
SUBSTITUTE HOUSE BILL 1827

State of Washington 60th Legislature 2007 Regular Session

By House Committee on Finance (originally sponsored by Representatives Santos, Hasegawa, Campbell, Kenney, McDermott, Hunt, Appleton, Haler, Blake, Hankins, Green, Upthegrove, Williams, Simpson, McIntire, Ormsby and Chase)

READ FIRST TIME 03/05/07.

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 must
24 include the listing of exemptions prepared by the department of revenue
25 and a budget analysis of each exemption. The budget analysis must
26 categorize each exemption according to the programs or functions each
27 exemption supports. The budget analysis must include the findings and
28 recommendations of the joint legislative audit and review committee
29 developed under RCW 43.136.055 and the comments of the citizen
30 commission for performance measurement of tax preferences under RCW
31 43.136.065.

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 2006 c 334 s 43 are each amended to read
8 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 budget
13 document or documents shall consist of the governor's budget message
14 which shall be explanatory of the budget and shall contain an outline
15 of the proposed financial policies of the state for the ensuing fiscal
16 period, as well as an outline of the proposed six-year financial
17 policies where applicable, and shall describe in connection therewith
18 the important features of the budget. The biennial budget document or
19 documents shall also describe performance indicators that demonstrate
20 measurable progress towards priority results. The message shall set
21 forth the reasons for salient changes from the previous fiscal period
22 in expenditure and revenue items and shall explain any major changes in
23 financial policy. Attached to the budget message shall be such
24 supporting schedules, exhibits and other explanatory material in
25 respect to both current operations and capital improvements as the
26 governor shall deem to be useful to the legislature. The budget
27 document or documents shall set forth a proposal for expenditures in
28 the ensuing fiscal period, or six-year period where applicable, based
29 upon the estimated revenues and caseloads as approved by the economic
30 and revenue forecast council and caseload forecast council or upon the
31 estimated revenues and caseloads of the office of financial management
32 for those funds, accounts, sources, and programs for which the forecast
33 councils do not prepare an official forecast. Revenues shall be
34 estimated for such fiscal period from the source and at the rates
35 existing by law at the time of submission of the budget document,
36 including the supplemental budgets submitted in the even-numbered years
37 of a biennium. However, the estimated revenues and caseloads for use

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

10 The budget document or documents shall also contain:

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

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

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

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

19 ~~((d))~~ (e) Such additional information dealing with revenues and
20 expenditures as the governor shall deem pertinent and useful to the
21 legislature;

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

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

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

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

34 (2) The budget document or documents shall include detailed
35 estimates of all anticipated revenues applicable to proposed operating
36 or capital expenditures and shall also include all proposed operating
37 or capital expenditures. The total of beginning undesignated fund

1 balance and estimated revenues less working capital and other reserves
2 shall equal or exceed the total of proposed applicable expenditures.
3 The budget document or documents shall further include:

4 (a) Interest, amortization and redemption charges on the state
5 debt;

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

7 (c) Other statutory expenditures;

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

9 (e) Revenues derived from agency operations;

10 (f) Expenditures and revenues shall be given in comparative form
11 showing those incurred or received for the immediately past fiscal
12 period and those anticipated for the current biennium and next ensuing
13 biennium;

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

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

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

21 (j) A showing and explanation of anticipated amounts of general
22 fund and other funds required to amortize the unfunded actuarial
23 accrued liability of the retirement system specified under chapter
24 41.45 RCW, and the contributions to meet such amortization, stated in
25 total dollars and as a level percentage of total compensation.

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

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

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

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

35 (b) A capital program consisting of proposed capital projects for
36 the next biennium and the two biennia succeeding the next biennium
37 consistent with the long-range facilities plan. Inasmuch as is
38 practical, and recognizing emergent needs, the capital program shall

1 reflect the priorities, projects, and spending levels proposed in
2 previously submitted capital budget documents in order to provide a
3 reliable long-range planning tool for the legislature and state
4 agencies;

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

7 (d) A strategic plan for reducing backlogs of maintenance and
8 repair projects. The plan shall include a prioritized list of specific
9 facility deficiencies and capital projects to address the deficiencies
10 for each agency, cost estimates for each project, a schedule for
11 completing projects over a reasonable period of time, and
12 identification of normal maintenance activities to reduce future
13 backlogs;

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

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

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

19 (h) Estimated total project cost;

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

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

28 (k) Estimated ensuing biennium costs;

29 (l) Estimated costs beyond the ensuing biennium;

30 (m) Estimated construction start and completion dates;

31 (n) Source and type of funds proposed;

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

34 (p) For any capital appropriation requested for a state agency for
35 the acquisition of land or the capital improvement of land in which the
36 primary purpose of the acquisition or improvement is recreation or
37 wildlife habitat conservation, the capital budget document, or an
38 omnibus list of recreation and habitat acquisitions provided with the

1 governor's budget document, shall identify the projected costs of
2 operation and maintenance for at least the two biennia succeeding the
3 next biennium. Omnibus lists of habitat and recreation land
4 acquisitions shall include individual project cost estimates for
5 operation and maintenance as well as a total for all state projects
6 included in the list. The document shall identify the source of funds
7 from which the operation and maintenance costs are proposed to be
8 funded;

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

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

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

15 For purposes of this subsection (5), the term "capital project"
16 shall be defined subsequent to the analysis, findings, and
17 recommendations of a joint committee comprised of representatives from
18 the house capital appropriations committee, senate ways and means
19 committee, legislative evaluation and accountability program committee,
20 and office of financial management.

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

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