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**SUBSTITUTE HOUSE BILL 1360**

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**State of Washington                      61st Legislature                      2009 Regular Session**

**By** House Local Government & Housing (originally sponsored by Representatives Ormsby, Orcutt, Simpson, Smith, Dunshee, Springer, Lias, Upthegrove, Eddy, Takko, Chase, Morrell, Moeller, and Sullivan)

READ FIRST TIME 02/11/09.

1            AN ACT Relating to funding for residential infrastructure  
2 development; amending RCW 43.330.010, 82.45.060, 82.45.180, and  
3 43.79.495; reenacting and amending RCW 43.84.092; adding new sections  
4 to chapter 43.330 RCW; and adding a new section to chapter 43.135 RCW.

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

6            **Sec. 1.** RCW 43.330.010 and 2007 c 322 s 2 are each amended to read  
7 as follows:

8            Unless the context clearly requires otherwise, the definitions in  
9 this section apply throughout this chapter.

10            (1) "Affordable residential development" or "affordable housing"  
11 means housing that is owned or rented where monthly housing costs,  
12 including utilities other than telephone, do not exceed thirty percent  
13 of the household's monthly income.

14            (2) "Associate development organization" means a local economic  
15 development nonprofit corporation that is broadly representative of  
16 community interests.

17            ((+2)) (3) "Comparable replacement housing" means any dwelling  
18 that is (a) decent, safe, and sanitary; (b) adequate in size to  
19 accommodate the occupants; (c) within the financial means of the

1 displaced person; (d) functionally equivalent; (e) in an area not  
2 subject to unreasonably adverse environmental conditions; and (f) in a  
3 location generally not less desirable than the location of the  
4 displaced person's dwelling with respect to public utilities,  
5 facilities, services, and the displaced person's place of employment.

6 (4) "Consumer price index" means, for any calendar year, that  
7 year's annual average consumer price index, for Washington state, for  
8 wage earners and clerical workers, all items, compiled by the bureau of  
9 labor and statistics, United States department of labor.

10 (5) "Dense" means the same as transit-supportive density.

11 (6) "Department" means the department of community, trade, and  
12 economic development.

13 ((+3)) (7) "Director" means the director of the department of  
14 community, trade, and economic development.

15 ((+4)) (8) "Eligible jurisdiction" means a county or city planning  
16 under RCW 36.70A.040 or a federally recognized Indian tribe in the  
17 state of Washington.

18 (9) "Financial institution" means a bank, trust company, mutual  
19 savings bank, savings and loan association, or credit union authorized  
20 to do business in this state under state or federal law.

21 ((+5)) (10) "High capacity transit station" means a stop or  
22 station for public transportation that operates on a fixed guideway  
23 rail system or designated bus rapid transit line.

24 (11) "Low-income household" has the same meaning as in RCW  
25 43.185A.010.

26 (12) "Major transit stop" means a stop for a bus or other transit  
27 mode providing fixed route service in intervals of at least every  
28 thirty minutes during peak hours of operation.

29 (13) "Market rate" means the current average market interest rate  
30 that is determined at the time an individual loan is closed upon, or  
31 grant is awarded, using a widely recognized current market interest  
32 rate measurement to be selected for use by the department. This  
33 interest rate must be noted in an attachment to the closing documents  
34 for any loan and in any grant contract for reference if the loan or  
35 grant must be repaid with interest.

36 (14) "Microenterprise development organization" means a community  
37 development corporation, a nonprofit development organization, a

1 nonprofit social services organization or other locally operated  
2 nonprofit entity that provides services to low-income entrepreneurs.

3 ~~((+6))~~ (15) "Nonprofit organization" means an organization that is  
4 tax exempt, or not required to apply for an exemption, under section  
5 501(c)(3) of the federal internal revenue code, or similar successor  
6 provisions.

7 (16) "Residential development" means a unit of housing that is  
8 contained within a single, multifamily, or mixed use development.

9 (17) "Statewide microenterprise association" means a nonprofit  
10 entity with microenterprise development organizations as members that  
11 serves as an intermediary between the department of community, trade,  
12 and economic development and local microenterprise development  
13 organizations.

14 (18) "Transfer of development rights" or "rural and resource land  
15 transfer of development rights" includes methods for protecting land  
16 from development by voluntarily removing the development rights from a  
17 transfer of development rights sending site and transferring them to a  
18 transfer of development receiving site for the purpose of increasing  
19 development density in the receiving site. Methods for protecting  
20 sending sites and increasing the development density in receiving sites  
21 include awarding bonuses or regulatory flexibility to receiving sites  
22 when persons within a receiving site purchase development rights from  
23 a sending site through a transfer of development rights bank or from a  
24 landowner who is a willing development rights seller. Bonuses include,  
25 but are not limited to, increased height, density, or floor area ratio.  
26 Options for regulations on which a jurisdiction could award increased  
27 flexibility include, but are not limited to, parking requirements,  
28 impervious surface limits, or setbacks.

29 (19) "Transfer of development rights receiving site" or "transfer  
30 of development rights sending site" means an area that a city or county  
31 has designated as either a receiving site or sending site in accordance  
32 with a rural and resource land transfer of development rights program.

33 (20) "Transit-proximate" means within one-half mile walking  
34 distance of a high capacity transit station or within one-quarter mile  
35 of another major transit stop.

36 (21) "Transit-supportive density" means a minimum average of fifty  
37 units of development for each acre of land within one-half mile walking

1 distance of a high capacity transit station, and a minimum of ten  
2 development units for each acre of land within one-quarter mile of  
3 another major transit stop.

4 (22) "Very low-income household" means a single person, family, or  
5 unrelated persons living together whose adjusted income is less than  
6 fifty percent of the median family income, adjusted for household size,  
7 for the county where the project is located.

8 NEW SECTION. Sec. 2. A new section is added to chapter 43.330 RCW  
9 to read as follows:

10 (1) The residential infrastructure program is created in the  
11 department to provide loans to eligible jurisdictions and grants to  
12 nonprofit organizations for public infrastructure that supports  
13 increased capacity for dense, affordable residential development in  
14 transit-proximate areas.

15 (2) The department may provide direct loans to eligible  
16 jurisdictions for projects meeting the requirements of subsection (3)  
17 of this section or provide grants to nonprofit organizations for  
18 projects meeting the requirements of subsection (4) of this section.  
19 Funds appropriated through the program must be used to pay for the cost  
20 of public infrastructure projects that support increased capacity for  
21 dense, affordable residential development in transit-proximate areas,  
22 including the planning, construction, repair, reconstruction,  
23 replacement, rehabilitation, or improvement of sidewalks, streets and  
24 roads, bridges, publicly owned utilities, drinking water systems, and  
25 storm and sanitary sewage systems. The department may also provide  
26 loans to eligible jurisdictions or grants to nonprofit organizations  
27 for the acquisition of real property when the acquisition is directly  
28 related to the development of public infrastructure projects to support  
29 dense, affordable residential development in transit-proximate areas.

30 (3) An eligible jurisdiction seeking funding from the residential  
31 infrastructure program must:

32 (a) Designate a project area within its urban growth area  
33 designated under RCW 36.70A.110 and demonstrate with official plans  
34 that overall development within the project area will increase the  
35 supply of dense, affordable residential development units and that the  
36 project area currently, or will within eight years of the loan award,

1 meets the definitions of transit-proximate and will achieve minimum  
2 transit-supportive density;

3 (b) Demonstrate that designated infrastructure projects, for which  
4 an eligible jurisdiction seeks funding:

5 (i) Are contained in the eligible jurisdictions' capital facilities  
6 element of the comprehensive plan under RCW 36.70A.070;

7 (ii) Maximize the use of existing infrastructure; and

8 (iii) Will increase existing system capacity to accommodate  
9 projected population growth in a manner that supports infill and  
10 redevelopment of existing urban areas;

11 (c) Demonstrate a commitment to promoting affordable residential  
12 development within the designated project area through:

13 (i) Local funding commitments to affordable residential housing  
14 projects in the proposed project area; or

15 (ii) The official adoption and implementation of policies and  
16 ordinances that include affordable housing incentive initiatives, such  
17 as those outlined within RCW 36.70A.540, or other policies and programs  
18 intended to promote the creation of affordable housing;

19 (d) Include a plan to construct, or pay for the construction of,  
20 comparable replacement housing within the eligible jurisdiction when  
21 housing units are lost as a direct result of the public infrastructure  
22 projects funded under this program. A residential unit lost as a  
23 result of the infrastructure project must be replaced one-for-one with  
24 a unit at an equal or better affordability rate, and relocation  
25 assistance must be paid to any displaced households. Projects  
26 receiving financing from the residential infrastructure program must  
27 comply with any relocation standards and requirements and real property  
28 acquisition policies established by the department as a condition of  
29 residential infrastructure program assistance; and

30 (e) Commit to paying the prevailing wage as described under RCW  
31 39.12.020 for each infrastructure project.

32 (4) A nonprofit organization seeking funding from the residential  
33 infrastructure program must:

34 (a) Demonstrate that the funding will support public infrastructure  
35 projects or the acquisition of property related to the development of  
36 infrastructure projects, as described in subsection (2) of this  
37 section, related to a specific affordable residential development that

1 has also received a commitment of funding from the Washington housing  
2 trust fund under chapter 43.185 or 43.185A RCW;

3 (b) Demonstrate that the area in which the infrastructure project  
4 will take place is within an urban growth area designated by a local  
5 jurisdiction under RCW 36.70A.110, and demonstrate with official plans  
6 from the jurisdiction that overall development within the project area  
7 will increase the supply of dense, affordable residential development  
8 and that the project area currently, or will within eight years of the  
9 grant award, meets the definitions of transit-proximate and will  
10 achieve minimum transit-supportive density;

11 (c) Demonstrate that the specific affordable housing development  
12 described in (a) of this subsection will, within eight years of the  
13 grant award, contribute to an increase in the supply of dense,  
14 affordable residential development within the area referenced in (b) of  
15 this subsection; and

16 (d) Comply with the requirements of subsection (3)(d) of this  
17 section, related to the provision of comparable replacement housing and  
18 relocation standards and requirements.

19 (5) The department must determine each year the total amount of  
20 funding available in loans and grants and must establish the total  
21 amount of financial assistance to be appropriated to eligible  
22 jurisdiction and nonprofit organization applicants based on (a) the  
23 total amount of money appropriated to the program; (b) the quality of  
24 applications received; and (c) the best available projections of total  
25 revenue likely to be available for the program for the subsequent three  
26 years. The total amount of financial assistance allocated must not  
27 exceed ten million dollars per project for eligible jurisdictions and  
28 not exceed one million dollars per project for nonprofit organizations.  
29 The maximum project funding limits established in this section must be  
30 adjusted for inflation by the office of financial management every  
31 other year beginning July 1, 2011, based upon changes in the consumer  
32 price index during the time period since the last adjustment. If the  
33 bureau of labor and statistics develops more than one consumer price  
34 index for areas within the state, the index covering the greatest  
35 number of people, covering areas exclusively within the boundaries of  
36 the state, and including all items shall be used for the adjustments  
37 for inflation in this section. The office of financial management must

1 calculate the new maximum project funding limits and transmit those new  
2 limits to the department.

3 (6) Loan interest rates must not exceed one-half of one percent a  
4 year. The department shall establish policies, priorities, and  
5 procedures by which all or part of a loan may be forgiven if an  
6 eligible jurisdiction:

7 (a) Creates a significantly greater number of affordable  
8 residential housing units within the project area than the number  
9 agreed to during loan contract negotiations;

10 (b) Creates a significant number of residential units that are  
11 available and affordable to households of income levels significantly  
12 below the maximum income levels allowable under the program; or

13 (c) Significantly exceeds program expectations in other ways to be  
14 identified by the department.

15 (7) During each fiscal year in which funds are available for use by  
16 the department for the residential infrastructure program, the  
17 department shall announce to all known interested parties, and through  
18 major media throughout the state, a competitive application period of  
19 at least ninety days' duration. This announcement must be made as  
20 often as the director deems appropriate for proper utilization of  
21 resources.

22 (8) The department shall establish a competitive process for loan  
23 and grant awards and shall review and prioritize proposals in  
24 consultation with the public works board and the transportation  
25 improvement board or designees selected by those boards to represent  
26 them.

27 (a) Priority must be awarded to projects that include plans to:

28 (i) Maximize capacity to accommodate growth;

29 (ii) Maximize residential density;

30 (iii) Maximize the number of affordable housing units;

31 (iv) Maintain the affordability of the housing for the longest  
32 period of time;

33 (v) Maximize affordability to low-income households and very low-  
34 income households;

35 (vi) Maximize access to public transit; and

36 (vii) Demonstrate readiness to proceed.

37 (b) In awarding loans and grants from the program established in

1 subsection (1) of this section, the department must consider whether  
2 the jurisdiction has completed a Washington state quality award program  
3 assessment of management systems.

4 (c) The department shall give additional consideration to  
5 jurisdictions that demonstrate a commitment to creating receiving areas  
6 for rural and resource land transfer of development rights, which may  
7 be demonstrated through one of the following actions, listed in order  
8 of highest value and priority:

9 (i) The jurisdiction has in place at the time of application,  
10 within the area specified by the application or in other areas within  
11 the jurisdiction, designated receiving sites for rural and resource  
12 land transfer of development rights established through an ordinance by  
13 the jurisdiction and an interlocal agreement with a sending site  
14 jurisdiction that enables transfers from rural and resource lands;

15 (ii) The jurisdiction has in place at the time of application,  
16 within the area specified by the application or in other areas within  
17 the jurisdiction, designated receiving sites for rural and resource  
18 land transfer of development rights established through an ordinance by  
19 the jurisdiction; or

20 (iii) The jurisdiction states in its comprehensive plan at the time  
21 of application a commitment to consider the development and  
22 implementation of a rural and resource land transfer of development  
23 rights program.

24 (9) Eligible jurisdictions and nonprofit organizations that receive  
25 support from the residential infrastructure program must report to the  
26 department annually by December 31st of each year following the date of  
27 the receipt of the loan or grant until ten years after the completion  
28 of the infrastructure project.

29 (a) Reporting before and during the construction of the  
30 infrastructure project must include information on the status of the  
31 project, the estimated completion date, and any variations from the  
32 approved proposal.

33 (b) Reporting after completion of the project must include a  
34 description of how the project area is transit-proximate and has  
35 achieved transit-supportive density requirements or how the eligible  
36 jurisdiction or nonprofit organization is working toward complying with  
37 those requirements. The report must also include information about the



1 status of the residential development occurring within the project  
2 area, including:

3 (i) The total number of residential units developed or under  
4 construction; and

5 (ii) The total number of residential units meeting the definition  
6 of affordable residential development.

7 (10)(a) If an infrastructure project funded by the residential  
8 infrastructure program is not completed by the agreed upon date or  
9 varies substantially from the approved proposal in a way that will  
10 result in the creation of less affordable residential development than  
11 that agreed to at the time of the project funding award as a condition  
12 of the funding, the eligible jurisdiction or nonprofit organization  
13 associated with the project shall make the necessary project  
14 adjustments as determined by the department or refund all or a portion  
15 of the loan or grant amount.

16 (b) If an eligible jurisdiction rescinds its public commitment to  
17 promoting affordable residential development within the designated  
18 project area by changing officially adopted policies and ordinances or  
19 failing to implement these policies and ordinances, eligible  
20 jurisdictions may be required to refund all or a portion of the  
21 principal loan amount plus compounded interest calculated at the  
22 current market rate.

23 (c) If a nonprofit organization fails to produce the agreed upon  
24 number of affordable residential units within its designated project,  
25 the nonprofit organizations may be required to refund all or a portion  
26 of its grant amount plus compounded interest calculated at the current  
27 market rate.

28 (d) The department may grant a partial or total exemption from the  
29 repayment requirement under this section if the department determines  
30 that a project is substantially complete or that the property has been  
31 substantially used in keeping with the original affordable residential  
32 housing purpose of the loan or grant.

33 (11)(a) Jurisdictions and nonprofit organizations that receive more  
34 than two hundred fifty thousand dollars in total loans or grants in a  
35 calendar year from the program established in subsection (1) of this  
36 section or other state housing-related funding sources, including the  
37 housing trust fund, programs of the housing finance commission, and

1 surcharges established in RCW 36.22.178 and 36.22.179, must apply to  
2 the Washington state quality award program for an assessment of  
3 management systems.

4 (b) Jurisdictions and nonprofit organizations that receive more  
5 than two hundred fifty thousand dollars in total loans or grants in a  
6 calendar year from the program established in subsection (1) of this  
7 section or other state housing-related funding sources, including the  
8 housing trust fund, programs of the housing finance commission, and  
9 surcharges established in RCW 36.22.178 and 36.22.179, for three or  
10 more consecutive calendar years must apply to the Washington state  
11 quality award program for an assessment of management systems every  
12 three years.

13 NEW SECTION. **Sec. 3.** A new section is added to chapter 43.330 RCW  
14 to read as follows:

15 The residential infrastructure account is created in the state  
16 treasury. All receipts from transfers to the account under section 4  
17 of this act, repayments of loans or grants made under section 2 of this  
18 act, and other sources identified by the legislature must be deposited  
19 into the account. Moneys in the account may be spent only after  
20 appropriation. Expenditures from the account may be used only for the  
21 purposes identified in section 2 of this act.

22 NEW SECTION. **Sec. 4.** A new section is added to chapter 43.135 RCW  
23 to read as follows:

24 (1) By August 31, 2010, and by August 31st of every year  
25 thereafter, the state treasurer shall transfer from the general fund  
26 into the residential infrastructure account created in section 3 of  
27 this act the lesser of fifty million dollars or the excess real estate  
28 excise tax growth amount.

29 (2) By August 1, 2010, and by August 1st of each year thereafter,  
30 the director of the office of financial management shall notify the  
31 state treasurer of the amount to be transferred to the residential  
32 infrastructure account.

33 (3) RCW 43.135.035(4) does not apply to the transfers required  
34 under this section.

35 (4) For the purposes of this section:

1 (a) "Excess growth factor" means the difference between the annual  
2 growth in real estate excise tax collections and the fiscal growth  
3 factor for the current fiscal year, as determined under this chapter.  
4 If the difference is at or below zero, the excess growth factor is  
5 zero.

6 (b) "Excess real estate excise tax growth amount" means the dollar  
7 amount derived by multiplying real estate excise tax collections by the  
8 excess growth factor.

9 (c) "Prior fiscal year" means the fiscal year prior to the fiscal  
10 year in which the transfer under subsection (1) of this section is  
11 made.

12 (d) "Real estate excise tax collections" means the excise tax  
13 collections under chapter 82.45 RCW that are deposited into the general  
14 fund under RCW 82.45.060(2)(c) in the prior fiscal year.

15 **Sec. 5.** RCW 82.45.060 and 2005 c 450 s 1 are each amended to read  
16 as follows:

17 (1) There is imposed an excise tax upon each sale of real property  
18 at the rate of one and twenty-eight one-hundredths percent of the  
19 selling price.

20 (2) The tax imposed under subsection (1) of this section shall be  
21 distributed as provided in this subsection.

22 (a) An amount equal to six and one-tenth percent of the proceeds of  
23 this tax to the state treasurer shall be deposited in the public works  
24 assistance account created in RCW 43.155.050.

25 (b) An amount equal to one and six-tenths percent of the proceeds  
26 of this tax to the state treasurer shall be deposited in the city-  
27 county assistance account created in RCW 43.08.290.

28 (c) The remainder shall be deposited in the general fund.

29 **Sec. 6.** RCW 82.45.180 and 2006 c 312 s 1 are each amended to read  
30 as follows:

31 (1)(a) For taxes collected by the county under this chapter, the  
32 county treasurer shall collect a five-dollar fee on all transactions  
33 required by this chapter where the transaction does not require the  
34 payment of tax. A total of five dollars shall be collected in the form  
35 of a tax and fee, where the calculated tax payment is less than five  
36 dollars. Through June 30, 2006, the county treasurer shall place one

1 percent of the taxes collected by the county under this chapter and the  
2 treasurer's fee in the county current expense fund to defray costs of  
3 collection. After June 30, 2006, the county treasurer shall place one  
4 and three-tenths percent of the taxes collected by the county under  
5 this chapter and the treasurer's fee in the county current expense fund  
6 to defray costs of collection. For taxes collected by the county under  
7 this chapter before July 1, 2006, the county treasurer shall pay over  
8 to the state treasurer and account to the department of revenue for the  
9 proceeds at the same time the county treasurer remits funds to the  
10 state under RCW 84.56.280. For taxes collected by the county under  
11 this chapter after June 30, 2006, on a monthly basis the county  
12 treasurer shall pay over to the state treasurer the month's  
13 transmittal. The month's transmittal must be received by the state  
14 treasurer by 12:00 p.m. on the last working day of each month. The  
15 county treasurer shall account to the department for the month's  
16 transmittal by the twentieth day of the month following the month in  
17 which the month's transmittal was paid over to the state treasurer.  
18 The state treasurer shall deposit the proceeds (~~(in the general fund)~~)  
19 as provided in RCW 82.45.060(2).

20 (b) For purposes of this subsection, the definitions in this  
21 subsection apply.

22 (i) "Close of business" means the time when the county treasurer  
23 makes his or her daily deposit of proceeds.

24 (ii) "Month's transmittal" means all proceeds deposited by the  
25 county through the close of business of the day that is two working  
26 days before the last working day of the month. This definition of  
27 "month's transmittal" shall not be construed as requiring any change in  
28 a county's practices regarding the timing of its daily deposits of  
29 proceeds.

30 (iii) "Proceeds" means moneys collected and receipted by the county  
31 from the taxes imposed by this chapter, less the county's share of the  
32 proceeds used to defray the county's costs of collection allowable in  
33 (a) of this subsection.

34 (iv) "Working day" means a calendar day, except Saturdays, Sundays,  
35 and all legal holidays as provided in RCW 1.16.050.

36 (2) For taxes collected by the department of revenue under this  
37 chapter, the department shall remit the tax to the state treasurer who  
38 shall deposit the proceeds of any state tax (~~(in the general fund)~~) as

1 provided in RCW 82.45.060(2). The state treasurer shall deposit the  
2 proceeds of any local taxes imposed under chapter 82.46 RCW in the  
3 local real estate excise tax account hereby created in the state  
4 treasury. Moneys in the local real estate excise tax account may be  
5 spent only for distribution to counties, cities, and towns imposing a  
6 tax under chapter 82.46 RCW. Except as provided in RCW 43.08.190, all  
7 earnings of investments of balances in the local real estate excise tax  
8 account shall be credited to the local real estate excise tax account  
9 and distributed to the counties, cities, and towns monthly. Monthly  
10 the state treasurer shall make distribution from the local real estate  
11 excise tax account to the counties, cities, and towns the amount of tax  
12 collected on behalf of each taxing authority. The state treasurer  
13 shall make the distribution under this subsection without  
14 appropriation.

15 (3)(a) The real estate excise tax electronic technology account is  
16 created in the custody of the state treasurer. An appropriation is not  
17 required for expenditures and the account is not subject to allotment  
18 procedures under chapter 43.88 RCW.

19 (b) Through June 30, 2010, the county treasurer shall collect an  
20 additional five-dollar fee on all transactions required by this  
21 chapter, regardless of whether the transaction requires the payment of  
22 tax. The county treasurer shall remit this fee to the state treasurer  
23 at the same time the county treasurer remits funds to the state under  
24 subsection (1) of this section. The state treasurer shall place money  
25 from this fee in the real estate excise tax electronic technology  
26 account. By the twentieth day of the subsequent month, the state  
27 treasurer shall distribute to each county treasurer according to the  
28 following formula: Three-quarters of the funds available shall be  
29 equally distributed among the thirty-nine counties; and the balance  
30 shall be ratably distributed among the counties in direct proportion to  
31 their population as it relates to the total state's population based on  
32 most recent statistics by the office of financial management.

33 (c) When received by the county treasurer, the funds shall be  
34 placed in a special real estate excise tax electronic technology fund  
35 held by the county treasurer to be used exclusively for the  
36 development, implementation, and maintenance of an electronic  
37 processing and reporting system for real estate excise tax affidavits.  
38 Funds may be expended to make the system compatible with the automated

1 real estate excise tax system developed by the department and  
2 compatible with the processes used in the offices of the county  
3 assessor and county auditor. Any funds held in the account that are  
4 not expended by July 1, 2015, revert to the county capital improvements  
5 fund in accordance with RCW 82.46.010.

6 **Sec. 7.** RCW 43.84.092 and 2008 c 128 s 19 and 2008 c 106 s 4 are  
7 each reenacted and amended to read 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           The following accounts and funds shall receive their proportionate  
2 share of earnings based upon each account's and fund's average daily  
3 balance for the period: The aeronautics account, the aircraft search  
4 and rescue account, the budget stabilization account, the capitol  
5 building construction account, the Cedar River channel construction and  
6 operation account, the Central Washington University capital projects  
7 account, the charitable, educational, penal and reformatory  
8 institutions account, the cleanup settlement account, the Columbia  
9 river basin water supply development account, the common school  
10 construction fund, the county arterial preservation account, the county  
11 criminal justice assistance account, the county sales and use tax  
12 equalization account, the data processing building construction  
13 account, the deferred compensation administrative account, the deferred  
14 compensation principal account, the department of licensing services  
15 account, the department of retirement systems expense account, the  
16 developmental disabilities community trust account, the drinking water  
17 assistance account, the drinking water assistance administrative  
18 account, the drinking water assistance repayment account, the Eastern  
19 Washington University capital projects account, the education  
20 construction fund, the education legacy trust account, the election  
21 account, the energy freedom account, the essential rail assistance  
22 account, The Evergreen State College capital projects account, the  
23 federal forest revolving account, the ferry bond retirement fund, the  
24 freight congestion relief account, the freight mobility investment  
25 account, the freight mobility multimodal account, the grade crossing  
26 protective fund, the health services account, the public health  
27 services account, the health system capacity account, the personal  
28 health services account, the high capacity transportation account, the  
29 state higher education construction account, the higher education  
30 construction account, the highway bond retirement fund, the highway  
31 infrastructure account, the highway safety account, the high occupancy  
32 toll lanes operations account, the industrial insurance premium refund  
33 account, the judges' retirement account, the judicial retirement  
34 administrative account, the judicial retirement principal account, the  
35 local leasehold excise tax account, the local real estate excise tax  
36 account, the local sales and use tax account, the medical aid account,  
37 the mobile home park relocation fund, the motor vehicle fund, the  
38 motorcycle safety education account, the multimodal transportation

1 account, the municipal criminal justice assistance account, the  
2 municipal sales and use tax equalization account, the natural resources  
3 deposit account, the oyster reserve land account, the pension funding  
4 stabilization account, the perpetual surveillance and maintenance  
5 account, the public employees' retirement system plan 1 account, the  
6 public employees' retirement system combined plan 2 and plan 3 account,  
7 the public facilities construction loan revolving account beginning  
8 July 1, 2004, the public health supplemental account, the public  
9 transportation systems account, the public works assistance account,  
10 the Puget Sound capital construction account, the Puget Sound ferry  
11 operations account, the Puyallup tribal settlement account, the real  
12 estate appraiser commission account, the recreational vehicle account,  
13 the regional mobility grant program account, the residential  
14 infrastructure account, the resource management cost account, the rural  
15 arterial trust account, the rural Washington loan fund, the safety and  
16 education account, the site closure account, the small city pavement  
17 and sidewalk account, the special category C account, the special  
18 wildlife account, the state employees' insurance account, the state  
19 employees' insurance reserve account, the state investment board  
20 expense account, the state investment board commingled trust fund  
21 accounts, the state patrol highway account, the supplemental pension  
22 account, the Tacoma Narrows toll bridge account, the teachers'  
23 retirement system plan 1 account, the teachers' retirement system  
24 combined plan 2 and plan 3 account, the tobacco prevention and control  
25 account, the tobacco settlement account, the transportation 2003  
26 account (nickel account), the transportation equipment fund, the  
27 transportation fund, the transportation improvement account, the  
28 transportation improvement board bond retirement account, the  
29 transportation infrastructure account, the transportation partnership  
30 account, the traumatic brain injury account, the tuition recovery trust  
31 fund, the University of Washington bond retirement fund, the University  
32 of Washington building account, the urban arterial trust account, the  
33 volunteer firefighters' and reserve officers' relief and pension  
34 principal fund, the volunteer firefighters' and reserve officers'  
35 administrative fund, the Washington fruit express account, the  
36 Washington judicial retirement system account, the Washington law  
37 enforcement officers' and firefighters' system plan 1 retirement  
38 account, the Washington law enforcement officers' and firefighters'



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

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

18 **Sec. 8.** RCW 43.79.495 and 2007 c 484 s 2 are each amended to read  
19 as follows:

20 (1) The budget stabilization account is governed by the provisions  
21 in Article VII, section 12 and this section.

22 (2) By June 30th of each fiscal year, the state treasurer shall  
23 transfer an amount equal to one percent of the general state revenues  
24 for that fiscal year to the budget stabilization account.

25 (3) The state investment board has the full power to invest,  
26 reinvest, manage, contract, sell, or exchange investment moneys in the  
27 budget stabilization account. All investment and operating costs  
28 associated with the investment of money shall be paid pursuant to RCW  
29 43.33A.160 and 43.84.160. With the exception of these expenses, the  
30 earnings from the investment of the money shall be retained by the  
31 account. All investments made by the state investment board shall be  
32 made with the exercise of that degree of judgment and care pursuant to  
33 RCW 43.33A.140 and the investment policies established by the state  
34 investment board. As deemed appropriate by the state investment board,  
35 moneys in the account may be commingled for investment with other funds  
36 subject to investment by the board.

1           (4) For the purposes of Article VII, section 12, this section, and  
2 RCW 82.33.050, the state employment growth forecast shall be based on  
3 the total nonfarm payroll employment data series.

4           (5) The transfer under section 4 of this act does not reduce  
5 general state revenues for the purposes of the calculation under  
6 subsection (2) of this section.

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