
HOUSE BILL 2654

State of Washington

58th Legislature

2004 Regular Session

By Representatives Santos, Cody, Kagi, Chase, Kenney, McIntire, Schual-Berke and McDermott

Read first time 01/19/2004. Referred to Committee on Finance.

1 AN ACT Relating to tax expenditure reports; and amending RCW
2 43.06.400 and 43.88.030.

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

4 **Sec. 1.** RCW 43.06.400 and 1999 c 372 s 5 are each amended to read
5 as follows:

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

- 17 (1) Real and personal property tax exemptions under Title 84 RCW;
18 (2) Business and occupation tax exemptions, deductions, and credits
19 under chapter 82.04 RCW;

1 (3) Retail sales and use tax exemptions under chapters 82.08,
2 82.12, and 82.14 RCW;

3 (4) Public utility tax exemptions and deductions under chapter
4 82.16 RCW;

5 (5) Food fish and shellfish tax exemptions under chapter 82.27 RCW;

6 (6) Leasehold excise tax exemptions under chapter 82.29A RCW;

7 (7) Motor vehicle and special fuel tax exemptions and refunds under
8 chapters 82.36 and 82.38 RCW;

9 (8) Aircraft fuel tax exemptions under chapter 82.42 RCW;

10 (9) Motor vehicle excise tax exclusions under chapter 82.44 RCW;
11 and

12 (10) Insurance premiums tax exemptions under chapter 48.14 RCW.

13 The department of revenue shall prepare the listing required by
14 this section with the assistance of any other agencies or departments
15 as may be required.

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

20 (~~Beginning in January 1984, and every four years thereafter~~) The
21 governor is requested to review the report from the department of
22 revenue and prepare a tax expenditure report as part of the biennial
23 budget documents under RCW 43.88.030. The tax expenditure report shall
24 include the listing of exemptions prepared by the department of revenue
25 and a budget analysis of each exemption. The budget analysis shall
26 categorize each exemption according to the programs or functions each
27 exemption supports. The budget analysis shall also include a
28 determination of whether each exemption is the most fiscally effective
29 means of achieving the purpose of the exemption, and a determination of
30 whether each exemption has achieved its purpose, including an analysis
31 of the persons that are benefited by the exemption.

32 The governor shall identify each exemption that will terminate
33 during the next biennium and make a recommendation as to whether the
34 exemption should be allowed to terminate, continue, or continue with
35 modification. The governor also may submit other recommendations to
36 the legislature with respect to the repeal or modification of any tax
37 exemption. The (~~ways and means~~) fiscal committees of each house and

1 the appropriate standing committee of each house shall hold public
2 hearings and take appropriate action on the tax expenditure report and
3 recommendations submitted by the governor.

4 As used in this section, "tax exemption" means an exemption,
5 exclusion, or deduction from the base of a tax; a credit against a tax;
6 a deferral of a tax; or a preferential tax rate.

7 **Sec. 2.** RCW 43.88.030 and 2002 c 371 s 911 are each amended to
8 read as follows:

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

1 estimating revenues to support financial plans under RCW 44.40.070, the
2 office of financial management shall rely on information and advice
3 from the transportation revenue forecast council. Revenues shall be
4 estimated for such fiscal period from the source and at the rates
5 existing by law at the time of submission of the budget document,
6 including the supplemental budgets submitted in the even-numbered years
7 of a biennium. However, the estimated revenues and caseloads for use
8 in the governor's budget document may be adjusted to reflect budgetary
9 revenue transfers and revenue and caseload estimates dependent upon
10 budgetary assumptions of enrollments, workloads, and caseloads. All
11 adjustments to the approved estimated revenues and caseloads must be
12 set forth in the budget document. The governor may additionally
13 submit, as an appendix to each supplemental, biennial, or six-year
14 agency budget or to the budget document or documents, a proposal for
15 expenditures in the ensuing fiscal period from revenue sources derived
16 from proposed changes in existing statutes.

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

24 The budget document or documents shall also contain:

25 (a) Revenues classified by fund and source for the immediately past
26 fiscal period, those received or anticipated for the current fiscal
27 period, those anticipated for the ensuing biennium, and those
28 anticipated for the ensuing six-year period to support the six-year
29 programs and financial plans required under RCW 44.40.070;

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

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

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

35 ~~((d))~~ (e) Such additional information dealing with revenues and
36 expenditures as the governor shall deem pertinent and useful to the
37 legislature;

1 ~~((e))~~ (f) Tabulations showing expenditures classified by fund,
2 function, activity, and agency. However, documents submitted for the
3 2003-05 biennial budget request need not show expenditures by activity;

4 ~~((f))~~ (g) A delineation of each agency's activities, including
5 those activities funded from nonbudgeted, nonappropriated sources,
6 including funds maintained outside the state treasury;

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

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

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

22 (a) Interest, amortization and redemption charges on the state
23 debt;

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

25 (c) Other statutory expenditures;

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

27 (e) Revenues derived from agency operations;

28 (f) Expenditures and revenues shall be given in comparative form
29 showing those incurred or received for the immediately past fiscal
30 period and those anticipated for the current biennium and next ensuing
31 biennium, as well as those required to support the six-year programs
32 and financial plans required under RCW 44.40.070;

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

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

37 (i) A showing, by agency, of the value and purpose of financing

1 contracts for the lease/purchase or acquisition of personal or real
2 property for the current and ensuing fiscal periods; and

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

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

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

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

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

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

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

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

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

35 (h) Estimated total project cost;

36 (i) For major projects valued over five million dollars, estimated
37 costs for the following project components: Acquisition, consultant
38 services, construction, equipment, project management, and other costs

1 included as part of the project. Project component costs shall be
2 displayed in a standard format defined by the office of financial
3 management to allow comparisons between projects;

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

6 (k) Estimated ensuing biennium costs;

7 (l) Estimated costs beyond the ensuing biennium;

8 (m) Estimated construction start and completion dates;

9 (n) Source and type of funds proposed;

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

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

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

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

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

31 For purposes of this subsection (3), the term "capital project"
32 shall be defined subsequent to the analysis, findings, and
33 recommendations of a joint committee comprised of representatives from
34 the house capital appropriations committee, senate ways and means
35 committee, legislative transportation committee, legislative evaluation
36 and accountability program committee, and office of financial
37 management.

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

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