of the excise taxes  
22 authorized by RCW 35.95.040, submit an authorizing proposition to the  
23 voters or include such authorization in a proposition to perform the  
24 function of public transportation and if approved by a majority of  
25 persons voting thereon, fix and impose a sales and use tax in  
26 accordance with the terms of this chapter: PROVIDED, That no such  
27 legislative body shall impose such a sales and use tax without  
28 submitting such an authorizing proposition to the voters and obtaining  
29 the approval of a majority of persons voting thereon: PROVIDED  
30 FURTHER, That where such a proposition is submitted by a county on  
31 behalf of an unincorporated transportation benefit area, it shall be  
32 voted upon by the voters residing within the boundaries of such  
33 unincorporated transportation benefit area and, if approved, the sales  
34 and use tax shall be imposed only within such area. Notwithstanding  
35 any provisions of this section to the contrary, any county in which a  
36 county public transportation plan has been adopted pursuant to RCW  
37 36.57.070 and the voters of such county have authorized the imposition  
38 of a sales and use tax pursuant to the provisions of section 10,

1 chapter 167, Laws of 1974 ex. sess., prior to July 1, 1975, shall be  
2 authorized to fix and impose a sales and use tax as provided in this  
3 section at not to exceed the rate so authorized without additional  
4 approval of the voters of such county as otherwise required by this  
5 section.

6 The tax authorized pursuant to this section shall be in addition to  
7 the tax authorized by RCW 82.14.030 and shall be collected from those  
8 persons who are taxable by the state pursuant to chapters 82.08 and  
9 82.12 RCW upon the occurrence of any taxable event within such city,  
10 public transportation benefit area, county, or metropolitan municipal  
11 corporation as the case may be. The rate of such tax shall be one-  
12 tenth, two-tenths, three-tenths, four-tenths, five-tenths, (~~or~~) six-  
13 tenths, seven-tenths, eight-tenths, or nine-tenths of one percent of  
14 the selling price (in the case of a sales tax) or value of the article  
15 used (in the case of a use tax). The rate of such tax shall not exceed  
16 the rate authorized by the voters unless such increase shall be  
17 similarly approved.

18 (2)(a) In the event a metropolitan municipal corporation shall  
19 impose a sales and use tax pursuant to this chapter no city, county  
20 which has created an unincorporated transportation benefit area, public  
21 transportation benefit area authority, or county transportation  
22 authority wholly within such metropolitan municipal corporation shall  
23 be empowered to levy and/or collect taxes pursuant to RCW 35.58.273,  
24 35.95.040, and/or 82.14.045, but nothing herein shall prevent such city  
25 or county from imposing sales and use taxes pursuant to any other  
26 authorization.

27 (b) In the event a county transportation authority shall impose a  
28 sales and use tax pursuant to this section, no city, county which has  
29 created an unincorporated transportation benefit area, public  
30 transportation benefit area, or metropolitan municipal corporation,  
31 located within the territory of the authority, shall be empowered to  
32 levy or collect taxes pursuant to RCW 35.58.273, 35.95.040, or  
33 82.14.045.

34 (c) In the event a public transportation benefit area shall impose  
35 a sales and use tax pursuant to this section, no city, county which has  
36 created an unincorporated transportation benefit area, or metropolitan  
37 municipal corporation, located wholly or partly within the territory of  
38 the public transportation benefit area, shall be empowered to levy or  
39 collect taxes pursuant to RCW 35.58.273, 35.95.040, or 82.14.045.

1 (3) Any local sales and use tax revenue collected pursuant to this  
2 section by any city or by any county for transportation purposes  
3 pursuant to RCW 36.57.100 and 36.57.110 shall not be counted as locally  
4 generated tax revenues for the purposes of apportionment and  
5 distribution, in the manner prescribed by chapter 82.44 RCW, of the  
6 proceeds of the motor vehicle excise tax authorized pursuant to RCW  
7 35.58.273, except that the local sales and use tax revenue collected  
8 under this section by a city with a population greater than sixty  
9 thousand that as of January 1, 1998, owns and operates a municipal  
10 public transportation system shall be counted as locally generated tax  
11 revenues for the purposes of apportionment and distribution, in the  
12 manner prescribed by chapter 82.44 RCW, of the proceeds of the motor  
13 vehicle excise tax authorized under RCW 35.58.273 as follows:

14 (a) For fiscal year 2000, revenues collected under this section  
15 shall be counted as locally generated tax revenues for up to 25 percent  
16 of the tax collected under RCW 35.58.273;

17 (b) For fiscal year 2001, revenues collected under this section  
18 shall be counted as locally generated tax revenues for up to 50 percent  
19 of the tax collected under RCW 35.58.273;

20 (c) For fiscal year 2002, revenues collected under this section  
21 shall be counted as locally generated tax revenues for up to 75 percent  
22 of the tax collected under RCW 35.58.273; and

23 (d) For fiscal year 2003 and thereafter, revenues collected under  
24 this section shall be counted as locally generated tax revenues for up  
25 to 100 percent of the tax collected under RCW 35.58.273.

26 NEW SECTION. **Sec. 17.** The legislature finds that additional funds  
27 or other benefits can be made available to Washington regional transit  
28 authorities by facilitating their entry into sale and leaseback,  
29 leaseout and leaseback, and similar transactions that provide to  
30 private parties, in consideration for the funds or other benefits  
31 obtained by the regional transit authorities, tax benefits that are not  
32 otherwise available to regional transit authorities. The legislature  
33 further finds that such transactions have been encouraged by agencies  
34 of the federal government as ways to provide additional funds for  
35 public facilities. To facilitate such transactions for regional  
36 transit authorities, the legislature has determined that while regional  
37 transit authorities may currently have the necessary statutory  
38 authority and may currently enjoy exemptions from Washington state

1 taxes for such transactions, an explicit statement of statutory  
2 authority and exemption from Washington state taxes is necessary and  
3 helpful for the parties to such transactions. In recognition of the  
4 complexity of such transactions, the legislature desires that the  
5 authority and exemptions provided by sections 18 through 30 of this act  
6 be subject to certain limitations and be granted for a period as  
7 specified in section 30 of this act.

8 NEW SECTION. **Sec. 18.** A new section is added to chapter 81.112  
9 RCW to read as follows:

10 (1) In order to enable regional transit authorities to acquire or  
11 finance equipment or facilities, or reduce the cost of equipment or  
12 facilities, regional transit authorities may enter into sale and  
13 leaseback, leaseout and leaseback, and other similar transactions with  
14 respect to equipment, facilities, and other real and personal property.  
15 In connection with any such transaction, a regional transit authority  
16 may execute, as it considers appropriate, contracts, agreements, notes,  
17 security agreements, conveyances, bills of sale, deeds, leases as  
18 lessee or lessor, and currency hedges, defeasance arrangements,  
19 interest rate, currency or other swap transactions, one or more payment  
20 undertaking agreements, and agreements relating to foreign and domestic  
21 currency. These agreements or instruments must have terms, maturities,  
22 durations, provisions as to governing laws, grants of security  
23 interests, and other provisions that are approved by the board of the  
24 regional transit authority.

25 (2) "Payment undertaking agreement" means one or more agreements,  
26 undertakings or arrangements under which all or a portion of the funds  
27 generated by a sale and leaseback, leaseout and leaseback, or other  
28 similar transaction are directed or paid over to a financial  
29 institution, insurance company or other entity that agrees to meet or  
30 fulfill, in consideration for the funds, some or all of the obligations  
31 of the regional transit authority, or any public corporation or other  
32 entity created under section 20 of this act, to make future rent, debt  
33 service, or purchase price installment payments in connection with the  
34 transaction.

35 NEW SECTION. **Sec. 19.** A new section is added to chapter 81.112  
36 RCW to read as follows:

1 Transactions undertaken under section 18 of this act are subject to  
2 the following conditions:

3 (1) The financial institution, insurance company, or other entity  
4 that enters into a payment undertaking agreement with the regional  
5 transit authority or public development corporation or entity created  
6 under section 20 of this act as a counterparty must have a rating from  
7 at least two nationally recognized credit rating agencies, as of the  
8 date of execution of the payment undertaking agreement, that is within  
9 the two highest long-term investment grade rating categories, without  
10 regard to subcategories, or the obligations of the counterparty must be  
11 guaranteed by a financial institution, insurance company, or other  
12 entity with that credit rating. The payment undertaking agreement must  
13 require that the obligations of the counterparty or the guarantor, as  
14 the case may be, must be collateralized by collateral of a type and in  
15 an amount specified by the governing body of the regional transit  
16 authority if the credit ratings of the counterparty or its guarantor  
17 fall below the level required by this subsection.

18 (2) The amount to be paid by the counterparties under payment  
19 undertaking agreements for a transaction under the terms of the  
20 agreements, when combined with the amount of securities, deposits, and  
21 investments set aside by the regional transit authority for payment in  
22 respect of the transactions, together with interest or other earnings  
23 on the securities, deposits, or investments, must be sufficient to pay  
24 when due all amounts required to be paid by the regional transit  
25 authority, or public corporation or entity created under section 20 of  
26 this act, as rent, debt service, or installments of purchase price, as  
27 the case may be, over the full term of the transaction plus any  
28 optional purchase price due under the transaction. A certification by  
29 an independent financial expert, banker, or certified public  
30 accountant, who is not an employee of the regional transit authority or  
31 public corporation or entity created under section 20 of this act,  
32 certifying compliance with this requirement is conclusive evidence that  
33 the arrangements, by their terms, comply with the requirement under  
34 this subsection on the sufficiency of the amount.

35 (3) The payment undertaking agreements, and all other basic and  
36 material agreements entered into in connection with the transactions,  
37 must specify that the parties to the agreements consent to the  
38 jurisdiction of state courts of Washington for disputes arising out of  
39 the agreements and agree not to contest venue before such courts.

1 Regardless of the choice of law specified in the foregoing agreements,  
2 the agreements must acknowledge that the regional transit authority or  
3 public development corporation or entity created under section 20 of  
4 this act that is a party to the agreements is an entity created under  
5 the laws of the state of Washington whose power and authority and  
6 limitations and restrictions on the power and authority are governed by  
7 the laws of the state of Washington.

8 Payment undertaking agreements that meet the foregoing requirement  
9 must be treated for all relevant purposes as agreements under which  
10 future services are performed for a present payment and shall not be  
11 treated as payment agreements within the meaning of chapter 39.96 RCW.

12 NEW SECTION. **Sec. 20.** A new section is added to chapter 81.112  
13 RCW to read as follows:

14 To accomplish any of the activities under section 18 of this act,  
15 a regional transit authority may create a public corporation,  
16 commission, or authority under RCW 35.21.730 through 35.21.755, and  
17 authorize the corporation, commission, or authority to provide any of  
18 the facilities and services that a regional transit authority may  
19 provide including any activities under section 18 of this act. A  
20 regional transit authority has all the powers, authorities, and rights  
21 granted to any city, town, or county or their agents under RCW  
22 35.21.730 through 35.21.755 for the purposes of entering into and  
23 implementing transactions under section 18 of this act.

24 NEW SECTION. **Sec. 21.** A new section is added to chapter 82.08 RCW  
25 to read as follows:

26 The tax levied by RCW 82.08.020 does not apply to lease amounts  
27 paid by a seller/lessee to a lessor under a sale/leaseback agreement  
28 under section 18 of this act in respect to tangible personal property,  
29 used by the seller/lessee, or to the purchase amount paid by the lessee  
30 pursuant to an option to purchase at the end of the lease term, but  
31 only if the seller/lessee previously paid any tax otherwise due under  
32 this chapter or chapter 82.12 RCW at the time of acquisition of the  
33 tangible personal property.

34 NEW SECTION. **Sec. 22.** A new section is added to chapter 82.12 RCW  
35 to read as follows:

1 This chapter does not apply to the use of tangible personal  
2 property by a seller/lessee to a lessor under a sale/leaseback  
3 agreement under section 18 of this act in respect to tangible personal  
4 property used by the seller/lessee, or to the purchase amount paid by  
5 the lessee under an option to purchase at the end of the lease term,  
6 but only if the seller/lessee previously paid any tax otherwise due  
7 under this chapter or chapter 82.08 RCW at the time of acquisition of  
8 the tangible personal property.

9 **Sec. 23.** RCW 82.04.050 and 1998 c 332 s 2, 1998 c 315 s 1, 1998 c  
10 308 s 1, and 1998 c 275 s 1 are each reenacted and amended to read as  
11 follows:

12 (1) "Sale at retail" or "retail sale" means every sale of tangible  
13 personal property (including articles produced, fabricated, or  
14 imprinted) to all persons irrespective of the nature of their business  
15 and including, among others, without limiting the scope hereof, persons  
16 who install, repair, clean, alter, improve, construct, or decorate real  
17 or personal property of or for consumers other than a sale to a person  
18 who presents a resale certificate under RCW 82.04.470 and who:

19 (a) Purchases for the purpose of resale as tangible personal  
20 property in the regular course of business without intervening use by  
21 such person, but a purchase for the purpose of resale by a regional  
22 transit authority under section 18 of this act is not a sale for  
23 resale; or

24 (b) Installs, repairs, cleans, alters, imprints, improves,  
25 constructs, or decorates real or personal property of or for consumers,  
26 if such tangible personal property becomes an ingredient or component  
27 of such real or personal property without intervening use by such  
28 person; or

29 (c) Purchases for the purpose of consuming the property purchased  
30 in producing for sale a new article of tangible personal property or  
31 substance, of which such property becomes an ingredient or component or  
32 is a chemical used in processing, when the primary purpose of such  
33 chemical is to create a chemical reaction directly through contact with  
34 an ingredient of a new article being produced for sale; or

35 (d) Purchases for the purpose of consuming the property purchased  
36 in producing ferrosilicon which is subsequently used in producing  
37 magnesium for sale, if the primary purpose of such property is to

1 create a chemical reaction directly through contact with an ingredient  
2 of ferrosilicon; or

3 (e) Purchases for the purpose of providing the property to  
4 consumers as part of competitive telephone service, as defined in RCW  
5 82.04.065. The term shall include every sale of tangible personal  
6 property which is used or consumed or to be used or consumed in the  
7 performance of any activity classified as a "sale at retail" or "retail  
8 sale" even though such property is resold or utilized as provided in  
9 (a), (b), (c), (d), or (e) of this subsection following such use. The  
10 term also means every sale of tangible personal property to persons  
11 engaged in any business which is taxable under RCW 82.04.280 (2) and  
12 (7) and 82.04.290.

13 (2) The term "sale at retail" or "retail sale" shall include the  
14 sale of or charge made for tangible personal property consumed and/or  
15 for labor and services rendered in respect to the following:

16 (a) The installing, repairing, cleaning, altering, imprinting, or  
17 improving of tangible personal property of or for consumers, including  
18 charges made for the mere use of facilities in respect thereto, but  
19 excluding charges made for the use of coin-operated laundry facilities  
20 when such facilities are situated in an apartment house, rooming house,  
21 or mobile home park for the exclusive use of the tenants thereof, and  
22 also excluding sales of laundry service to nonprofit health care  
23 facilities, and excluding services rendered in respect to live animals,  
24 birds and insects;

25 (b) The constructing, repairing, decorating, or improving of new or  
26 existing buildings or other structures under, upon, or above real  
27 property of or for consumers, including the installing or attaching of  
28 any article of tangible personal property therein or thereto, whether  
29 or not such personal property becomes a part of the realty by virtue of  
30 installation, and shall also include the sale of services or charges  
31 made for the clearing of land and the moving of earth excepting the  
32 mere leveling of land used in commercial farming or agriculture;

33 (c) The charge for labor and services rendered in respect to  
34 constructing, repairing, or improving any structure upon, above, or  
35 under any real property owned by an owner who conveys the property by  
36 title, possession, or any other means to the person performing such  
37 construction, repair, or improvement for the purpose of performing such  
38 construction, repair, or improvement and the property is then



1 reconveyed by title, possession, or any other means to the original  
2 owner;

3 (d) The sale of or charge made for labor and services rendered in  
4 respect to the cleaning, fumigating, razing or moving of existing  
5 buildings or structures, but shall not include the charge made for  
6 janitorial services; and for purposes of this section the term  
7 "janitorial services" shall mean those cleaning and caretaking services  
8 ordinarily performed by commercial janitor service businesses  
9 including, but not limited to, wall and window washing, floor cleaning  
10 and waxing, and the cleaning in place of rugs, drapes and upholstery.  
11 The term "janitorial services" does not include painting, papering,  
12 repairing, furnace or septic tank cleaning, snow removal or  
13 sandblasting;

14 (e) The sale of or charge made for labor and services rendered in  
15 respect to automobile towing and similar automotive transportation  
16 services, but not in respect to those required to report and pay taxes  
17 under chapter 82.16 RCW;

18 (f) The sale of and charge made for the furnishing of lodging and  
19 all other services by a hotel, rooming house, tourist court, motel,  
20 trailer camp, and the granting of any similar license to use real  
21 property, as distinguished from the renting or leasing of real  
22 property, and it shall be presumed that the occupancy of real property  
23 for a continuous period of one month or more constitutes a rental or  
24 lease of real property and not a mere license to use or enjoy the same;

25 (g) The sale of or charge made for tangible personal property,  
26 labor and services to persons taxable under (a), (b), (c), (d), (e),  
27 and (f) of this subsection when such sales or charges are for property,  
28 labor and services which are used or consumed in whole or in part by  
29 such persons in the performance of any activity defined as a "sale at  
30 retail" or "retail sale" even though such property, labor and services  
31 may be resold after such use or consumption. Nothing contained in this  
32 subsection shall be construed to modify subsection (1) of this section  
33 and nothing contained in subsection (1) of this section shall be  
34 construed to modify this subsection.

35 (3) The term "sale at retail" or "retail sale" shall include the  
36 sale of or charge made for personal, business, or professional services  
37 including amounts designated as interest, rents, fees, admission, and  
38 other service emoluments however designated, received by persons  
39 engaging in the following business activities:

1 (a) Amusement and recreation services including but not limited to  
2 golf, pool, billiards, skating, bowling, ski lifts and tows, day trips  
3 for sightseeing purposes, and others, when provided to consumers;

4 (b) Abstract, title insurance, and escrow services;

5 (c) Credit bureau services;

6 (d) Automobile parking and storage garage services;

7 (e) Landscape maintenance and horticultural services but excluding  
8 (i) horticultural services provided to farmers and (ii) pruning,  
9 trimming, repairing, removing, and clearing of trees and brush near  
10 electric transmission or distribution lines or equipment, if performed  
11 by or at the direction of an electric utility;

12 (f) Service charges associated with tickets to professional  
13 sporting events; and

14 (g) The following personal services: Physical fitness services,  
15 tanning salon services, tattoo parlor services, steam bath services,  
16 turkish bath services, escort services, and dating services.

17 (4) The term shall also include the renting or leasing of tangible  
18 personal property to consumers and the rental of equipment with an  
19 operator.

20 (5) The term shall also include the providing of telephone service,  
21 as defined in RCW 82.04.065, to consumers.

22 (6) The term shall also include the sale of canned software other  
23 than a sale to a person who presents a resale certificate under RCW  
24 82.04.470, regardless of the method of delivery to the end user, but  
25 shall not include custom software or the customization of canned  
26 software.

27 (7) The term shall not include the sale of or charge made for labor  
28 and services rendered in respect to the building, repairing, or  
29 improving of any street, place, road, highway, easement, right of way,  
30 mass public transportation terminal or parking facility, bridge,  
31 tunnel, or trestle which is owned by a municipal corporation or  
32 political subdivision of the state or by the United States and which is  
33 used or to be used primarily for foot or vehicular traffic including  
34 mass transportation vehicles of any kind.

35 (8) The term shall also not include sales of chemical sprays or  
36 washes to persons for the purpose of postharvest treatment of fruit for  
37 the prevention of scald, fungus, mold, or decay, nor shall it include  
38 sales of feed, seed, seedlings, fertilizer, agents for enhanced  
39 pollination including insects such as bees, and spray materials to:

1 (a) Persons who participate in the federal conservation reserve  
2 program, the environmental quality incentives program, the wetlands  
3 reserve program, and the wildlife habitat incentives program, or their  
4 successors administered by the United States department of agriculture;  
5 (b) farmers for the purpose of producing for sale any agricultural  
6 product; and (c) farmers acting under cooperative habitat development  
7 or access contracts with an organization exempt from federal income tax  
8 under 26 U.S.C. Sec. 501(c)(3) or the Washington state department of  
9 fish and wildlife to produce or improve wildlife habitat on land that  
10 the farmer owns or leases.

11 (9) The term shall not include the sale of or charge made for labor  
12 and services rendered in respect to the constructing, repairing,  
13 decorating, or improving of new or existing buildings or other  
14 structures under, upon, or above real property of or for the United  
15 States, any instrumentality thereof, or a county or city housing  
16 authority created pursuant to chapter 35.82 RCW, including the  
17 installing, or attaching of any article of tangible personal property  
18 therein or thereto, whether or not such personal property becomes a  
19 part of the realty by virtue of installation. Nor shall the term  
20 include the sale of services or charges made for the clearing of land  
21 and the moving of earth of or for the United States, any  
22 instrumentality thereof, or a county or city housing authority. Nor  
23 shall the term include the sale of services or charges made for  
24 cleaning up for the United States, or its instrumentalities,  
25 radioactive waste and other byproducts of weapons production and  
26 nuclear research and development.

27 (10) Until July 1, 2003, the term shall not include the sale of or  
28 charge made for labor and services rendered for environmental remedial  
29 action as defined in RCW 82.04.2635(2).

30 NEW SECTION. **Sec. 24.** A new section is added to chapter 82.04 RCW  
31 to read as follows:

32 This chapter does not apply to amounts received as lease payments  
33 paid by a seller/lessee to a lessor under a sale/leaseback agreement  
34 under section 18 of this act in respect to tangible personal property  
35 used by the seller/lessee, or to the purchase amount paid by the lessee  
36 under an option to purchase at the end of the lease term.

1        NEW SECTION.    **Sec. 25.**    A new section is added to chapter 82.29A  
2 RCW to read as follows:

3        All leasehold interests in property of a regional transit authority  
4 or public corporation created under section 20 of this act under an  
5 agreement under section 18 of this act are exempt from tax under this  
6 chapter.

7        **Sec. 26.**    RCW 82.45.010 and 1999 c 209 s 2 are each amended to read  
8 as follows:

9        (1) As used in this chapter, the term "sale" shall have its  
10 ordinary meaning and shall include any conveyance, grant, assignment,  
11 quitclaim, or transfer of the ownership of or title to real property,  
12 including standing timber, or any estate or interest therein for a  
13 valuable consideration, and any contract for such conveyance, grant,  
14 assignment, quitclaim, or transfer, and any lease with an option to  
15 purchase real property, including standing timber, or any estate or  
16 interest therein or other contract under which possession of the  
17 property is given to the purchaser, or any other person at the  
18 purchaser's direction, and title to the property is retained by the  
19 vendor as security for the payment of the purchase price. The term  
20 also includes the grant, assignment, quitclaim, sale, or transfer of  
21 improvements constructed upon leased land.

22        (2) The term "sale" also includes the transfer or acquisition  
23 within any twelve-month period of a controlling interest in any entity  
24 with an interest in real property located in this state for a valuable  
25 consideration. For purposes of this subsection, all acquisitions of  
26 persons acting in concert shall be aggregated for purposes of  
27 determining whether a transfer or acquisition of a controlling interest  
28 has taken place. The department of revenue shall adopt standards by  
29 rule to determine when persons are acting in concert. In adopting a  
30 rule for this purpose, the department shall consider the following:

31        (a) Persons shall be treated as acting in concert when they have a  
32 relationship with each other such that one person influences or  
33 controls the actions of another through common ownership; and

34        (b) When persons are not commonly owned or controlled, they shall  
35 be treated as acting in concert only when the unity with which the  
36 purchasers have negotiated and will consummate the transfer of  
37 ownership interests supports a finding that they are acting as a single  
38 entity. If the acquisitions are completely independent, with each

1 purchaser buying without regard to the identity of the other  
2 purchasers, then the acquisitions shall be considered separate  
3 acquisitions.

4 (3) The term "sale" shall not include:

5 (a) A transfer by gift, devise, or inheritance.

6 (b) A transfer of any leasehold interest other than of the type  
7 mentioned above.

8 (c) A cancellation or forfeiture of a vendee's interest in a  
9 contract for the sale of real property, whether or not such contract  
10 contains a forfeiture clause, or deed in lieu of foreclosure of a  
11 mortgage.

12 (d) The partition of property by tenants in common by agreement or  
13 as the result of a court decree.

14 (e) The assignment of property or interest in property from one  
15 spouse to the other in accordance with the terms of a decree of divorce  
16 or in fulfillment of a property settlement agreement.

17 (f) The assignment or other transfer of a vendor's interest in a  
18 contract for the sale of real property, even though accompanied by a  
19 conveyance of the vendor's interest in the real property involved.

20 (g) Transfers by appropriation or decree in condemnation  
21 proceedings brought by the United States, the state or any political  
22 subdivision thereof, or a municipal corporation.

23 (h) A mortgage or other transfer of an interest in real property  
24 merely to secure a debt, or the assignment thereof.

25 (i) Any transfer or conveyance made pursuant to a deed of trust or  
26 an order of sale by the court in any mortgage, deed of trust, or lien  
27 foreclosure proceeding or upon execution of a judgment, or deed in lieu  
28 of foreclosure to satisfy a mortgage or deed of trust.

29 (j) A conveyance to the federal housing administration or veterans  
30 administration by an authorized mortgagee made pursuant to a contract  
31 of insurance or guaranty with the federal housing administration or  
32 veterans administration.

33 (k) A transfer in compliance with the terms of any lease or  
34 contract upon which the tax as imposed by this chapter has been paid or  
35 where the lease or contract was entered into prior to the date this tax  
36 was first imposed.

37 (l) The sale of any grave or lot in an established cemetery.

38 (m) A sale by the United States, this state or any political  
39 subdivision thereof, or a municipal corporation of this state.

1       (n) A sale to a regional transit authority or public corporation  
2 under section 20 of this act under a sale/leaseback agreement under  
3 section 18 of this act.

4       (o) A transfer of real property, however effected, if it consists  
5 of a mere change in identity or form of ownership of an entity where  
6 there is no change in the beneficial ownership. These include  
7 transfers to a corporation or partnership which is wholly owned by the  
8 transferor and/or the transferor's spouse or children: PROVIDED, That  
9 if thereafter such transferee corporation or partnership voluntarily  
10 transfers such real property, or such transferor, spouse, or children  
11 voluntarily transfer stock in the transferee corporation or interest in  
12 the transferee partnership capital, as the case may be, to other than  
13 (1) the transferor and/or the transferor's spouse or children, (2) a  
14 trust having the transferor and/or the transferor's spouse or children  
15 as the only beneficiaries at the time of the transfer to the trust, or  
16 (3) a corporation or partnership wholly owned by the original  
17 transferor and/or the transferor's spouse or children, within three  
18 years of the original transfer to which this exemption applies, and the  
19 tax on the subsequent transfer has not been paid within sixty days of  
20 becoming due, excise taxes shall become due and payable on the original  
21 transfer as otherwise provided by law.

22       ((+o+)) (p)(i) A transfer that for federal income tax purposes does  
23 not involve the recognition of gain or loss for entity formation,  
24 liquidation or dissolution, and reorganization, including but not  
25 limited to nonrecognition of gain or loss because of application of  
26 section 332, 337, 351, 368(a)(1), 721, or 731 of the Internal Revenue  
27 Code of 1986, as amended.

28       (ii) However, the transfer described in ((+o+)) (p)(i) of this  
29 subsection cannot be preceded or followed within a twelve-month period  
30 by another transfer or series of transfers, that, when combined with  
31 the otherwise exempt transfer or transfers described in ((+o+)) (p)(i)  
32 of this subsection, results in the transfer of a controlling interest  
33 in the entity for valuable consideration, and in which one or more  
34 persons previously holding a controlling interest in the entity receive  
35 cash or property in exchange for any interest the person or persons  
36 acting in concert hold in the entity. This subsection (3)((+o+))  
37 (p)(ii) does not apply to that part of the transfer involving property  
38 received that is the real property interest that the person or persons  
39 originally contributed to the entity or when one or more persons who

1 did not contribute real property or belong to the entity at a time when  
2 real property was purchased receive cash or personal property in  
3 exchange for that person or persons' interest in the entity. The real  
4 estate excise tax under this subsection (3)((+o+)) (p)(ii) is imposed  
5 upon the person or persons who previously held a controlling interest  
6 in the entity.

7 NEW SECTION. Sec. 27. A new section is added to chapter 84.36 RCW  
8 to read as follows:

9 All real and personal property subject to a sale/leaseback  
10 agreement under section 18 of this act is exempt from taxation.

11 NEW SECTION. Sec. 28. A new section is added to chapter 35.21 RCW  
12 to read as follows:

13 A city or town may not impose taxes on amounts received as lease  
14 payments paid by a seller/lessee to a lessor under a sale/leaseback  
15 agreement under section 18 of this act in respect to tangible personal  
16 property used by the seller/lessee, or to the purchase amount paid by  
17 the lessee under an option to purchase at the end of the lease term.

18 Sec. 29. RCW 35.21.755 and 1999 c 266 s 1 are each amended to read  
19 as follows:

20 (1) A public corporation, commission, or authority created pursuant  
21 to RCW 35.21.730 ((o+)), 35.21.660, or section 20 of this act shall  
22 receive the same immunity or exemption from taxation as that of the  
23 city, town, or county creating the same: PROVIDED, That, except for  
24 (a) any property within a special review district established by  
25 ordinance prior to January 1, 1976, or listed on or which is within a  
26 district listed on any federal or state register of historical sites or  
27 (b) any property owned, operated, or controlled by a public corporation  
28 that is used primarily for low-income housing, or that is used as a  
29 convention center, performing arts center, public assembly hall, public  
30 meeting place, public esplanade, street, public way, public open space,  
31 park, public utility corridor, or view corridor for the general public  
32 or (c) any blighted property owned, operated, or controlled by a public  
33 corporation that was acquired for the purpose of remediation and  
34 redevelopment of the property in accordance with an agreement or plan  
35 approved by the city, town, or county in which the property is located,  
36 or (d) any property owned, operated, or controlled by a public

1 corporation created under section 20 of this act, any such public  
2 corporation, commission, or authority shall pay to the county treasurer  
3 an annual excise tax equal to the amounts which would be paid upon real  
4 property and personal property devoted to the purposes of such public  
5 corporation, commission, or authority were it in private ownership, and  
6 such real property and personal property is acquired and/or operated  
7 under RCW 35.21.730 through 35.21.755, and the proceeds of such excise  
8 tax shall be allocated by the county treasurer to the various taxing  
9 authorities in which such property is situated, in the same manner as  
10 though the property were in private ownership: PROVIDED FURTHER, That  
11 the provisions of chapter 82.29A RCW shall not apply to property within  
12 a special review district established by ordinance prior to January 1,  
13 1976, or listed on or which is within a district listed on any federal  
14 or state register of historical sites and which is controlled by a  
15 public corporation, commission, or authority created pursuant to RCW  
16 35.21.730 or 35.21.660, which was in existence prior to January 1,  
17 1987: AND PROVIDED FURTHER, That property within a special review  
18 district established by ordinance prior to January 1, 1976, or property  
19 which is listed on any federal or state register of historical sites  
20 and controlled by a public corporation, commission, or authority  
21 created pursuant to RCW 35.21.730 or 35.21.660, which was in existence  
22 prior to January 1, 1976, shall receive the same immunity or exemption  
23 from taxation as if such property had been within a district listed on  
24 any such federal or state register of historical sites as of January 1,  
25 1976, and controlled by a public corporation, commission, or authority  
26 created pursuant to RCW 35.21.730 or 35.21.660 which was in existence  
27 prior to January 1, 1976.

28 (2) As used in this section:

29 (a) "Low-income" means a total annual income, adjusted for family  
30 size, not exceeding fifty percent of the area median income.

31 (b) "Area median income" means:

32 (i) For an area within a standard metropolitan statistical area,  
33 the area median income reported by the United States department of  
34 housing and urban development for that standard metropolitan  
35 statistical area; or

36 (ii) For an area not within a standard metropolitan statistical  
37 area, the county median income reported by the department of community,  
38 trade, and economic development.



1 (c) "Blighted property" means property that is contaminated with  
2 hazardous substances as defined under RCW 70.105D.020(7).

3 NEW SECTION. **Sec. 30.** A new section is added to chapter 81.112  
4 RCW to read as follows:

5 (1) Except as provided in subsection (3) of this section, no  
6 regional transit authority may initiate a transaction authorized under  
7 section 18 of this act after June 30, 2007.

8 (2) The termination of authority to enter into transactions after  
9 June 30, 2007, does not affect the validity of any transactions entered  
10 into under section 18 of this act.

11 (3) A regional transit authority may enter into a transaction in  
12 accordance with section 18 of this act after June 30, 2007, to replace  
13 or refinance a transaction that relates to specific obligations entered  
14 into on or before that date and that has terminated, or is, under the  
15 terms of the replacement or refinance, to terminate, before the final  
16 stated term of that transaction. The exemptions from taxes provided by  
17 sections 21, 22, 24, 25, 27, and 28 of this act and RCW 82.04.050,  
18 82.45.010, and 35.21.755 apply to the replacement or refinance  
19 transactions.

20 (4) A regional transit authority, or public corporation or entity  
21 created under section 20 of this act, that undertakes a transaction  
22 authorized by section 18 of this act, shall provide to the state  
23 finance committee, or its financial advisor, at the state finance  
24 committee's discretion, a copy of all material agreements executed in  
25 connection with the transaction within three months of the closing of  
26 the transaction and shall make a report to the state finance committee,  
27 the president of the senate, and the speaker of the house of  
28 representatives on transactions authorized by section 18 of this act.  
29 The report must include the amount of the transactions, the expected  
30 savings or losses resulting from the transactions, the transaction  
31 costs, including fees and detailed pricing information, the risks  
32 associated with the transaction, and any other information the regional  
33 transit authority determines relevant. The report must be submitted  
34 within six months of the closing of each transaction.

35 NEW SECTION. **Sec. 31.** The authority granted by sections 18  
36 through 30 of this act is in addition and supplemental to any authority  
37 previously granted and does not limit nor is limited by any other

1 powers or authority previously granted to regional transit authorities  
2 or any public corporation, or restrictions on such powers or authority.  
3 Nothing in sections 18 through 30 of this act limits other statutory  
4 authority previously granted to regional transit authorities or public  
5 corporations or other tax exemptions granted to regional transit  
6 authorities or public corporations. Nothing in sections 18 through 30  
7 of this act limits the authority of the state, any political  
8 subdivision thereof, or any other public or municipal corporation to  
9 undertake the activities described in sections 18 through 30 of this  
10 act as expressly or impliedly authorized by other provisions of law.  
11 Nothing in sections 18 through 30 of this act is an authorization to  
12 provide indemnification to the extent the indemnification is prohibited  
13 or restricted by other provisions of law or the Constitution of the  
14 state of Washington.

15 **Sec. 32.** RCW 81.112.060 and 1992 c 101 s 6 are each amended to  
16 read as follows:

17 An authority shall have the following powers:

18 (1) To establish offices, departments, boards, and commissions that  
19 are necessary to carry out the purposes of the authority, and to  
20 prescribe the functions, powers, and duties thereof.

21 (2) To appoint or provide for the appointment of, and to remove or  
22 to provide for the removal of, all officers and employees of the  
23 authority.

24 (3) To fix the salaries, wages, and other compensation of all  
25 officers and employees of the authority.

26 (4) To employ such engineering, legal, financial, or other  
27 specialized personnel as may be necessary to accomplish the purposes of  
28 the authority.

29 (5) To determine risks, hazards, and liabilities in order to obtain  
30 insurance consistent with these determinations. This insurance may  
31 include any types of insurance covering, and for the benefit of, one or  
32 more parties with whom the authority contracts for any purpose, and  
33 insurance for the benefit of its board members, authority officers, and  
34 employees to insure against liability for acts or omissions while  
35 performing or in good faith purporting to perform their official  
36 duties. All insurance obtained for construction of authority projects  
37 with a total project cost exceeding one hundred million dollars may be  
38 acquired by bid or by negotiation through December 31, 2006. In order

1 to allow the authority flexibility to secure appropriate insurance by  
2 negotiation, the authority is exempt from RCW 48.30.270.

3 **Sec. 33.** RCW 48.30.270 and 1983 2nd ex.s. c 1 s 6 are each amended  
4 to read as follows:

5 (1) No officer or employee of this state, or of any public agency,  
6 public authority or public corporation except a public corporation or  
7 public authority created pursuant to agreement or compact with another  
8 state, and no person acting or purporting to act on behalf of such  
9 officer or employee, or public agency or public authority or public  
10 corporation, shall, with respect to any public building or construction  
11 contract which is about to be, or which has been competitively bid,  
12 require the bidder to make application to, or to furnish financial data  
13 to, or to obtain or procure, any of the surety bonds or contracts of  
14 insurance specified in connection with such contract, or specified by  
15 any law, general, special or local, from a particular insurer or agent  
16 or broker.

17 (2) No such officer or employee or any person, acting or purporting  
18 to act on behalf of such officer or employee shall negotiate, make  
19 application for, obtain or procure any of such surety bonds or  
20 contracts of insurance, except contracts of insurance for builder's  
21 risk or owner's protective liability, which can be obtained or procured  
22 by the bidder, contractor or subcontractor.

23 (3) This section shall not be construed to prevent the exercise by  
24 such officer or employee on behalf of the state or such public agency,  
25 public authority, or public corporation of its right to approve the  
26 form, sufficiency or manner or execution of the surety bonds or  
27 contracts of insurance furnished by the insurer selected by the bidder  
28 to underwrite such bonds, or contracts of insurance.

29 (4) Any provisions in any invitation for bids, or in any of the  
30 contract documents, in conflict with this section are declared to be  
31 contrary to the public policy of this state.

32 (5) A violation of this section shall be subject to the penalties  
33 provided by RCW 48.01.080.

34 (6) This section shall not apply to:

35 (a) The public nonprofit corporation authorized under RCW  
36 67.40.020; or

37 (b) A regional transit authority authorized under RCW 81.112.030.

1        NEW SECTION.    **Sec. 34.**    Section 1 of this act applies to taxes  
2 collected on and after December 31, 1999.

3        NEW SECTION.    **Sec. 35.**    Sections 1 through 3 and 20 of this act are  
4 necessary for the immediate preservation of the public peace, health,  
5 or safety, or support of the state government and its existing public  
6 institutions, and take effect immediately.

7        NEW SECTION.    **Sec. 36.**    (1) Sections 4 and 7 through 10 of this act  
8 are necessary for the immediate preservation of the public peace,  
9 health, or safety, or support of the state government and its existing  
10 public institutions, and take effect July 1, 2000.

11        (2) Section 5 of this act takes effect September 1, 2000.

12        (3) Section 6 of this act takes effect March 1, 2002.

13        NEW SECTION.    **Sec. 37.**    Sections 3 and 4 of this act expire  
14 September 1, 2000.

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