
SENATE BILL 5408

State of Washington

61st Legislature

2009 Regular Session

By Senators Tom, Zarelli, and Parlette; by request of Office of Financial Management

Read first time 01/21/09. Referred to Committee on Ways & Means.

1 AN ACT Relating to the elimination of the health services account,
2 violence reduction and drug enforcement account, and water quality
3 account; amending RCW 41.05.068, 43.41.260, 43.79.480, 70.05.125,
4 70.47.015, 74.09.053, 82.24.028, 9.41.110, 69.50.505, 70.96A.350,
5 70.190.010, 70.190.100, 82.64.020, 36.70A.130, 70.146.010, 70.146.020,
6 70.146.040, 70.146.075, 82.24.027, 90.71.370, 43.135.025, 66.24.210,
7 66.24.290, 82.08.150, 82.24.026, and 82.26.020; reenacting and amending
8 RCW 43.84.092, 48.14.0201, 82.04.260, 70.146.060, and 82.24.020;
9 creating a new section; repealing RCW 43.72.900, 69.50.520, 70.146.030,
10 70.146.080, and 82.32.390; providing an effective date; and declaring
11 an emergency.

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

13 **HEALTH SERVICES ACCOUNT**

14 NEW SECTION. **Sec. 1.** RCW 43.72.900 (Health services account) and
15 2005 c 518 s 930, 2003 c 259 s 1, 2002 c 371 s 909, 2002 c 2 s 2, &
16 1993 c 492 s 469 are each repealed.

1 **Sec. 2.** RCW 41.05.068 and 2005 c 195 s 2 are each amended to read
2 as follows:

3 The authority may participate as an employer-sponsored program
4 established in section 1860D-22 of the medicare prescription drug,
5 improvement, and modernization act of 2003, P.L. 108-173 et seq., to
6 receive federal employer subsidy funds for continuing to provide
7 retired employee health coverage, including a pharmacy benefit. The
8 administrator, in consultation with the office of financial management,
9 shall evaluate participation in the employer incentive program,
10 including but not limited to any necessary program changes to meet the
11 eligibility requirements that employer-sponsored retiree health
12 coverage provide prescription drug coverage at least equal to the
13 actuarial value of standard prescription drug coverage under medicare
14 part D. Any employer subsidy moneys received from participation in the
15 federal employer incentive program shall be deposited in the ((health
16 ~~services account established in RCW 43.72.900~~) state general fund.

17 **Sec. 3.** RCW 43.41.260 and 1995 c 265 s 21 are each amended to read
18 as follows:

19 The health care authority, the office of financial management, and
20 the department of social and health services shall together monitor the
21 enrollee level in the basic health plan and the medicaid caseload of
22 children ((funded from the health services account)). The office of
23 financial management shall adjust the funding levels by interagency
24 reimbursement of funds between the basic health plan and medicaid and
25 adjust the funding levels between the health care authority and the
26 medical assistance administration of the department of social and
27 health services to maximize combined enrollment.

28 **Sec. 4.** RCW 43.79.480 and 2005 c 424 s 12 are each amended to read
29 as follows:

30 (1) Moneys received by the state of Washington in accordance with
31 the settlement of the state's legal action against tobacco product
32 manufacturers, exclusive of costs and attorneys' fees, shall be
33 deposited in the tobacco settlement account created in this section
34 except as these moneys are sold or assigned under chapter 43.340 RCW.

35 (2) The tobacco settlement account is created in the state
36 treasury. Moneys in the tobacco settlement account may only be

1 (~~transferred to the health services account for the purposes set forth~~
2 ~~in RCW 43.72.900, and~~) appropriated for transfer to the tobacco
3 prevention and control account for purposes set forth in this section.
4 The legislature shall transfer amounts received as strategic
5 contribution payments as defined in RCW 43.350.010 to the life sciences
6 discovery fund created in RCW 43.350.070.

7 (3) The tobacco prevention and control account is created in the
8 state treasury. The source of revenue for this account is moneys
9 transferred to the account from the tobacco settlement account,
10 investment earnings, donations to the account, and other revenues as
11 directed by law. Expenditures from the account are subject to
12 appropriation.

13 **Sec. 5.** RCW 43.84.092 and 2008 c 128 s 19 and 2008 c 106 s 4 are
14 each reenacted and amended to read as follows:

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

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

33 (3) Except for the provisions of RCW 43.84.160, the treasury income
34 account may be utilized for the payment of purchased banking services
35 on behalf of treasury funds including, but not limited to, depository,
36 safekeeping, and disbursement functions for the state treasury and
37 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 The following accounts and funds shall receive their proportionate
9 share of earnings based upon each account's and fund's average daily
10 balance for the period: The aeronautics account, the aircraft search
11 and rescue account, the budget stabilization account, the capitol
12 building construction account, the Cedar River channel construction and
13 operation account, the Central Washington University capital projects
14 account, the charitable, educational, penal and reformatory
15 institutions account, the cleanup settlement account, the Columbia
16 river basin water supply development account, the common school
17 construction fund, the county arterial preservation account, the county
18 criminal justice assistance account, the county sales and use tax
19 equalization account, the data processing building construction
20 account, the deferred compensation administrative account, the deferred
21 compensation principal account, the department of licensing services
22 account, the department of retirement systems expense account, the
23 developmental disabilities community trust account, the drinking water
24 assistance account, the drinking water assistance administrative
25 account, the drinking water assistance repayment account, the Eastern
26 Washington University capital projects account, the education
27 construction fund, the education legacy trust account, the election
28 account, the energy freedom account, the essential rail assistance
29 account, The Evergreen State College capital projects account, the
30 federal forest revolving account, the ferry bond retirement fund, the
31 freight congestion relief account, the freight mobility investment
32 account, the freight mobility multimodal account, the grade crossing
33 protective fund, (~~the health services account,~~) the public health
34 services account, the health system capacity account, the personal
35 health services account, the high capacity transportation account, the
36 state higher education construction account, the higher education
37 construction account, the highway bond retirement fund, the highway
38 infrastructure account, the highway safety account, the high occupancy

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

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

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

24 **Sec. 6.** RCW 48.14.0201 and 2005 c 405 s 1, 2005 c 223 s 6, and
25 2005 c 7 s 1 are each reenacted and amended to read as follows:

26 (1) As used in this section, "taxpayer" means a health maintenance
27 organization as defined in RCW 48.46.020, a health care service
28 contractor as defined in RCW 48.44.010, or a self-funded multiple
29 employer welfare arrangement as defined in RCW 48.125.010.

30 (2) Each taxpayer shall pay a tax on or before the first day of
31 March of each year to the state treasurer through the insurance
32 commissioner's office. The tax shall be equal to the total amount of
33 all premiums and prepayments for health care services received by the
34 taxpayer during the preceding calendar year multiplied by the rate of
35 two percent.

36 (3) Taxpayers shall prepay their tax obligations under this
37 section. The minimum amount of the prepayments shall be percentages of

1 the taxpayer's tax obligation for the preceding calendar year
2 recomputed using the rate in effect for the current year. For the
3 prepayment of taxes due during the first calendar year, the minimum
4 amount of the prepayments shall be percentages of the taxpayer's tax
5 obligation that would have been due had the tax been in effect during
6 the previous calendar year. The tax prepayments shall be paid to the
7 state treasurer through the commissioner's office by the due dates and
8 in the following amounts:

9 (a) On or before June 15, forty-five percent;

10 (b) On or before September 15, twenty-five percent;

11 (c) On or before December 15, twenty-five percent.

12 (4) For good cause demonstrated in writing, the commissioner may
13 approve an amount smaller than the preceding calendar year's tax
14 obligation as recomputed for calculating the health maintenance
15 organization's, health care service contractor's, self-funded multiple
16 employer welfare arrangement's, or certified health plan's prepayment
17 obligations for the current tax year.

18 (5) Moneys collected under this section shall be deposited in the
19 general fund (~~through March 31, 1996, and in the health services~~
20 ~~account under RCW 43.72.900 after March 31, 1996~~).

21 (6) The taxes imposed in this section do not apply to:

22 (a) Amounts received by any taxpayer from the United States or any
23 instrumentality thereof as prepayments for health care services
24 provided under Title XVIII (medicare) of the federal social security
25 act.

26 (b) Amounts received by any taxpayer from the state of Washington
27 as prepayments for health care services provided under:

28 (i) The medical care services program as provided in RCW 74.09.035;

29 (ii) The Washington basic health plan on behalf of subsidized
30 enrollees as provided in chapter 70.47 RCW; or

31 (iii) The medicaid program on behalf of elderly or (~~disabled~~)
32 clients with disabilities as provided in chapter 74.09 RCW when these
33 prepayments are received prior to July 1, 2009, and are associated with
34 a managed care contract program that has been implemented on a
35 voluntary demonstration or pilot project basis.

36 (c) Amounts received by any health care service contractor, as
37 defined in RCW 48.44.010, as prepayments for health care services

1 included within the definition of practice of dentistry under RCW
2 18.32.020.

3 (d) Participant contributions to self-funded multiple employer
4 welfare arrangements that are not taxable in this state.

5 (7) Beginning January 1, 2000, the state does hereby preempt the
6 field of imposing excise or privilege taxes upon taxpayers and no
7 county, city, town, or other municipal subdivision shall have the right
8 to impose any such taxes upon such taxpayers. This subsection shall be
9 limited to premiums and payments for health benefit plans offered by
10 health care service contractors under chapter 48.44 RCW, health
11 maintenance organizations under chapter 48.46 RCW, and self-funded
12 multiple employer welfare arrangements as defined in RCW 48.125.010.
13 The preemption authorized by this subsection shall not impair the
14 ability of a county, city, town, or other municipal subdivision to
15 impose excise or privilege taxes upon the health care services directly
16 delivered by the employees of a health maintenance organization under
17 chapter 48.46 RCW.

18 (8)(a) The taxes imposed by this section apply to a self-funded
19 multiple employer welfare arrangement only in the event that they are
20 not preempted by the employee retirement income security act of 1974,
21 as amended, 29 U.S.C. Sec. 1001 et seq. The arrangements and the
22 commissioner shall initially request an advisory opinion from the
23 United States department of labor or obtain a declaratory ruling from
24 a federal court on the legality of imposing state premium taxes on
25 these arrangements. Once the legality of the taxes has been
26 determined, the multiple employer welfare arrangement certified by the
27 insurance commissioner must begin payment of these taxes.

28 (b) If there has not been a final determination of the legality of
29 these taxes, then beginning on the earlier of (i) the date the fourth
30 multiple employer welfare arrangement has been certified by the
31 insurance commissioner, or (ii) April 1, 2006, the arrangement shall
32 deposit the taxes imposed by this section into an interest bearing
33 escrow account maintained by the arrangement. Upon a final
34 determination that the taxes are not preempted by the employee
35 retirement income security act of 1974, as amended, 29 U.S.C. Sec. 1001
36 et seq., all funds in the interest bearing escrow account shall be
37 transferred to the state treasurer.

1 (9) The effect of transferring contracts for health care services
2 from one taxpayer to another taxpayer is to transfer the tax prepayment
3 obligation with respect to the contracts.

4 (10) On or before June 1st of each year, the commissioner shall
5 notify each taxpayer required to make prepayments in that year of the
6 amount of each prepayment and shall provide remittance forms to be used
7 by the taxpayer. However, a taxpayer's responsibility to make
8 prepayments is not affected by failure of the commissioner to send, or
9 the taxpayer to receive, the notice or forms.

10 **Sec. 7.** RCW 70.05.125 and 1998 c 266 s 1 are each amended to read
11 as follows:

12 (1) The county public health account is created in the state
13 treasury. Funds deposited in the county public health account shall be
14 distributed by the state treasurer to each local public health
15 jurisdiction based upon amounts certified to it by the department of
16 community, trade, and economic development in consultation with the
17 Washington state association of counties. The account shall include
18 funds distributed under RCW (~~82.44.110~~ and) 82.14.200(8) and such
19 funds as are appropriated to the account from (~~the health services~~
20 ~~account under RCW 43.72.900,~~) the public health services account under
21 RCW 43.72.902(~~7~~) and such other funds as the legislature may
22 appropriate to it.

23 (2)(a) The director of the department of community, trade, and
24 economic development shall certify the amounts to be distributed to
25 each local public health jurisdiction using 1995 as the base year of
26 actual city contributions to local public health.

27 (b) Only if funds are available and in an amount no greater than
28 available funds under RCW 82.14.200(8), the department of community,
29 trade, and economic development shall adjust the amount certified under
30 (a) of this subsection to compensate for any annexation of an area with
31 fifty thousand residents or more to any city as a result of a petition
32 during calendar year 1996 or 1997, or for any city that became newly
33 incorporated as a result of an election during calendar year 1994 or
34 1995. The amount to be adjusted shall be equal to the amount which
35 otherwise would have been lost to the health jurisdiction due to the
36 annexation or incorporation as calculated using the jurisdiction's 1995
37 funding formula.

1 (c) The county treasurer shall certify the actual 1995 city
2 contribution to the department. Funds in excess of the base shall be
3 distributed proportionately among the health jurisdictions based on
4 incorporated population figures as last determined by the office of
5 financial management.

6 (3) Moneys distributed under this section shall be expended
7 exclusively for local public health purposes.

8 **Sec. 8.** RCW 70.47.015 and 2008 c 217 s 99 are each amended to read
9 as follows:

10 (1) The legislature finds that the basic health plan has been an
11 effective program in providing health coverage for uninsured residents.
12 Further, since 1993, substantial amounts of public funds have been
13 allocated for subsidized basic health plan enrollment.

14 ~~((It is the intent of the legislature that the basic health
15 plan enrollment be expanded expeditiously, consistent with funds
16 available in the health services account, with the goal of two hundred
17 thousand adult subsidized basic health plan enrollees and one hundred
18 thirty thousand children covered through expanded medical assistance
19 services by June 30, 1997, with the priority of providing needed health
20 services to children in conjunction with other public programs.~~

21 ~~(+3))~~ Effective January 1, 1996, basic health plan enrollees whose
22 income is less than one hundred twenty-five percent of the federal
23 poverty level shall pay at least a ten-dollar premium share.

24 ~~((+4))~~ (3) No later than July 1, 1996, the administrator shall
25 implement procedures whereby hospitals licensed under chapters 70.41
26 and 71.12 RCW, health carrier, rural health care facilities regulated
27 under chapter 70.175 RCW, and community and migrant health centers
28 funded under RCW 41.05.220, may expeditiously assist patients and their
29 families in applying for basic health plan or medical assistance
30 coverage, and in submitting such applications directly to the health
31 care authority or the department of social and health services. The
32 health care authority and the department of social and health services
33 shall make every effort to simplify and expedite the application and
34 enrollment process.

35 ~~((+5))~~ (4) No later than July 1, 1996, the administrator shall
36 implement procedures whereby disability insurance producers, licensed
37 under chapter 48.17 RCW, may expeditiously assist patients and their

1 families in applying for basic health plan or medical assistance
2 coverage, and in submitting such applications directly to the health
3 care authority or the department of social and health services.
4 Insurance producers may receive a commission for each individual sale
5 of the basic health plan to anyone not signed up within the previous
6 five years and a commission for each group sale of the basic health
7 plan, if funding for this purpose is provided in a specific
8 appropriation to the health care authority. No commission shall be
9 provided upon a renewal. Commissions shall be determined based on the
10 estimated annual cost of the basic health plan, however, commissions
11 shall not result in a reduction in the premium amount paid to health
12 carriers. For purposes of this section "health carrier" is as defined
13 in RCW 48.43.005. The administrator may establish: (a) Minimum
14 educational requirements that must be completed by the insurance
15 producers; (b) an appointment process for insurance producers marketing
16 the basic health plan; or (c) standards for revocation of the
17 appointment of an insurance producer to submit applications for cause,
18 including untrustworthy or incompetent conduct or harm to the public.
19 The health care authority and the department of social and health
20 services shall make every effort to simplify and expedite the
21 application and enrollment process.

22 **Sec. 9.** RCW 74.09.053 and 2006 c 264 s 2 are each amended to read
23 as follows:

24 (1) The department of social and health services, in coordination
25 with the health care authority, shall by November 15th of each year
26 report to the legislature:

27 (a) The number of medical assistance recipients who: (i) Upon
28 enrollment or recertification had reported being employed, and
29 beginning with the 2008 report, the month and year they reported being
30 hired; or (ii) upon enrollment or recertification had reported being
31 the dependent of someone who was employed, and beginning with the 2008
32 report, the month and year they reported the employed person was hired.
33 For recipients identified under (a)(i) and (ii) of this subsection, the
34 department shall report the basis for their medical assistance
35 eligibility, including but not limited to family medical coverage,
36 transitional medical assistance, children's medical or aged or disabled
37 coverage; member months; and the total cost to the state for these

1 recipients, expressed as general fund-state(~~(, health services~~
2 ~~account)~~) and general fund-federal dollars. The information shall be
3 reported by employer (~~(size)~~) size for employers having more than
4 fifty employees as recipients or with dependents as recipients. This
5 information shall be provided for the preceding January and June of
6 that year.

7 (b) The following aggregated information: (i) The number of
8 employees who are recipients or with dependents as recipients by
9 private and governmental employers; (ii) the number of employees who
10 are recipients or with dependents as recipients by employer size for
11 employers with fifty or fewer employees, fifty-one to one hundred
12 employees, one hundred one to one thousand employees, one thousand one
13 to five thousand employees and more than five thousand employees; and
14 (iii) the number of employees who are recipients or with dependents as
15 recipients by industry type.

16 (~~(2)~~) (2) For each aggregated classification, the report will
17 include the number of hours worked, the number of department of social
18 and health services covered lives, and the total cost to the state for
19 these recipients. This information shall be for each quarter of the
20 preceding year.

21 **Sec. 10.** RCW 82.04.260 and 2008 c 296 s 1, 2008 c 217 s 100, and
22 2008 c 81 s 4 are each reenacted and amended to read as follows:

23 (1) Upon every person engaging within this state in the business of
24 manufacturing:

25 (a) Wheat into flour, barley into pearl barley, soybeans into
26 soybean oil, canola into canola oil, canola meal, or canola byproducts,
27 or sunflower seeds into sunflower oil; as to such persons the amount of
28 tax with respect to such business shall be equal to the value of the
29 flour, pearl barley, oil, canola meal, or canola byproduct
30 manufactured, multiplied by the rate of 0.138 percent;

31 (b) Beginning July 1, 2012, seafood products that remain in a raw,
32 raw frozen, or raw salted state at the completion of the manufacturing
33 by that person; or selling manufactured seafood products that remain in
34 a raw, raw frozen, or raw salted state at the completion of the
35 manufacturing, to purchasers who transport in the ordinary course of
36 business the goods out of this state; as to such persons the amount of
37 tax with respect to such business shall be equal to the value of the

1 products manufactured or the gross proceeds derived from such sales,
2 multiplied by the rate of 0.138 percent. Sellers must keep and
3 preserve records for the period required by RCW 82.32.070 establishing
4 that the goods were transported by the purchaser in the ordinary course
5 of business out of this state;

6 (c) Beginning July 1, 2012, dairy products that as of September 20,
7 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135,
8 including byproducts from the manufacturing of the dairy products such
9 as whey and casein; or selling the same to purchasers who transport in
10 the ordinary course of business the goods out of state; as to such
11 persons the tax imposed shall be equal to the value of the products
12 manufactured or the gross proceeds derived from such sales multiplied
13 by the rate of 0.138 percent. Sellers must keep and preserve records
14 for the period required by RCW 82.32.070 establishing that the goods
15 were transported by the purchaser in the ordinary course of business
16 out of this state;

17 (d) Beginning July 1, 2012, fruits or vegetables by canning,
18 preserving, freezing, processing, or dehydrating fresh fruits or
19 vegetables, or selling at wholesale fruits or vegetables manufactured
20 by the seller by canning, preserving, freezing, processing, or
21 dehydrating fresh fruits or vegetables and sold to purchasers who
22 transport in the ordinary course of business the goods out of this
23 state; as to such persons the amount of tax with respect to such
24 business shall be equal to the value of the products manufactured or
25 the gross proceeds derived from such sales multiplied by the rate of
26 0.138 percent. Sellers must keep and preserve records for the period
27 required by RCW 82.32.070 establishing that the goods were transported
28 by the purchaser in the ordinary course of business out of this state;

29 (e) Until July 1, 2009, alcohol fuel, biodiesel fuel, or biodiesel
30 feedstock, as those terms are defined in RCW 82.29A.135; as to such
31 persons the amount of tax with respect to the business shall be equal
32 to the value of alcohol fuel, biodiesel fuel, or biodiesel feedstock
33 manufactured, multiplied by the rate of 0.138 percent; and

34 (f) Alcohol fuel or wood biomass fuel, as those terms are defined
35 in RCW 82.29A.135; as to such persons the amount of tax with respect to
36 the business shall be equal to the value of alcohol fuel or wood
37 biomass fuel manufactured, multiplied by the rate of 0.138 percent.

1 (2) Upon every person engaging within this state in the business of
2 splitting or processing dried peas; as to such persons the amount of
3 tax with respect to such business shall be equal to the value of the
4 peas split or processed, multiplied by the rate of 0.138 percent.

5 (3) Upon every nonprofit corporation and nonprofit association
6 engaging within this state in research and development, as to such
7 corporations and associations, the amount of tax with respect to such
8 activities shall be equal to the gross income derived from such
9 activities multiplied by the rate of 0.484 percent.

10 (4) Upon every person engaging within this state in the business of
11 slaughtering, breaking and/or processing perishable meat products
12 and/or selling the same at wholesale only and not at retail; as to such
13 persons the tax imposed shall be equal to the gross proceeds derived
14 from such sales multiplied by the rate of 0.138 percent.

15 (5) Upon every person engaging within this state in the business of
16 acting as a travel agent or tour operator; as to such persons the
17 amount of the tax with respect to such activities shall be equal to the
18 gross income derived from such activities multiplied by the rate of
19 0.275 percent.

20 (6) Upon every person engaging within this state in business as an
21 international steamship agent, international customs house broker,
22 international freight forwarder, vessel and/or cargo charter broker in
23 foreign commerce, and/or international air cargo agent; as to such
24 persons the amount of the tax with respect to only international
25 activities shall be equal to the gross income derived from such
26 activities multiplied by the rate of 0.275 percent.

27 (7) Upon every person engaging within this state in the business of
28 stevedoring and associated activities pertinent to the movement of
29 goods and commodities in waterborne interstate or foreign commerce; as
30 to such persons the amount of tax with respect to such business shall
31 be equal to the gross proceeds derived from such activities multiplied
32 by the rate of 0.275 percent. Persons subject to taxation under this
33 subsection shall be exempt from payment of taxes imposed by chapter
34 82.16 RCW for that portion of their business subject to taxation under
35 this subsection. Stevedoring and associated activities pertinent to
36 the conduct of goods and commodities in waterborne interstate or
37 foreign commerce are defined as all activities of a labor, service or
38 transportation nature whereby cargo may be loaded or unloaded to or

1 from vessels or barges, passing over, onto or under a wharf, pier, or
2 similar structure; cargo may be moved to a warehouse or similar holding
3 or storage yard or area to await further movement in import or export
4 or may move to a consolidation freight station and be stuffed,
5 unstuffed, containerized, separated or otherwise segregated or
6 aggregated for delivery or loaded on any mode of transportation for
7 delivery to its consignee. Specific activities included in this
8 definition are: Wharfage, handling, loading, unloading, moving of
9 cargo to a convenient place of delivery to the consignee or a
10 convenient place for further movement to export mode; documentation
11 services in connection with the receipt, delivery, checking, care,
12 custody and control of cargo required in the transfer of cargo;
13 imported automobile handling prior to delivery to consignee; terminal
14 stevedoring and incidental vessel services, including but not limited
15 to plugging and unplugging refrigerator service to containers,
16 trailers, and other refrigerated cargo receptacles, and securing ship
17 hatch covers.

18 (8) Upon every person engaging within this state in the business of
19 disposing of low-level waste, as defined in RCW 43.145.010; as to such
20 persons the amount of the tax with respect to such business shall be
21 equal to the gross income of the business, excluding any fees imposed
22 under chapter 43.200 RCW, multiplied by the rate of 3.3 percent.

23 If the gross income of the taxpayer is attributable to activities
24 both within and without this state, the gross income attributable to
25 this state shall be determined in accordance with the methods of
26 apportionment required under RCW 82.04.460.

27 (9) Upon every person engaging within this state as an insurance
28 producer or title insurance agent licensed under chapter 48.17 RCW; as
29 to such persons, the amount of the tax with respect to such licensed
30 activities shall be equal to the gross income of such business
31 multiplied by the rate of 0.484 percent.

32 (10) Upon every person engaging within this state in business as a
33 hospital, as defined in chapter 70.41 RCW, that is operated as a
34 nonprofit corporation or by the state or any of its political
35 subdivisions, as to such persons, the amount of tax with respect to
36 such activities shall be equal to the gross income of the business
37 multiplied by the rate of 0.75 percent through June 30, 1995, and 1.5

1 percent thereafter. The moneys collected under this subsection shall
2 be deposited in the ((~~health services account created under RCW~~
3 ~~43.72.900~~)) state general fund.

4 (11)(a) Beginning October 1, 2005, upon every person engaging
5 within this state in the business of manufacturing commercial
6 airplanes, or components of such airplanes, or making sales, at retail
7 or wholesale, of commercial airplanes or components of such airplanes,
8 manufactured by the seller, as to such persons the amount of tax with
9 respect to such business shall, in the case of manufacturers, be equal
10 to the value of the product manufactured and the gross proceeds of
11 sales of the product manufactured, or in the case of processors for
12 hire, be equal to the gross income of the business, multiplied by the
13 rate of:

14 (i) 0.4235 percent from October 1, 2005, through the later of June
15 30, 2007; and

16 (ii) 0.2904 percent beginning July 1, 2007.

17 (b) Beginning July 1, 2008, upon every person who is not eligible
18 to report under the provisions of (a) of this subsection (11) and is
19 engaging within this state in the business of manufacturing tooling
20 specifically designed for use in manufacturing commercial airplanes or
21 components of such airplanes, or making sales, at retail or wholesale,
22 of such tooling manufactured by the seller, as to such persons the
23 amount of tax with respect to such business shall, in the case of
24 manufacturers, be equal to the value of the product manufactured and
25 the gross proceeds of sales of the product manufactured, or in the case
26 of processors for hire, be equal to the gross income of the business,
27 multiplied by the rate of 0.2904 percent.

28 (c) For the purposes of this subsection (11), "commercial airplane"
29 and "component" have the same meanings as provided in RCW 82.32.550.

30 (d) In addition to all other requirements under this title, a
31 person eligible for the tax rate under this subsection (11) must report
32 as required under RCW 82.32.545.

33 (e) This subsection (11) does not apply on and after July 1, 2024.

34 (12)(a) Until July 1, 2024, upon every person engaging within this
35 state in the business of extracting timber or extracting for hire
36 timber; as to such persons the amount of tax with respect to the
37 business shall, in the case of extractors, be equal to the value of
38 products, including byproducts, extracted, or in the case of extractors

1 for hire, be equal to the gross income of the business, multiplied by
2 the rate of 0.4235 percent from July 1, 2006, through June 30, 2007,
3 and 0.2904 percent from July 1, 2007, through June 30, 2024.

4 (b) Until July 1, 2024, upon every person engaging within this
5 state in the business of manufacturing or processing for hire: (i)
6 Timber into timber products or wood products; or (ii) timber products
7 into other timber products or wood products; as to such persons the
8 amount of the tax with respect to the business shall, in the case of
9 manufacturers, be equal to the value of products, including byproducts,
10 manufactured, or in the case of processors for hire, be equal to the
11 gross income of the business, multiplied by the rate of 0.4235 percent
12 from July 1, 2006, through June 30, 2007, and 0.2904 percent from July
13 1, 2007, through June 30, 2024.

14 (c) Until July 1, 2024, upon every person engaging within this
15 state in the business of selling at wholesale: (i) Timber extracted by
16 that person; (ii) timber products manufactured by that person from
17 timber or other timber products; or (iii) wood products manufactured by
18 that person from timber or timber products; as to such persons the
19 amount of the tax with respect to the business shall be equal to the
20 gross proceeds of sales of the timber, timber products, or wood
21 products multiplied by the rate of 0.4235 percent from July 1, 2006,
22 through June 30, 2007, and 0.2904 percent from July 1, 2007, through
23 June 30, 2024.

24 (d) Until July 1, 2024, upon every person engaging within this
25 state in the business of selling standing timber; as to such persons
26 the amount of the tax with respect to the business shall be equal to
27 the gross income of the business multiplied by the rate of 0.2904
28 percent. For purposes of this subsection (12)(d), "selling standing
29 timber" means the sale of timber apart from the land, where the buyer
30 is required to sever the timber within thirty months from the date of
31 the original contract, regardless of the method of payment for the
32 timber and whether title to the timber transfers before, upon, or after
33 severance.

34 (e) For purposes of this subsection, the following definitions
35 apply:

36 (i) "Biocomposite surface products" means surface material products
37 containing, by weight or volume, more than fifty percent recycled paper
38 and that also use nonpetroleum-based phenolic resin as a bonding agent.

1 (ii) "Paper and paper products" means products made of interwoven
2 cellulosic fibers held together largely by hydrogen bonding. "Paper
3 and paper products" includes newsprint; office, printing, fine, and
4 pressure-sensitive papers; paper napkins, towels, and toilet tissue;
5 kraft bag, construction, and other kraft industrial papers; paperboard,
6 liquid packaging containers, containerboard, corrugated, and solid-
7 fiber containers including linerboard and corrugated medium; and
8 related types of cellulosic products containing primarily, by weight or
9 volume, cellulosic materials. "Paper and paper products" does not
10 include books, newspapers, magazines, periodicals, and other printed
11 publications, advertising materials, calendars, and similar types of
12 printed materials.

13 (iii) "Recycled paper" means paper and paper products having fifty
14 percent or more of their fiber content that comes from postconsumer
15 waste. For purposes of this subsection (12)(e)(iii), "postconsumer
16 waste" means a finished material that would normally be disposed of as
17 solid waste, having completed its life cycle as a consumer item.

18 (iv) "Timber" means forest trees, standing or down, on privately or
19 publicly owned land. "Timber" does not include Christmas trees that
20 are cultivated by agricultural methods or short-rotation hardwoods as
21 defined in RCW 84.33.035.

22 (v) "Timber products" means:

23 (A) Logs, wood chips, sawdust, wood waste, and similar products
24 obtained wholly from the processing of timber, short-rotation hardwoods
25 as defined in RCW 84.33.035, or both;

26 (B) Pulp, including market pulp and pulp derived from recovered
27 paper or paper products; and

28 (C) Recycled paper, but only when used in the manufacture of
29 biocomposite surface products.

30 (vi) "Wood products" means paper and paper products; dimensional
31 lumber; engineered wood products such as particleboard, oriented strand
32 board, medium density fiberboard, and plywood; wood doors; wood
33 windows; and biocomposite surface products.

34 (13) Upon every person engaging within this state in inspecting,
35 testing, labeling, and storing canned salmon owned by another person,
36 as to such persons, the amount of tax with respect to such activities
37 shall be equal to the gross income derived from such activities
38 multiplied by the rate of 0.484 percent.

1 **Sec. 11.** RCW 82.24.028 and 2008 c 86 s 304 are each amended to
2 read as follows:

3 In addition to the tax imposed upon the sale, use, consumption,
4 handling, possession, or distribution of cigarettes set forth in RCW
5 82.24.020, there is imposed a tax in an amount equal to three cents per
6 cigarette. All revenues collected during any month from this
7 additional tax shall be deposited in the (~~health services account~~
8 ~~created under RCW 43.72.900 by the twenty-fifth day of the following~~
9 ~~month~~) state general fund.

10 **VIOLENCE REDUCTION AND DRUG ENFORCEMENT ACCOUNT**

11 NEW SECTION. **Sec. 12.** RCW 69.50.520 (Violence reduction and drug
12 enforcement account) and 2005 c 518 s 937, 2005 c 514 s 1107, 2005 c
13 514 s 202, 2004 c 276 s 912, 2003 1st sp.s. c 25 s 930, & 2002 c 371 s
14 920 are each repealed.

15 **Sec. 13.** RCW 9.41.110 and 1994 sp.s. c 7 s 416 are each amended to
16 read as follows:

17 (1) No dealer may sell or otherwise transfer, or expose for sale or
18 transfer, or have in his or her possession with intent to sell, or
19 otherwise transfer, any pistol without being licensed as provided in
20 this section.

21 (2) No dealer may sell or otherwise transfer, or expose for sale or
22 transfer, or have in his or her possession with intent to sell, or
23 otherwise transfer, any firearm other than a pistol without being
24 licensed as provided in this section.

25 (3) No dealer may sell or otherwise transfer, or expose for sale or
26 transfer, or have in his or her possession with intent to sell, or
27 otherwise transfer, any ammunition without being licensed as provided
28 in this section.

29 (4) The duly constituted licensing authorities of any city, town,
30 or political subdivision of this state shall grant licenses in forms
31 prescribed by the director of licensing effective for not more than one
32 year from the date of issue permitting the licensee to sell firearms
33 within this state subject to the following conditions, for breach of
34 any of which the license shall be forfeited and the licensee subject to
35 punishment as provided in RCW 9.41.010 through 9.41.810. A licensing

1 authority shall forward a copy of each license granted to the
2 department of licensing. The department of licensing shall notify the
3 department of revenue of the name and address of each dealer licensed
4 under this section.

5 (5)(a) A licensing authority shall, within thirty days after the
6 filing of an application of any person for a dealer's license,
7 determine whether to grant the license. However, if the applicant does
8 not have a valid permanent Washington driver's license or Washington
9 state identification card, or has not been a resident of the state for
10 the previous consecutive ninety days, the licensing authority shall
11 have up to sixty days to determine whether to issue a license. No
12 person shall qualify for a license under this section without first
13 receiving a federal firearms license and undergoing fingerprinting and
14 a background check. In addition, no person ineligible to possess a
15 firearm under RCW 9.41.040 or ineligible for a concealed pistol license
16 under RCW 9.41.070 shall qualify for a dealer's license.

17 (b) A dealer shall require every employee who may sell a firearm in
18 the course of his or her employment to undergo fingerprinting and a
19 background check. An employee must be eligible to possess a firearm,
20 and must not have been convicted of a crime that would make the person
21 ineligible for a concealed pistol license, before being permitted to
22 sell a firearm. Every employee shall comply with requirements
23 concerning purchase applications and restrictions on delivery of
24 pistols that are applicable to dealers.

25 (6)(a) Except as otherwise provided in (b) of this subsection, the
26 business shall be carried on only in the building designated in the
27 license. For the purpose of this section, advertising firearms for
28 sale shall not be considered the carrying on of business.

29 (b) A dealer may conduct business temporarily at a location other
30 than the building designated in the license, if the temporary location
31 is within Washington state and is the location of a gun show sponsored
32 by a national, state, or local organization, or an affiliate of any
33 such organization, devoted to the collection, competitive use, or other
34 sporting use of firearms in the community. Nothing in this subsection
35 (6)(b) authorizes a dealer to conduct business in or from a motorized
36 or towed vehicle.

37 In conducting business temporarily at a location other than the
38 building designated in the license, the dealer shall comply with all

1 other requirements imposed on dealers by RCW 9.41.090, 9.41.100, and
2 9.41.110. The license of a dealer who fails to comply with the
3 requirements of RCW 9.41.080 and 9.41.090 and subsection (8) of this
4 section while conducting business at a temporary location shall be
5 revoked, and the dealer shall be permanently ineligible for a dealer's
6 license.

7 (7) The license or a copy thereof, certified by the issuing
8 authority, shall be displayed on the premises in the area where
9 firearms are sold, or at the temporary location, where it can easily be
10 read.

11 (8)(a) No pistol may be sold: (i) In violation of any provisions
12 of RCW 9.41.010 through 9.41.810; nor (ii) may a pistol be sold under
13 any circumstances unless the purchaser is personally known to the
14 dealer or shall present clear evidence of his or her identity.

15 (b) A dealer who sells or delivers any firearm in violation of RCW
16 9.41.080 is guilty of a class C felony. In addition to any other
17 penalty provided for by law, the dealer is subject to mandatory
18 permanent revocation of his or her dealer's license and permanent
19 ineligibility for a dealer's license.

20 (c) The license fee for pistols shall be one hundred twenty-five
21 dollars. The license fee for firearms other than pistols shall be one
22 hundred twenty-five dollars. The license fee for ammunition shall be
23 one hundred twenty-five dollars. Any dealer who obtains any license
24 under subsection (1), (2), or (3) of this section may also obtain the
25 remaining licenses without payment of any fee. The fees received under
26 this section shall be deposited in the (~~account under RCW 69.50.520~~)
27 state general fund.

28 (9)(a) A true record in triplicate shall be made of every pistol
29 sold, in a book kept for the purpose, the form of which may be
30 prescribed by the director of licensing and shall be personally signed
31 by the purchaser and by the person effecting the sale, each in the
32 presence of the other, and shall contain the date of sale, the caliber,
33 make, model and manufacturer's number of the weapon, the name, address,
34 occupation, and place of birth of the purchaser and a statement signed
35 by the purchaser that he or she is not ineligible under RCW 9.41.040 to
36 possess a firearm.

37 (b) One copy shall within six hours be sent by certified mail to
38 the chief of police of the municipality or the sheriff of the county of

1 which the purchaser is a resident; the duplicate the dealer shall
2 within seven days send to the director of licensing; the triplicate the
3 dealer shall retain for six years.

4 (10) Subsections (2) through (9) of this section shall not apply to
5 sales at wholesale.

6 (11) The dealer's licenses authorized to be issued by this section
7 are general licenses covering all sales by the licensee within the
8 effective period of the licenses. The department shall provide a
9 single application form for dealer's licenses and a single license form
10 which shall indicate the type or types of licenses granted.

11 (12) Except as provided in RCW 9.41.090, every city, town, and
12 political subdivision of this state is prohibited from requiring the
13 purchaser to secure a permit to purchase or from requiring the dealer
14 to secure an individual permit for each sale.

15 **Sec. 14.** RCW 69.50.505 and 2008 c 6 s 631 are each amended to read
16 as follows:

17 (1) The following are subject to seizure and forfeiture and no
18 property right exists in them:

19 (a) All controlled substances which have been manufactured,
20 distributed, dispensed, acquired, or possessed in violation of this
21 chapter or chapter 69.41 or 69.52 RCW, and all hazardous chemicals, as
22 defined in RCW 64.44.010, used or intended to be used in the
23 manufacture of controlled substances;

24 (b) All raw materials, products, and equipment of any kind which
25 are used, or intended for use, in manufacturing, compounding,
26 processing, delivering, importing, or exporting any controlled
27 substance in violation of this chapter or chapter 69.41 or 69.52 RCW;

28 (c) All property which is used, or intended for use, as a container
29 for property described in (a) or (b) of this subsection;

30 (d) All conveyances, including aircraft, vehicles, or vessels,
31 which are used, or intended for use, in any manner to facilitate the
32 sale, delivery, or receipt of property described in (a) or (b) of this
33 subsection, except that:

34 (i) No conveyance used by any person as a common carrier in the
35 transaction of business as a common carrier is subject to forfeiture
36 under this section unless it appears that the owner or other person in

1 charge of the conveyance is a consenting party or privy to a violation
2 of this chapter or chapter 69.41 or 69.52 RCW;

3 (ii) No conveyance is subject to forfeiture under this section by
4 reason of any act or omission established by the owner thereof to have
5 been committed or omitted without the owner's knowledge or consent;

6 (iii) No conveyance is subject to forfeiture under this section if
7 used in the receipt of only an amount of marijuana for which possession
8 constitutes a misdemeanor under RCW 69.50.4014;

9 (iv) A forfeiture of a conveyance encumbered by a bona fide
10 security interest is subject to the interest of the secured party if
11 the secured party neither had knowledge of nor consented to the act or
12 omission; and

13 (v) When the owner of a conveyance has been arrested under this
14 chapter or chapter 69.41 or 69.52 RCW the conveyance in which the
15 person is arrested may not be subject to forfeiture unless it is seized
16 or process is issued for its seizure within ten days of the owner's
17 arrest;

18 (e) All books, records, and research products and materials,
19 including formulas, microfilm, tapes, and data which are used, or
20 intended for use, in violation of this chapter or chapter 69.41 or
21 69.52 RCW;

22 (f) All drug paraphernalia;

23 (g) All moneys, negotiable instruments, securities, or other
24 tangible or intangible property of value furnished or intended to be
25 furnished by any person in exchange for a controlled substance in
26 violation of this chapter or chapter 69.41 or 69.52 RCW, all tangible
27 or intangible personal property, proceeds, or assets acquired in whole
28 or in part with proceeds traceable to an exchange or series of
29 exchanges in violation of this chapter or chapter 69.41 or 69.52 RCW,
30 and all moneys, negotiable instruments, and securities used or intended
31 to be used to facilitate any violation of this chapter or chapter 69.41
32 or 69.52 RCW. A forfeiture of money, negotiable instruments,
33 securities, or other tangible or intangible property encumbered by a
34 bona fide security interest is subject to the interest of the secured
35 party if, at the time the security interest was created, the secured
36 party neither had knowledge of nor consented to the act or omission.
37 No personal property may be forfeited under this subsection (1)(g), to

1 the extent of the interest of an owner, by reason of any act or
2 omission which that owner establishes was committed or omitted without
3 the owner's knowledge or consent; and

4 (h) All real property, including any right, title, and interest in
5 the whole of any lot or tract of land, and any appurtenances or
6 improvements which are being used with the knowledge of the owner for
7 the manufacturing, compounding, processing, delivery, importing, or
8 exporting of any controlled substance, or which have been acquired in
9 whole or in part with proceeds traceable to an exchange or series of
10 exchanges in violation of this chapter or chapter 69.41 or 69.52 RCW,
11 if such activity is not less than a class C felony and a substantial
12 nexus exists between the commercial production or sale of the
13 controlled substance and the real property. However:

14 (i) No property may be forfeited pursuant to this subsection
15 (1)(h), to the extent of the interest of an owner, by reason of any act
16 or omission committed or omitted without the owner's knowledge or
17 consent;

18 (ii) The bona fide gift of a controlled substance, legend drug, or
19 imitation controlled substance shall not result in the forfeiture of
20 real property;

21 (iii) The possession of marijuana shall not result in the
22 forfeiture of real property unless the marijuana is possessed for
23 commercial purposes, the amount possessed is five or more plants or one
24 pound or more of marijuana, and a substantial nexus exists between the
25 possession of marijuana and the real property. In such a case, the
26 intent of the offender shall be determined by the preponderance of the
27 evidence, including the offender's prior criminal history, the amount
28 of marijuana possessed by the offender, the sophistication of the
29 activity or equipment used by the offender, and other evidence which
30 demonstrates the offender's intent to engage in commercial activity;

31 (iv) The unlawful sale of marijuana or a legend drug shall not
32 result in the forfeiture of real property unless the sale was forty
33 grams or more in the case of marijuana or one hundred dollars or more
34 in the case of a legend drug, and a substantial nexus exists between
35 the unlawful sale and the real property; and

36 (v) A forfeiture of real property encumbered by a bona fide
37 security interest is subject to the interest of the secured party if

1 the secured party, at the time the security interest was created,
2 neither had knowledge of nor consented to the act or omission.

3 (2) Real or personal property subject to forfeiture under this
4 chapter may be seized by any board inspector or law enforcement officer
5 of this state upon process issued by any superior court having
6 jurisdiction over the property. Seizure of real property shall include
7 the filing of a lis pendens by the seizing agency. Real property
8 seized under this section shall not be transferred or otherwise
9 conveyed until ninety days after seizure or until a judgment of
10 forfeiture is entered, whichever is later: PROVIDED, That real
11 property seized under this section may be transferred or conveyed to
12 any person or entity who acquires title by foreclosure or deed in lieu
13 of foreclosure of a security interest. Seizure of personal property
14 without process may be made if:

15 (a) The seizure is incident to an arrest or a search under a search
16 warrant or an inspection under an administrative inspection warrant;

17 (b) The property subject to seizure has been the subject of a prior
18 judgment in favor of the state in a criminal injunction or forfeiture
19 proceeding based upon this chapter;

20 (c) A board inspector or law enforcement officer has probable cause
21 to believe that the property is directly or indirectly dangerous to
22 health or safety; or

23 (d) The board inspector or law enforcement officer has probable
24 cause to believe that the property was used or is intended to be used
25 in violation of this chapter.

26 (3) In the event of seizure pursuant to subsection (2) of this
27 section, proceedings for forfeiture shall be deemed commenced by the
28 seizure. The law enforcement agency under whose authority the seizure
29 was made shall cause notice to be served within fifteen days following
30 the seizure on the owner of the property seized and the person in
31 charge thereof and any person having any known right or interest
32 therein, including any community property interest, of the seizure and
33 intended forfeiture of the seized property. Service of notice of
34 seizure of real property shall be made according to the rules of civil
35 procedure. However, the state may not obtain a default judgment with
36 respect to real property against a party who is served by substituted
37 service absent an affidavit stating that a good faith effort has been
38 made to ascertain if the defaulted party is incarcerated within the

1 state, and that there is no present basis to believe that the party is
2 incarcerated within the state. Notice of seizure in the case of
3 property subject to a security interest that has been perfected by
4 filing a financing statement in accordance with chapter 62A.9A RCW, or
5 a certificate of title, shall be made by service upon the secured party
6 or the secured party's assignee at the address shown on the financing
7 statement or the certificate of title. The notice of seizure in other
8 cases may be served by any method authorized by law or court rule
9 including but not limited to service by certified mail with return
10 receipt requested. Service by mail shall be deemed complete upon
11 mailing within the fifteen day period following the seizure.

12 (4) If no person notifies the seizing law enforcement agency in
13 writing of the person's claim of ownership or right to possession of
14 items specified in subsection (1)(d), (g), or (h) of this section
15 within forty-five days of the seizure in the case of personal property
16 and ninety days in the case of real property, the item seized shall be
17 deemed forfeited. The community property interest in real property of
18 a person whose spouse or domestic partner committed a violation giving
19 rise to seizure of the real property may not be forfeited if the person
20 did not participate in the violation.

21 (5) If any person notifies the seizing law enforcement agency in
22 writing of the person's claim of ownership or right to possession of
23 items specified in subsection (1)(b), (c), (d), (e), (f), (g), or (h)
24 of this section within forty-five days of the seizure in the case of
25 personal property and ninety days in the case of real property, the
26 person or persons shall be afforded a reasonable opportunity to be
27 heard as to the claim or right. The hearing shall be before the chief
28 law enforcement officer of the seizing agency or the chief law
29 enforcement officer's designee, except where the seizing agency is a
30 state agency as defined in RCW 34.12.020(4), the hearing shall be
31 before the chief law enforcement officer of the seizing agency or an
32 administrative law judge appointed under chapter 34.12 RCW, except that
33 any person asserting a claim or right may remove the matter to a court
34 of competent jurisdiction. Removal of any matter involving personal
35 property may only be accomplished according to the rules of civil
36 procedure. The person seeking removal of the matter must serve process
37 against the state, county, political subdivision, or municipality that
38 operates the seizing agency, and any other party of interest, in

1 accordance with RCW 4.28.080 or 4.92.020, within forty-five days after
2 the person seeking removal has notified the seizing law enforcement
3 agency of the person's claim of ownership or right to possession. The
4 court to which the matter is to be removed shall be the district court
5 when the aggregate value of personal property is within the
6 jurisdictional limit set forth in RCW 3.66.020. A hearing before the
7 seizing agency and any appeal therefrom shall be under Title 34 RCW.
8 In all cases, the burden of proof is upon the law enforcement agency to
9 establish, by a preponderance of the evidence, that the property is
10 subject to forfeiture.

11 The seizing law enforcement agency shall promptly return the
12 article or articles to the claimant upon a determination by the
13 administrative law judge or court that the claimant is the present
14 lawful owner or is lawfully entitled to possession thereof of items
15 specified in subsection (1)(b), (c), (d), (e), (f), (g), or (h) of this
16 section.

17 (6) In any proceeding to forfeit property under this title, where
18 the claimant substantially prevails, the claimant is entitled to
19 reasonable attorneys' fees reasonably incurred by the claimant. In
20 addition, in a court hearing between two or more claimants to the
21 article or articles involved, the prevailing party is entitled to a
22 judgment for costs and reasonable attorneys' fees.

23 (7) When property is forfeited under this chapter the board or
24 seizing law enforcement agency may:

25 (a) Retain it for official use or upon application by any law
26 enforcement agency of this state release such property to such agency
27 for the exclusive use of enforcing the provisions of this chapter;

28 (b) Sell that which is not required to be destroyed by law and
29 which is not harmful to the public;

30 (c) Request the appropriate sheriff or director of public safety to
31 take custody of the property and remove it for disposition in
32 accordance with law; or

33 (d) Forward it to the drug enforcement administration for
34 disposition.

35 (8)(a) When property is forfeited, the seizing agency shall keep a
36 record indicating the identity of the prior owner, if known, a
37 description of the property, the disposition of the property, the value

1 of the property at the time of seizure, and the amount of proceeds
2 realized from disposition of the property.

3 (b) Each seizing agency shall retain records of forfeited property
4 for at least seven years.

5 (c) Each seizing agency shall file a report including a copy of the
6 records of forfeited property with the state treasurer each calendar
7 quarter.

8 (d) The quarterly report need not include a record of forfeited
9 property that is still being held for use as evidence during the
10 investigation or prosecution of a case or during the appeal from a
11 conviction.

12 (9)(a) By January 31st of each year, each seizing agency shall
13 remit to the state treasurer an amount equal to ten percent of the net
14 proceeds of any property forfeited during the preceding calendar year.
15 Money remitted shall be deposited in the (~~violence reduction and drug~~
16 ~~enforcement account under RCW 69.50.520~~) state general fund.

17 (b) The net proceeds of forfeited property is the value of the
18 forfeitable interest in the property after deducting the cost of
19 satisfying any bona fide security interest to which the property is
20 subject at the time of seizure; and in the case of sold property, after
21 deducting the cost of sale, including reasonable fees or commissions
22 paid to independent selling agents, and the cost of any valid
23 landlord's claim for damages under subsection (15) of this section.

24 (c) The value of sold forfeited property is the sale price. The
25 value of retained forfeited property is the fair market value of the
26 property at the time of seizure, determined when possible by reference
27 to an applicable commonly used index, such as the index used by the
28 department of licensing for valuation of motor vehicles. A seizing
29 agency may use, but need not use, an independent qualified appraiser to
30 determine the value of retained property. If an appraiser is used, the
31 value of the property appraised is net of the cost of the appraisal.
32 The value of destroyed property and retained firearms or illegal
33 property is zero.

34 (10) Forfeited property and net proceeds not required to be paid to
35 the state treasurer shall be retained by the seizing law enforcement
36 agency exclusively for the expansion and improvement of controlled
37 substances related law enforcement activity. Money retained under this
38 section may not be used to supplant preexisting funding sources.

1 (11) Controlled substances listed in Schedule I, II, III, IV, and
2 V that are possessed, transferred, sold, or offered for sale in
3 violation of this chapter are contraband and shall be seized and
4 summarily forfeited to the state. Controlled substances listed in
5 Schedule I, II, III, IV, and V, which are seized or come into the
6 possession of the board, the owners of which are unknown, are
7 contraband and shall be summarily forfeited to the board.

8 (12) Species of plants from which controlled substances in
9 Schedules I and II may be derived which have been planted or cultivated
10 in violation of this chapter, or of which the owners or cultivators are
11 unknown, or which are wild growths, may be seized and summarily
12 forfeited to the board.

13 (13) The failure, upon demand by a board inspector or law
14 enforcement officer, of the person in occupancy or in control of land
15 or premises upon which the species of plants are growing or being
16 stored to produce an appropriate registration or proof that he or she
17 is the holder thereof constitutes authority for the seizure and
18 forfeiture of the plants.

19 (14) Upon the entry of an order of forfeiture of real property, the
20 court shall forward a copy of the order to the assessor of the county
21 in which the property is located. Orders for the forfeiture of real
22 property shall be entered by the superior court, subject to court
23 rules. Such an order shall be filed by the seizing agency in the
24 county auditor's records in the county in which the real property is
25 located.

26 (15) A landlord may assert a claim against proceeds from the sale
27 of assets seized and forfeited under subsection (7)(b) of this section,
28 only if:

29 (a) A law enforcement officer, while acting in his or her official
30 capacity, directly caused damage to the complaining landlord's property
31 while executing a search of a tenant's residence; and

32 (b) The landlord has applied any funds remaining in the tenant's
33 deposit, to which the landlord has a right under chapter 59.18 RCW, to
34 cover the damage directly caused by a law enforcement officer prior to
35 asserting a claim under the provisions of this section;

36 (i) Only if the funds applied under (b) of this subsection are
37 insufficient to satisfy the damage directly caused by a law enforcement

1 officer, may the landlord seek compensation for the damage by filing a
2 claim against the governmental entity under whose authority the law
3 enforcement agency operates within thirty days after the search;

4 (ii) Only if the governmental entity denies or fails to respond to
5 the landlord's claim within sixty days of the date of filing, may the
6 landlord collect damages under this subsection by filing within thirty
7 days of denial or the expiration of the sixty-day period, whichever
8 occurs first, a claim with the seizing law enforcement agency. The
9 seizing law enforcement agency must notify the landlord of the status
10 of the claim by the end of the thirty-day period. Nothing in this
11 section requires the claim to be paid by the end of the sixty-day or
12 thirty-day period.

13 (c) For any claim filed under (b) of this subsection, the law
14 enforcement agency shall pay the claim unless the agency provides
15 substantial proof that the landlord either:

16 (i) Knew or consented to actions of the tenant in violation of this
17 chapter or chapter 69.41 or 69.52 RCW; or

18 (ii) Failed to respond to a notification of the illegal activity,
19 provided by a law enforcement agency under RCW 59.18.075, within seven
20 days of receipt of notification of the illegal activity.

21 (16) The landlord's claim for damages under subsection (15) of this
22 section may not include a claim for loss of business and is limited to:

23 (a) Damage to tangible property and clean-up costs;

24 (b) The lesser of the cost of repair or fair market value of the
25 damage directly caused by a law enforcement officer;

26 (c) The proceeds from the sale of the specific tenant's property
27 seized and forfeited under subsection (7)(b) of this section; and

28 (d) The proceeds available after the seizing law enforcement agency
29 satisfies any bona fide security interest in the tenant's property and
30 costs related to sale of the tenant's property as provided by
31 subsection (9)(b) of this section.

32 (17) Subsections (15) and (16) of this section do not limit any
33 other rights a landlord may have against a tenant to collect for
34 damages. However, if a law enforcement agency satisfies a landlord's
35 claim under subsection (15) of this section, the rights the landlord
36 has against the tenant for damages directly caused by a law enforcement
37 officer under the terms of the landlord and tenant's contract are
38 subrogated to the law enforcement agency.

1 **Sec. 15.** RCW 70.96A.350 and 2008 c 329 s 918 are each amended to
2 read as follows:

3 (1) The criminal justice treatment account is created in the state
4 treasury. Moneys in the account may be expended solely for: (a)
5 Substance abuse treatment and treatment support services for offenders
6 with an addiction or a substance abuse problem that, if not treated,
7 would result in addiction, against whom charges are filed by a
8 prosecuting attorney in Washington state; (b) the provision of drug and
9 alcohol treatment services and treatment support services for
10 nonviolent offenders within a drug court program; and (c) during the
11 2007-2009 biennium, operation of the integrated crisis response and
12 intensive case management pilots contracted with the department of
13 social and health services division of alcohol and substance abuse.
14 Moneys in the account may be spent only after appropriation.

15 (2) For purposes of this section:

16 (a) "Treatment" means services that are critical to a participant's
17 successful completion of his or her substance abuse treatment program,
18 but does not include the following services: Housing other than that
19 provided as part of an inpatient substance abuse treatment program,
20 vocational training, and mental health counseling; and

21 (b) "Treatment support" means transportation to or from inpatient
22 or outpatient treatment services when no viable alternative exists, and
23 child care services that are necessary to ensure a participant's
24 ability to attend outpatient treatment sessions.

25 (3) Revenues to the criminal justice treatment account consist of:

26 (a) Funds transferred to the account pursuant to this section; and (b)
27 any other revenues appropriated to or deposited in the account.

28 (4)(a) For the fiscal biennium beginning July 1, 2003, the state
29 treasurer shall transfer eight million nine hundred fifty thousand
30 dollars from the general fund into the criminal justice treatment
31 account, divided into eight equal quarterly payments. For the fiscal
32 year beginning July 1, 2005, and each subsequent fiscal year, the state
33 treasurer shall transfer eight million two hundred fifty thousand
34 dollars from the general fund to the criminal justice treatment
35 account, divided into four equal quarterly payments. For the fiscal
36 year beginning July 1, 2006, and each subsequent fiscal year, the
37 amount transferred shall be increased on an annual basis by the

1 implicit price deflator as published by the federal bureau of labor
2 statistics.

3 (b) For the fiscal biennium beginning July 1, 2003, and each
4 biennium thereafter until June 30, 2009, the state treasurer shall
5 transfer two million nine hundred eighty-four thousand dollars from the
6 general fund into the violence reduction and drug enforcement account,
7 divided into eight quarterly payments. The amounts transferred
8 pursuant to this subsection (4)(b) shall be used solely for providing
9 drug and alcohol treatment services to offenders confined in a state
10 correctional facility who are assessed with an addiction or a substance
11 abuse problem that if not treated would result in addiction.

12 (c) In each odd-numbered year, the legislature shall appropriate
13 the amount transferred to the criminal justice treatment account in (a)
14 of this subsection to the division of alcohol and substance abuse for
15 the purposes of subsection (5) of this section.

16 (5) Moneys appropriated to the division of alcohol and substance
17 abuse from the criminal justice treatment account shall be distributed
18 as specified in this subsection. The department shall serve as the
19 fiscal agent for purposes of distribution. Until July 1, 2004, the
20 department may not use moneys appropriated from the criminal justice
21 treatment account for administrative expenses and shall distribute all
22 amounts appropriated under subsection (4)(c) of this section in
23 accordance with this subsection. Beginning in July 1, 2004, the
24 department may retain up to three percent of the amount appropriated
25 under subsection (4)(c) of this section for its administrative costs.

26 (a) Seventy percent of amounts appropriated to the division from
27 the account shall be distributed to counties pursuant to the
28 distribution formula adopted under this section. The division of
29 alcohol and substance abuse, in consultation with the department of
30 corrections, the sentencing guidelines commission, the Washington state
31 association of counties, the Washington state association of drug court
32 professionals, the superior court judges' association, the Washington
33 association of prosecuting attorneys, representatives of the criminal
34 defense bar, representatives of substance abuse treatment providers,
35 and any other person deemed by the division to be necessary, shall
36 establish a fair and reasonable methodology for distribution to
37 counties of moneys in the criminal justice treatment account. County

1 or regional plans submitted for the expenditure of formula funds must
2 be approved by the panel established in (b) of this subsection.

3 (b) Thirty percent of the amounts appropriated to the division from
4 the account shall be distributed as grants for purposes of treating
5 offenders against whom charges are filed by a county prosecuting
6 attorney. The division shall appoint a panel of representatives from
7 the Washington association of prosecuting attorneys, the Washington
8 association of sheriffs and police chiefs, the superior court judges'
9 association, the Washington state association of counties, the
10 Washington defender's association or the Washington association of
11 criminal defense lawyers, the department of corrections, the Washington
12 state association of drug court professionals, substance abuse
13 treatment providers, and the division. The panel shall review county
14 or regional plans for funding under (a) of this subsection and grants
15 approved under this subsection. The panel shall attempt to ensure that
16 treatment as funded by the grants is available to offenders statewide.

17 (6) The county alcohol and drug coordinator, county prosecutor,
18 county sheriff, county superior court, a substance abuse treatment
19 provider appointed by the county legislative authority, a member of the
20 criminal defense bar appointed by the county legislative authority,
21 and, in counties with a drug court, a representative of the drug court
22 shall jointly submit a plan, approved by the county legislative
23 authority or authorities, to the panel established in subsection (5)(b)
24 of this section, for disposition of all the funds provided from the
25 criminal justice treatment account within that county. The funds shall
26 be used solely to provide approved alcohol and substance abuse
27 treatment pursuant to RCW 70.96A.090 and treatment support services.
28 No more than ten percent of the total moneys received under subsections
29 (4) and (5) of this section by a county or group of counties
30 participating in a regional agreement shall be spent for treatment
31 support services.

32 (7) Counties are encouraged to consider regional agreements and
33 submit regional plans for the efficient delivery of treatment under
34 this section.

35 (8) Moneys allocated under this section shall be used to
36 supplement, not supplant, other federal, state, and local funds used
37 for substance abuse treatment.

1 (9) Counties must meet the criteria established in RCW
2 2.28.170(3)(b).

3 **Sec. 16.** RCW 70.190.010 and 1996 c 132 s 2 are each amended to
4 read as follows:

5 Unless the context clearly requires otherwise, the definitions in
6 this section apply throughout this chapter.

7 (1) "Administrative costs" means the costs associated with
8 procurement; payroll processing; personnel functions; management;
9 maintenance and operation of space and property; data processing and
10 computer services; accounting; budgeting; auditing; indirect costs; and
11 organizational planning, consultation, coordination, and training.

12 (2) "Assessment" has the same meaning as provided in RCW 43.70.010.

13 (3) "At-risk" children are children who engage in or are victims of
14 at-risk behaviors.

15 (4) "At-risk behaviors" means violent delinquent acts, teen
16 substance abuse, teen pregnancy and male parentage, teen suicide
17 attempts, dropping out of school, child abuse or neglect, and domestic
18 violence.

19 (5) "Community public health and safety networks" or "networks"
20 means the organizations authorized under RCW 70.190.060.

21 (6) "Comprehensive plan" means a two-year plan that examines
22 available resources and unmet needs for a county or multicounty area,
23 barriers that limit the effective use of resources, and a plan to
24 address these issues that is broadly supported by local residents.

25 (7) "Participating state agencies" means the office of the
26 superintendent of public instruction, the department of social and
27 health services, the department of health, the employment security
28 department, the department of community, trade, and economic
29 development, and such other departments as may be specifically
30 designated by the governor.

31 (8) "Family policy council" or "council" means the superintendent
32 of public instruction, the secretary of social and health services, the
33 secretary of health, the commissioner of the employment security
34 department, and the director of the department of community, trade, and
35 economic development or their designees, one legislator from each
36 caucus of the senate and house of representatives, and one
37 representative of the governor.

1 (9) "Fiduciary interest" means (a) the right to compensation from
2 a health, educational, social service, or justice system organization
3 that receives public funds, or (b) budgetary or policy-making authority
4 for an organization listed in (a) of this subsection. A person who
5 acts solely in an advisory capacity and receives no compensation from
6 a health, educational, social service, or justice system organization,
7 and who has no budgetary or policy-making authority is deemed to have
8 no fiduciary interest in the organization.

9 (10) "Outcome" or "outcome based" means defined and measurable
10 outcomes used to evaluate progress in reducing the rate of at-risk
11 children and youth through reducing risk factors and increasing
12 protective factors.

13 (11) "Matching funds" means an amount no less than twenty-five
14 percent of the amount budgeted for a network. The network's matching
15 funds may be in-kind goods and services. Funding sources allowable for
16 match include appropriate federal or local levy funds, private
17 charitable funding, and other charitable giving. Basic education funds
18 shall not be used as a match. (~~State general funds shall not be used
19 as a match for violence reduction and drug enforcement account funds
20 created under RCW 69.50.520.~~)

21 (12) "Policy development" has the same meaning as provided in RCW
22 43.70.010.

23 (13) "Protective factors" means those factors determined by the
24 department of health to be empirically associated with behaviors that
25 contribute to socially acceptable and healthy nonviolent behaviors.
26 Protective factors include promulgation, identification, and acceptance
27 of community norms regarding appropriate behaviors in the area of
28 delinquency, early sexual activity, alcohol and substance abuse,
29 educational opportunities, employment opportunities, and absence of
30 crime.

31 (14) "Risk factors" means those factors determined by the
32 department of health to be empirically associated with at-risk
33 behaviors that contribute to violence.

34 **Sec. 17.** RCW 70.190.100 and 1998 c 245 s 123 are each amended to
35 read as follows:

36 The family policy council shall:

1 (1) Establish network boundaries no later than July 1, 1994. There
2 is a presumption that no county may be divided between two or more
3 community networks and no network shall have fewer than forty thousand
4 population. When approving multicounty networks, considering dividing
5 a county between networks, or creating a network with a population of
6 less than forty thousand, the council must consider: (a) Common
7 economic, geographic, and social interests; (b) historical and existing
8 shared governance; and (c) the size and location of population centers.
9 Individuals and groups within any area shall be given ample opportunity
10 to propose network boundaries in a manner designed to assure full
11 consideration of their expressed wishes;

12 (2) Develop a technical assistance and training program to assist
13 communities in creating and developing community networks and
14 comprehensive plans;

15 (3) Approve the structure, purpose, goals, plan, and performance
16 measurements of each community network;

17 (4) Identify all prevention and early intervention programs and
18 funds, including all programs (~~(funded under RCW 69.50.520, in addition~~
19 ~~to the programs)~~) set forth in RCW 70.190.110, which could be
20 transferred, in all or part, to the community networks, and report
21 their findings and recommendations to the governor and the legislature
22 regarding any appropriate program transfers by January 1 of each year;

23 (5) Reward community networks that show exceptional success as
24 provided in RCW 43.41.195;

25 (6) Seek every opportunity to maximize federal and other funding
26 that is consistent with the plans approved by the council for the
27 purpose and goals of this chapter;

28 (7) Review the state-funded out-of-home placement rate before the
29 end of each contract to determine whether the region has sufficiently
30 reduced the rate. If the council determines that there has not been a
31 sufficient reduction in the rate, it may reduce the immediately
32 succeeding grant to the network;

33 (8)(a) The council shall monitor the implementation of programs
34 contracted by participating state agencies by reviewing periodic
35 reports on the extent to which services were delivered to intended
36 populations, the quality of services, and the extent to which service
37 outcomes were achieved at the conclusion of service interventions.

1 This monitoring shall include provision for periodic feedback to
2 community networks;

3 (b) The legislature intends that this monitoring be used by the
4 Washington state institute for public policy, together with public
5 health data on at-risk behaviors and risk and protective factors, to
6 produce an external evaluation of the effectiveness of the networks and
7 their programs. For this reason, and to conserve public funds, the
8 council shall not conduct or contract for the conduct of control group
9 studies, quasi-experimental design studies, or other analysis efforts
10 to attempt to determine the impact of network programs on at-risk
11 behaviors or risk and protective factors; and

12 (9) Review the implementation of chapter 7, Laws of 1994 sp. sess.
13 The report shall use measurable performance standards to evaluate the
14 implementation.

15 **Sec. 18.** RCW 82.64.020 and 1994 sp.s. c 7 s 906 are each amended
16 to read as follows:

17 (1) A tax is imposed on each sale at wholesale of syrup in this
18 state. The rate of the tax shall be equal to one dollar per gallon.
19 Fractional amounts shall be taxed proportionally.

20 (2) A tax is imposed on each sale at retail of syrup in this state.
21 The rate of the tax shall be equal to the rate imposed under subsection
22 (1) of this section.

23 (3) Moneys collected under this chapter shall be deposited in the
24 ~~((violence reduction and drug enforcement account under RCW 69.50.520))~~
25 state general fund.

26 (4) Chapter 82.32 RCW applies to the taxes imposed in this chapter.
27 The tax due dates, reporting periods, and return requirements
28 applicable to chapter 82.04 RCW apply equally to the taxes imposed in
29 this chapter.

30 **WATER QUALITY ACCOUNT**

31 NEW SECTION. **Sec. 19.** The following acts or parts of acts are
32 each repealed:

33 (1) RCW 70.146.030 (Water quality account--Progress report) and
34 2007 c 522 s 955; and

1 (2) RCW 70.146.080 (Determination of tax receipts in water quality
2 account--Transfer of sufficient moneys from general revenues) and 2007
3 c 522 s 956, 2005 c 518 s 941, 2003 1st sp.s. c 25 s 935, 1994 sp.s. c
4 6 s 902, 1993 sp.s. c 24 s 924, 1991 sp.s. c 16 s 923, & 1986 c 3 s 11.

5 **Sec. 20.** RCW 36.70A.130 and 2006 c 285 s 2 are each amended to
6 read as follows:

7 (1)(a) Each comprehensive land use plan and development regulations
8 shall be subject to continuing review and evaluation by the county or
9 city that adopted them. Except as otherwise provided, a county or city
10 shall take legislative action to review and, if needed, revise its
11 comprehensive land use plan and development regulations to ensure the
12 plan and regulations comply with the requirements of this chapter
13 according to the time periods specified in subsection (4) of this
14 section.

15 (b) Except as otherwise provided, a county or city not planning
16 under RCW 36.70A.040 shall take action to review and, if needed, revise
17 its policies and development regulations regarding critical areas and
18 natural resource lands adopted according to this chapter to ensure
19 these policies and regulations comply with the requirements of this
20 chapter according to the time periods specified in subsection (4) of
21 this section. Legislative action means the adoption of a resolution or
22 ordinance following notice and a public hearing indicating at a
23 minimum, a finding that a review and evaluation has occurred and
24 identifying the revisions made, or that a revision was not needed and
25 the reasons therefor.

26 (c) The review and evaluation required by this subsection may be
27 combined with the review required by subsection (3) of this section.
28 The review and evaluation required by this subsection shall include,
29 but is not limited to, consideration of critical area ordinances and,
30 if planning under RCW 36.70A.040, an analysis of the population
31 allocated to a city or county from the most recent ten-year population
32 forecast by the office of financial management.

33 (d) Any amendment of or revision to a comprehensive land use plan
34 shall conform to this chapter. Any amendment of or revision to
35 development regulations shall be consistent with and implement the
36 comprehensive plan.

1 (2)(a) Each county and city shall establish and broadly disseminate
2 to the public a public participation program consistent with RCW
3 36.70A.035 and 36.70A.140 that identifies procedures and schedules
4 whereby updates, proposed amendments, or revisions of the comprehensive
5 plan are considered by the governing body of the county or city no more
6 frequently than once every year. "Updates" means to review and revise,
7 if needed, according to subsection (1) of this section, and the time
8 periods specified in subsection (4) of this section or in accordance
9 with the provisions of subsections (5) and (8) of this section.
10 Amendments may be considered more frequently than once per year under
11 the following circumstances:

12 (i) The initial adoption of a subarea plan that does not modify the
13 comprehensive plan policies and designations applicable to the subarea;

14 (ii) The adoption or amendment of a shoreline master program under
15 the procedures set forth in chapter 90.58 RCW;

16 (iii) The amendment of the capital facilities element of a
17 comprehensive plan that occurs concurrently with the adoption or
18 amendment of a county or city budget;

19 (iv) Until June 30, 2006, the designation of recreational lands
20 under RCW 36.70A.1701. A county amending its comprehensive plan
21 pursuant to this subsection (2)(a)(iv) may not do so more frequently
22 than every eighteen months; and

23 (v) The adoption of comprehensive plan amendments necessary to
24 enact a planned action under RCW 43.21C.031(2), provided that
25 amendments are considered in accordance with the public participation
26 program established by the county or city under this subsection (2)(a)
27 and all persons who have requested notice of a comprehensive plan
28 update are given notice of the amendments and an opportunity to
29 comment.

30 (b) Except as otherwise provided in (a) of this subsection, all
31 proposals shall be considered by the governing body concurrently so the
32 cumulative effect of the various proposals can be ascertained.
33 However, after appropriate public participation a county or city may
34 adopt amendments or revisions to its comprehensive plan that conform
35 with this chapter whenever an emergency exists or to resolve an appeal
36 of a comprehensive plan filed with a growth management hearings board
37 or with the court.

1 (3)(a) Each county that designates urban growth areas under RCW
2 36.70A.110 shall review, at least every ten years, its designated urban
3 growth area or areas, and the densities permitted within both the
4 incorporated and unincorporated portions of each urban growth area. In
5 conjunction with this review by the county, each city located within an
6 urban growth area shall review the densities permitted within its
7 boundaries, and the extent to which the urban growth occurring within
8 the county has located within each city and the unincorporated portions
9 of the urban growth areas.

10 (b) The county comprehensive plan designating urban growth areas,
11 and the densities permitted in the urban growth areas by the
12 comprehensive plans of the county and each city located within the
13 urban growth areas, shall be revised to accommodate the urban growth
14 projected to occur in the county for the succeeding twenty-year period.
15 The review required by this subsection may be combined with the review
16 and evaluation required by RCW 36.70A.215.

17 (4) The department shall establish a schedule for counties and
18 cities to take action to review and, if needed, revise their
19 comprehensive plans and development regulations to ensure the plan and
20 regulations comply with the requirements of this chapter. Except as
21 provided in subsections (5) and (8) of this section, the schedule
22 established by the department shall provide for the reviews and
23 evaluations to be completed as follows:

24 (a) On or before December 1, 2004, and every seven years
25 thereafter, for Clallam, Clark, Jefferson, King, Kitsap, Pierce,
26 Snohomish, Thurston, and Whatcom counties and the cities within those
27 counties;

28 (b) On or before December 1, 2005, and every seven years
29 thereafter, for Cowlitz, Island, Lewis, Mason, San Juan, Skagit, and
30 Skamania counties and the cities within those counties;

31 (c) On or before December 1, 2006, and every seven years
32 thereafter, for Benton, Chelan, Douglas, Grant, Kittitas, Spokane, and
33 Yakima counties and the cities within those counties; and

34 (d) On or before December 1, 2007, and every seven years
35 thereafter, for Adams, Asotin, Columbia, Ferry, Franklin, Garfield,
36 Grays Harbor, Klickitat, Lincoln, Okanogan, Pacific, Pend Oreille,
37 Stevens, Wahkiakum, Walla Walla, and Whitman counties and the cities
38 within those counties.

1 (5)(a) Nothing in this section precludes a county or city from
2 conducting the review and evaluation required by this section before
3 the time limits established in subsection (4) of this section.
4 Counties and cities may begin this process early and may be eligible
5 for grants from the department, subject to available funding, if they
6 elect to do so.

7 (b) A county that is subject to a schedule established by the
8 department under subsection (4)(b) through (d) of this section and
9 meets the following criteria may comply with the requirements of this
10 section at any time within the thirty-six months following the date
11 established in the applicable schedule: The county has a population of
12 less than fifty thousand and has had its population increase by no more
13 than seventeen percent in the ten years preceding the date established
14 in the applicable schedule as of that date.

15 (c) A city that is subject to a schedule established by the
16 department under subsection (4)(b) through (d) of this section and
17 meets the following criteria may comply with the requirements of this
18 section at any time within the thirty-six months following the date
19 established in the applicable schedule: The city has a population of
20 no more than five thousand and has had its population increase by the
21 greater of either no more than one hundred persons or no more than
22 seventeen percent in the ten years preceding the date established in
23 the applicable schedule as of that date.

24 (d) State agencies are encouraged to provide technical assistance
25 to the counties and cities in the review of critical area ordinances,
26 comprehensive plans, and development regulations.

27 (6) A county or city subject to the time periods in subsection
28 (4)(a) of this section that, pursuant to an ordinance adopted by the
29 county or city establishing a schedule for periodic review of its
30 comprehensive plan and development regulations, has conducted a review
31 and evaluation of its comprehensive plan and development regulations
32 and, on or after January 1, 2001, has taken action in response to that
33 review and evaluation shall be deemed to have conducted the first
34 review required by subsection (4)(a) of this section. Subsequent
35 review and evaluation by the county or city of its comprehensive plan
36 and development regulations shall be conducted in accordance with the
37 time periods established under subsection (4)(a) of this section.

1 (7) The requirements imposed on counties and cities under this
2 section shall be considered "requirements of this chapter" under the
3 terms of RCW 36.70A.040(1). Only those counties and cities: (a)
4 Complying with the schedules in this section; (b) demonstrating
5 substantial progress towards compliance with the schedules in this
6 section for development regulations that protect critical areas; or (c)
7 complying with the extension provisions of subsection (5)(b) or (c) of
8 this section may receive grants, loans, pledges, or financial
9 guarantees from ~~((those accounts))~~ the account established in RCW
10 43.155.050 ~~((and 70.146.030))~~. A county or city that is fewer than
11 twelve months out of compliance with the schedules in this section for
12 development regulations that protect critical areas is making
13 substantial progress towards compliance. Only those counties and
14 cities in compliance with the schedules in this section may receive
15 preference for grants or loans subject to the provisions of RCW
16 43.17.250.

17 (8) Except as provided in subsection (5)(b) and (c) of this
18 section:

19 (a) Counties and cities required to satisfy the requirements of
20 this section according to the schedule established by subsection (4)(b)
21 through (d) of this section may comply with the requirements of this
22 section for development regulations that protect critical areas one
23 year after the dates established in subsection (4)(b) through (d) of
24 this section;

25 (b) Counties and cities complying with the requirements of this
26 section one year after the dates established in subsection (4)(b)
27 through (d) of this section for development regulations that protect
28 critical areas shall be deemed in compliance with the requirements of
29 this section; and

30 (c) This subsection (8) applies only to the counties and cities
31 specified in subsection (4)(b) through (d) of this section, and only to
32 the requirements of this section for development regulations that
33 protect critical areas that must be satisfied by December 1, 2005,
34 December 1, 2006, and December 1, 2007.

35 (9) Notwithstanding subsection (8) of this section and the
36 substantial progress provisions of subsections (7) and (10) of this
37 section, only those counties and cities complying with the schedule in
38 subsection (4) of this section, or the extension provisions of

1 subsection (5)(b) or (c) of this section, may receive preferences for
2 grants, loans, pledges, or financial guarantees from (~~those accounts~~)
3 the account established in RCW 43.155.050 (~~and 70.146.030~~).

4 (10) Until December 1, 2005, and notwithstanding subsection (7) of
5 this section, a county or city subject to the time periods in
6 subsection (4)(a) of this section demonstrating substantial progress
7 towards compliance with the schedules in this section for its
8 comprehensive land use plan and development regulations may receive
9 grants, loans, pledges, or financial guarantees from (~~those accounts~~)
10 the account established in RCW 43.155.050 (~~and 70.146.030~~). A county
11 or city that is fewer than twelve months out of compliance with the
12 schedules in this section for its comprehensive land use plan and
13 development regulations is deemed to be making substantial progress
14 towards compliance.

15 **Sec. 21.** RCW 70.146.010 and 1986 c 3 s 1 are each amended to read
16 as follows:

17 The long-range health and environmental goals for the state of
18 Washington require the protection of the state's surface and
19 underground waters for the health, safety, use, enjoyment, and economic
20 benefit of its people. It is the purpose of this chapter to provide
21 financial assistance to the state and to local governments for the
22 planning, design, acquisition, construction, and improvement of water
23 pollution control facilities and related activities in the achievement
24 of state and federal water pollution control requirements for the
25 protection of the state's waters.

26 It is the intent of the legislature that distribution of moneys for
27 water pollution control facilities under this chapter be made on an
28 equitable basis taking into consideration legal mandates, local effort,
29 ratepayer impacts, and past distributions of state and federal moneys
30 for water pollution control facilities.

31 It is the intent of this chapter that the cost of any water
32 pollution control facility attributable to increased or additional
33 capacity that exceeds one hundred ten percent of existing needs at the
34 time of application for assistance under this chapter shall be entirely
35 a local or private responsibility. It is the intent of this chapter
36 that industrial pretreatment (~~be paid by industries and that the water~~

1 ~~quality account shall not be used for such purposes)) shall be entirely~~
2 a local or private responsibility.

3 **Sec. 22.** RCW 70.146.020 and 1995 2nd sp.s. c 18 s 920 are each
4 amended to read as follows:

5 Unless the context clearly requires otherwise, the definitions in
6 this section apply throughout this chapter.

7 (1) (~~"Account" means the water quality account in the state~~
8 ~~treasury.~~

9 ~~(2))~~ "Department" means the department of ecology.

10 ~~((3))~~ (2) "Eligible cost" means the cost of that portion of a
11 water pollution control facility that can be financed under this
12 chapter excluding any portion of a facility's cost attributable to
13 capacity that is in excess of that reasonably required to address one
14 hundred ten percent of the applicant's needs for water pollution
15 control existing at the time application is submitted for assistance
16 under this chapter.

17 ~~((4))~~ (3) "Water pollution control facility" or "facilities"
18 means any facilities or systems for the control, collection, storage,
19 treatment, disposal, or recycling of wastewater, including but not
20 limited to sanitary sewage, storm water, residential, commercial,
21 industrial, and agricultural wastes, which are causing water quality
22 degradation due to concentrations of conventional, nonconventional, or
23 toxic pollutants. Water pollution control facilities include all
24 equipment, utilities, structures, real property, and interests in and
25 improvements on real property necessary for or incidental to such
26 purpose. Water pollution control facilities also include such
27 facilities, equipment, and collection systems as are necessary to
28 protect federally designated sole source aquifers.

29 ~~((5))~~ (4) "Water pollution control activities" means actions
30 taken by a public body for the following purposes: (a) To prevent or
31 mitigate pollution of underground water; (b) to control nonpoint
32 sources of water pollution; (c) to restore the water quality of fresh
33 water lakes; and (d) to maintain or improve water quality through the
34 use of water pollution control facilities or other means. During the
35 1995-1997 fiscal biennium, "water pollution control activities"
36 includes activities by state agencies to protect public drinking water
37 supplies and sources.

1 ((+6)) (5) "Public body" means the state of Washington or any
2 agency, county, city or town, conservation district, other political
3 subdivision, municipal corporation, quasi-municipal corporation, and
4 those Indian tribes now or hereafter recognized as such by the federal
5 government.

6 ((+7)) (6) "Water pollution" means such contamination, or other
7 alteration of the physical, chemical, or biological properties of any
8 waters of the state, including change in temperature, taste, color,
9 turbidity, or odor of the waters, or such discharge of any liquid,
10 gaseous, solid, radioactive, or other substance into any waters of the
11 state as will or is likely to create a nuisance or render such waters
12 harmful, detrimental, or injurious to the public health, safety, or
13 welfare, or to domestic, commercial, industrial, agricultural,
14 recreational, or other legitimate beneficial uses, or to livestock,
15 wild animals, birds, fish, or other aquatic life.

16 ((+8)) (7) "Nonpoint source water pollution" means pollution that
17 enters any waters of the state from any dispersed water-based or land-
18 use activities, including, but not limited to, atmospheric deposition,
19 surface water runoff from agricultural lands, urban areas, and forest
20 lands, subsurface or underground sources, and discharges from boats or
21 other marine vessels.

22 ((+9)) (8) "Sole source aquifer" means the sole or principal
23 source of public drinking water for an area designated by the
24 administrator of the environmental protection agency pursuant to Public
25 Law 93-523, Sec. 1424(b).

26 **Sec. 23.** RCW 70.146.040 and 1986 c 3 s 6 are each amended to read
27 as follows:

28 No grant or loan made in this chapter for fiscal year 1987 shall be
29 construed to establish a precedent for levels of grants or loans made
30 (~~from the water quality account~~) under this chapter thereafter.

31 **Sec. 24.** RCW 70.146.060 and 1987 c 527 s 1 and 1987 c 436 s 7 are
32 each reenacted and amended to read as follows:

33 (~~During the period from July 1, 1987, until June 30, 1995, the~~
34 ~~following limitations shall apply to the department's total~~
35 ~~distribution of funds appropriated from the water quality account:~~

1 ~~(1) Not more than fifty percent for water pollution control~~
2 ~~facilities which discharge directly into marine waters;~~

3 ~~(2) Not more than twenty percent for water pollution control~~
4 ~~activities that prevent or mitigate pollution of underground waters and~~
5 ~~facilities that protect federally designated sole source aquifers with~~
6 ~~at least two thirds for the Spokane Rathdrum Prairie Aquifer;~~

7 ~~(3) Not more than ten percent for water pollution control~~
8 ~~activities that protect freshwater lakes and rivers including but not~~
9 ~~limited to Lake Chelan and the Yakima and Columbia rivers;~~

10 ~~(4) Not more than ten percent for activities which control nonpoint~~
11 ~~source water pollution;~~

12 ~~(5) Ten percent and such sums as may be remaining from the~~
13 ~~categories specified in subsections (1) through (4) of this section for~~
14 ~~water pollution control activities or facilities as determined by the~~
15 ~~department; and~~

16 ~~(6) Two and one half percent of the total amounts of moneys under~~
17 ~~subsections (1) through (5) of this section from February 21, 1986,~~
18 ~~until December 31, 1995, shall be appropriated biennially to the state~~
19 ~~conservation commission for the purposes of this chapter. Not less~~
20 ~~than ten percent of the moneys received by the state conservation~~
21 ~~commission under the provisions of this section shall be expended on~~
22 ~~research activities.~~

23 ~~The distribution under this section shall not be required to be met~~
24 ~~in any single fiscal year.))~~

25 Funds provided for facilities and activities under this chapter may
26 be used for payments to a service provider under a service agreement
27 pursuant to RCW 70.150.060. If funds are to be used for such payments,
28 the department may make periodic disbursements to a public body or may
29 make a single lump sum disbursement. Disbursements of funds with
30 respect to a facility owned or operated by a service provider shall be
31 equivalent in value to disbursements that would otherwise be made if
32 that facility were owned or operated by a public body. Payments under
33 this chapter for waste disposal and management facilities made to
34 public bodies entering into service agreements pursuant to RCW
35 70.150.060 shall not exceed amounts paid to public bodies not entering
36 into service agreements.

1 **Sec. 25.** RCW 70.146.075 and 1987 c 516 s 1 are each amended to
2 read as follows:

3 (1) The department of ecology may enter into contracts with local
4 jurisdictions which provide for extended grant payments under which
5 eligible costs may be paid on an advanced or deferred basis.

6 (2) Extended grant payments shall be in equal annual payments, the
7 total of which does not exceed, on a net present value basis, fifty
8 percent of the total eligible cost of the project incurred at the time
9 of design and construction. The duration of such extended grant
10 payments shall be for a period not to exceed twenty years. The total
11 of federal and state grant moneys received for the eligible costs of
12 the project shall not exceed fifty percent of the eligible costs.

13 (3) Any moneys appropriated by the legislature (~~((from the water~~
14 ~~quality account))~~ for the purposes of this section shall be first used
15 by the department of ecology to satisfy the conditions of the extended
16 grant payment contracts.

17 **Sec. 26.** RCW 82.24.027 and 2008 c 86 s 303 are each amended to
18 read as follows:

19 (1) There is hereby levied and there shall be collected by the
20 department of revenue from the persons mentioned in and in the manner
21 provided by this chapter, an additional tax upon the sale, use,
22 consumption, handling, possession, or distribution of cigarettes in an
23 amount equal to four-tenths of a cent per cigarette.

24 (2) The moneys collected under this section shall be deposited (~~as~~
25 ~~follows:~~

26 ~~(a) For the period beginning July 1, 2001, through June 30, 2021,~~
27 ~~into the water quality account under RCW 70.146.030; and~~

28 ~~(b) For the period beginning July 1, 2021,~~) in the general fund.

29 NEW SECTION. **Sec. 27.** RCW 82.32.390 (Certain revenues to be
30 deposited in water quality account) and 1986 c 3 s 15 are each
31 repealed.

32 **Sec. 28.** RCW 90.71.370 and 2008 c 329 s 927 are each amended to
33 read as follows:

34 (1) By December 1, 2008, and by September 1st of each even-numbered
35 year beginning in 2010, the council shall provide to the governor and

1 the appropriate fiscal committees of the senate and house of
2 representatives its recommendations for the funding necessary to
3 implement the action agenda in the succeeding biennium. The
4 recommendations shall:

5 (a) Identify the funding needed by action agenda element;

6 (b) Address funding responsibilities among local, state, and
7 federal governments, as well as nongovernmental funding; and

8 (c) Address funding needed to support the work of the partnership,
9 the panel, the ecosystem work group, and entities assisting in
10 coordinating local efforts to implement the plan.

11 (2) In the 2008 report required under subsection (1) of this
12 section, the council shall include recommendations for projected
13 funding needed through 2020 to implement the action agenda; funding
14 needs for science panel staff; identify methods to secure stable and
15 sufficient funding to meet these needs; and include proposals for new
16 sources of funding to be dedicated to Puget Sound protection and
17 recovery. In preparing the science panel staffing proposal, the
18 council shall consult with the panel.

19 (3) By November 1st of each odd-numbered year beginning in 2009,
20 the council shall produce a state of the Sound report that includes, at
21 a minimum:

22 (a) An assessment of progress by state and nonstate entities in
23 implementing the action agenda, including accomplishments in the use of
24 state funds for action agenda implementation;

25 (b) A description of actions by implementing entities that are
26 inconsistent with the action agenda and steps taken to remedy the
27 inconsistency;

28 (c) The comments by the panel on progress in implementing the plan,
29 as well as findings arising from the assessment and monitoring program;

30 (d) A review of citizen concerns provided to the partnership and
31 the disposition of those concerns;

32 (e) A review of the expenditures of funds to state agencies for the
33 implementation of programs affecting the protection and recovery of
34 Puget Sound, and an assessment of whether the use of the funds is
35 consistent with the action agenda; and

36 (f) An identification of all funds provided to the partnership, and
37 recommendations as to how future state expenditures for all entities,

1 including the partnership, could better match the priorities of the
2 action agenda.

3 (4)(a) The council shall review state programs that fund facilities
4 and activities that may contribute to action agenda implementation. By
5 November 1, 2009, the council shall provide initial recommendations
6 regarding program changes to the governor and appropriate fiscal and
7 policy committees of the senate and house of representatives. By
8 November 1, 2010, the council shall provide final recommendations
9 regarding program changes, including proposed legislation to implement
10 the recommendation, to the governor and appropriate fiscal and policy
11 committees of the senate and house of representatives.

12 (b) The review in this subsection shall be conducted with the
13 active assistance and collaboration of the agencies administering these
14 programs, and in consultation with local governments and other entities
15 receiving funding from these programs:

16 (~~(i)~~) (~~The water quality account, chapter 70.146 RCW;~~
17 ~~(ii)~~) The water pollution control revolving fund, chapter 90.50A
18 RCW;

19 (~~(iii)~~) (ii) The public works assistance account, chapter 43.155
20 RCW;

21 (~~(iv)~~) (iii) The aquatic lands enhancement account, RCW
22 79.105.150;

23 (~~(v)~~) (iv) The state toxics control account and local toxics
24 control account and clean-up program, chapter 70.105D RCW;

25 (~~(vi)~~) (v) The acquisition of habitat conservation and outdoor
26 recreation land, chapter 79A.15 RCW;

27 (~~(vii)~~) (vi) The salmon recovery funding board, RCW 77.85.110
28 through 77.85.150;

29 (~~(viii)~~) (vii) The community economic revitalization board,
30 chapter 43.160 RCW;

31 (~~(ix)~~) (viii) Other state financial assistance to water quality-
32 related projects and activities; and

33 (~~(x)~~) (ix) Water quality financial assistance from federal
34 programs administered through state programs or provided directly to
35 local governments in the Puget Sound basin.

36 (c) The council's review shall include but not be limited to:

37 (i) Determining the level of funding and types of projects and

1 activities funded through the programs that contribute to
2 implementation of the action agenda;

3 (ii) Evaluating the procedures and criteria in each program for
4 determining which projects and activities to fund, and their
5 relationship to the goals and priorities of the action agenda;

6 (iii) Assessing methods for ensuring that the goals and priorities
7 of the action agenda are given priority when program funding decisions
8 are made regarding water quality-related projects and activities in the
9 Puget Sound basin and habitat-related projects and activities in the
10 Puget Sound basin;

11 (iv) Modifying funding criteria so that projects, programs, and
12 activities that are inconsistent with the action agenda are ineligible
13 for funding;

14 (v) Assessing ways to incorporate a strategic funding approach for
15 the action agenda within the outcome-focused performance measures
16 required by RCW 43.41.270 in administering natural resource-related and
17 environmentally based grant and loan programs.

18 **APPLICABLE TO MORE THAN ONE ACCOUNT**

19 **Sec. 29.** RCW 43.135.025 and 2005 c 72 s 4 are each amended to read
20 as follows:

21 (1) The state shall not expend from the general fund and related
22 funds during any fiscal year state moneys in excess of the state
23 expenditure limit established under this chapter.

24 (2) Except pursuant to a declaration of emergency under RCW
25 43.135.035 or pursuant to an appropriation under RCW
26 43.135.045(~~((4)(b))~~) (2)(b), the state treasurer shall not issue or
27 redeem any check, warrant, or voucher that will result in a state
28 general fund or related fund expenditure for any fiscal year in excess
29 of the state expenditure limit established under this chapter. A
30 violation of this subsection constitutes a violation of RCW 43.88.290
31 and shall subject the state treasurer to the penalties provided in RCW
32 43.88.300.

33 (3) The state expenditure limit for any fiscal year shall be the
34 previous fiscal year's state expenditure limit increased by a
35 percentage rate that equals the fiscal growth factor.

1 (4) For purposes of computing the state expenditure limit for the
2 fiscal year beginning July 1, 2007, the phrase "the previous fiscal
3 year's state expenditure limit" means the total state expenditures from
4 the state general fund and related funds, not including federal funds,
5 for the fiscal year beginning July 1, 2006, plus the fiscal growth
6 factor.

7 (5) A state expenditure limit committee is established for the
8 purpose of determining and adjusting the state expenditure limit as
9 provided in this chapter. The members of the state expenditure limit
10 committee are the director of financial management, the attorney
11 general or the attorney general's designee, and the chairs and ranking
12 minority members of the senate committee on ways and means and the
13 house of representatives committee on appropriations. All actions of
14 the state expenditure limit committee taken pursuant to this chapter
15 require an affirmative vote of at least four members.

16 (6) Each November, the state expenditure limit committee shall
17 adjust the expenditure limit for the preceding fiscal year based on
18 actual expenditures and known changes in the fiscal growth factor and
19 then project an expenditure limit for the next two fiscal years. If,
20 by November 30th, the state expenditure limit committee has not adopted
21 the expenditure limit adjustment and projected expenditure limit as
22 provided in subsection (5) of this section, the attorney general or his
23 or her designee shall adjust or project the expenditure limit, as
24 necessary.

25 (7) "Fiscal growth factor" means the average growth in state
26 personal income for the prior ten fiscal years.

27 (8) "General fund" means the state general fund.

28 (9) "Related fund" means the (~~health services account, violence~~
29 ~~reduction and drug enforcement account,~~) public safety and education
30 account(~~(, water quality account,)~~) or student achievement fund.

31 **Sec. 30.** RCW 66.24.210 and 2008 c 94 s 8 are each amended to read
32 as follows:

33 (1) There is hereby imposed upon all wines except cider sold to
34 wine distributors and the Washington state liquor control board, within
35 the state a tax at the rate of twenty and one-fourth cents per liter.
36 Any domestic winery or certificate of approval holder acting as a
37 distributor of its own production shall pay taxes imposed by this

1 section. There is hereby imposed on all cider sold to wine
2 distributors and the Washington state liquor control board within the
3 state a tax at the rate of three and fifty-nine one-hundredths cents
4 per liter. However, wine sold or shipped in bulk from one winery to
5 another winery shall not be subject to such tax.

6 (a) The tax provided for in this section shall be collected by
7 direct payments based on wine purchased by wine distributors.

8 (b) Except as provided in subsection (7) of this section, every
9 person purchasing wine under the provisions of this section shall on or
10 before the twentieth day of each month report to the board all
11 purchases during the preceding calendar month in such manner and upon
12 such forms as may be prescribed by the board, and with such report
13 shall pay the tax due from the purchases covered by such report unless
14 the same has previously been paid. Any such purchaser of wine whose
15 applicable tax payment is not postmarked by the twentieth day following
16 the month of purchase will be assessed a penalty at the rate of two
17 percent a month or fraction thereof. The board may require that every
18 such person shall execute to and file with the board a bond to be
19 approved by the board, in such amount as the board may fix, securing
20 the payment of the tax. If any such person fails to pay the tax when
21 due, the board may forthwith suspend or cancel the license until all
22 taxes are paid.

23 (c) Any licensed retailer authorized to purchase wine from a
24 certificate of approval holder with a direct shipment endorsement or a
25 domestic winery shall make monthly reports to the liquor control board
26 on wine purchased during the preceding calendar month in the manner and
27 upon such forms as may be prescribed by the board.

28 (2) An additional tax is imposed equal to the rate specified in RCW
29 82.02.030 multiplied by the tax payable under subsection (1) of this
30 section. All revenues collected during any month from this additional
31 tax shall be transferred to the state general fund by the twenty-fifth
32 day of the following month.

33 (3) An additional tax is imposed on wines subject to tax under
34 subsection (1) of this section, at the rate of one-fourth of one cent
35 per liter for wine sold after June 30, 1987. After June 30, 1996, such
36 additional tax does not apply to cider. An additional tax of five one-
37 hundredths of one cent per liter is imposed on cider sold after June

1 30, 1996. All revenues collected under this subsection (3) shall be
2 disbursed quarterly to the Washington wine commission for use in
3 carrying out the purposes of chapter 15.88 RCW.

4 (4) An additional tax is imposed on all wine subject to tax under
5 subsection (1) of this section. The additional tax is equal to twenty-
6 three and forty-four one-hundredths cents per liter on fortified wine
7 as defined in RCW 66.04.010 when bottled or packaged by the
8 manufacturer, one cent per liter on all other wine except cider, and
9 eighteen one-hundredths of one cent per liter on cider. All revenues
10 collected during any month from this additional tax shall be deposited
11 in the (~~violence reduction and drug enforcement account under RCW~~
12 ~~69.50.520 by the twenty fifth day of the following month~~) state
13 general fund.

14 (5)(a) An additional tax is imposed on all cider subject to tax
15 under subsection (1) of this section. The additional tax is equal to
16 two and four one-hundredths cents per liter of cider sold after June
17 30, 1996, and before July 1, 1997, and is equal to four and seven one-
18 hundredths cents per liter of cider sold after June 30, 1997.

19 (b) All revenues collected from the additional tax imposed under
20 this subsection (5) shall be deposited in the (~~health services account~~
21 ~~under RCW 43.72.900~~) state general fund.

22 (6) For the purposes of this section, "cider" means table wine that
23 contains not less than one-half of one percent of alcohol by volume and
24 not more than seven percent of alcohol by volume and is made from the
25 normal alcoholic fermentation of the juice of sound, ripe apples or
26 pears. "Cider" includes, but is not limited to, flavored, sparkling,
27 or carbonated cider and cider made from condensed apple or pear must.

28 (7) For the purposes of this section, out-of-state wineries shall
29 pay taxes under this section on wine sold and shipped directly to
30 Washington state residents in a manner consistent with the requirements
31 of a wine distributor under subsections (1) through (4) of this
32 section, except wineries shall be responsible for the tax and not the
33 resident purchaser.

34 **Sec. 31.** RCW 66.24.290 and 2006 c 302 s 7 are each amended to read
35 as follows:

36 (1) Any microbrewer or domestic brewery or beer distributor
37 licensed under this title may sell and deliver beer and strong beer to

1 holders of authorized licenses direct, but to no other person, other
2 than the board. Any certificate of approval holder authorized to act
3 as a distributor under RCW 66.24.270 shall pay the taxes imposed by
4 this section.

5 (a) Every such brewery or beer distributor shall report all sales
6 to the board monthly, pursuant to the regulations, and shall pay to the
7 board as an added tax for the privilege of manufacturing and selling
8 the beer and strong beer within the state a tax of one dollar and
9 thirty cents per barrel of thirty-one gallons on sales to licensees
10 within the state and on sales to licensees within the state of bottled
11 and canned beer, including strong beer, shall pay a tax computed in
12 gallons at the rate of one dollar and thirty cents per barrel of
13 thirty-one gallons.

14 (b) Any brewery or beer distributor whose applicable tax payment is
15 not postmarked by the twentieth day following the month of sale will be
16 assessed a penalty at the rate of two percent per month or fraction
17 thereof. Beer and strong beer shall be sold by breweries and
18 distributors in sealed barrels or packages.

19 (c) The moneys collected under this subsection shall be distributed
20 as follows: (i) Three-tenths of a percent shall be distributed to
21 border areas under RCW 66.08.195; and (ii) of the remaining moneys:
22 (A) Twenty percent shall be distributed to counties in the same manner
23 as under RCW 66.08.200; and (B) eighty percent shall be distributed to
24 incorporated cities and towns in the same manner as under RCW
25 66.08.210.

26 (d) Any licensed retailer authorized to purchase beer from a
27 certificate of approval holder with a direct shipment endorsement or a
28 brewery or microbrewery shall make monthly reports to the liquor
29 control board on beer purchased during the preceding calendar month in
30 the manner and upon such forms as may be prescribed by the board.

31 (2) An additional tax is imposed on all beer and strong beer
32 subject to tax under subsection (1) of this section. The additional
33 tax is equal to two dollars per barrel of thirty-one gallons. All
34 revenues collected during any month from this additional tax shall be
35 deposited in the (~~violence reduction and drug enforcement account~~
36 ~~under RCW 69.50.520 by the twenty-fifth day of the following month~~)
37 state general fund.

1 (3)(a) An additional tax is imposed on all beer and strong beer
2 subject to tax under subsection (1) of this section. The additional
3 tax is equal to ninety-six cents per barrel of thirty-one gallons
4 through June 30, 1995, two dollars and thirty-nine cents per barrel of
5 thirty-one gallons for the period July 1, 1995, through June 30, 1997,
6 and four dollars and seventy-eight cents per barrel of thirty-one
7 gallons thereafter.

8 (b) The additional tax imposed under this subsection does not apply
9 to the sale of the first sixty thousand barrels of beer each year by
10 breweries that are entitled to a reduced rate of tax under 26 U.S.C.
11 Sec. 5051, as existing on July 1, 1993, or such subsequent date as may
12 be provided by the board by rule consistent with the purposes of this
13 exemption.

14 (c) All revenues collected from the additional tax imposed under
15 this subsection (3) shall be deposited in the (~~health services account~~
16 ~~under RCW 43.72.900~~) state general fund.

17 (4) An additional tax is imposed on all beer and strong beer that
18 is subject to tax under subsection (1) of this section that is in the
19 first sixty thousand barrels of beer and strong beer by breweries that
20 are entitled to a reduced rate of tax under 26 U.S.C. Sec. 5051, as
21 existing on July 1, 1993, or such subsequent date as may be provided by
22 the board by rule consistent with the purposes of the exemption under
23 subsection (3)(b) of this section. The additional tax is equal to one
24 dollar and forty-eight and two-tenths cents per barrel of thirty-one
25 gallons. By the twenty-fifth day of the following month, three percent
26 of the revenues collected from this additional tax shall be distributed
27 to border areas under RCW 66.08.195 and the remaining moneys shall be
28 transferred to the state general fund.

29 (5) The board may make refunds for all taxes paid on beer and
30 strong beer exported from the state for use outside the state.

31 (6) The board may require filing with the board of a bond to be
32 approved by it, in such amount as the board may fix, securing the
33 payment of the tax. If any licensee fails to pay the tax when due, the
34 board may forthwith suspend or cancel his or her license until all
35 taxes are paid.

36 **Sec. 32.** RCW 82.08.150 and 2005 c 514 s 201 are each amended to
37 read as follows:

1 (1) There is levied and shall be collected a tax upon each retail
2 sale of spirits in the original package at the rate of fifteen percent
3 of the selling price. The tax imposed in this subsection shall apply
4 to all such sales including sales by the Washington state liquor stores
5 and agencies, but excluding sales to spirits, beer, and wine restaurant
6 licensees.

7 (2) There is levied and shall be collected a tax upon each sale of
8 spirits in the original package at the rate of ten percent of the
9 selling price on sales by Washington state liquor stores and agencies
10 to spirits, beer, and wine restaurant licensees.

11 (3) There is levied and shall be collected an additional tax upon
12 each retail sale of spirits in the original package at the rate of one
13 dollar and seventy-two cents per liter. The additional tax imposed in
14 this subsection shall apply to all such sales including sales by
15 Washington state liquor stores and agencies, and including sales to
16 spirits, beer, and wine restaurant licensees.

17 (4) An additional tax is imposed equal to fourteen percent
18 multiplied by the taxes payable under subsections (1), (2), and (3) of
19 this section.

20 (5) An additional tax is imposed upon each retail sale of spirits
21 in the original package at the rate of seven cents per liter. The
22 additional tax imposed in this subsection shall apply to all such sales
23 including sales by Washington state liquor stores and agencies, and
24 including sales to spirits, beer, and wine restaurant licensees. All
25 revenues collected during any month from this additional tax shall be
26 deposited in (~~the violence reduction and drug enforcement account~~
27 ~~under RCW 69.50.520 by the twenty-fifth day of the following month~~)
28 state general fund.

29 (6)(a) An additional tax is imposed upon retail sale of spirits in
30 the original package at the rate of one and seven-tenths percent of the
31 selling price through June 30, 1995, two and six-tenths percent of the
32 selling price for the period July 1, 1995, through June 30, 1997, and
33 three and four-tenths of the selling price thereafter. This additional
34 tax applies to all such sales including sales by Washington state
35 liquor stores and agencies, but excluding sales to spirits, beer, and
36 wine restaurant licensees.

37 (b) An additional tax is imposed upon retail sale of spirits in the
38 original package at the rate of one and one-tenth percent of the

1 selling price through June 30, 1995, one and seven-tenths percent of
2 the selling price for the period July 1, 1995, through June 30, 1997,
3 and two and three-tenths of the selling price thereafter. This
4 additional tax applies to all such sales to spirits, beer, and wine
5 restaurant licensees.

6 (c) An additional tax is imposed upon each retail sale of spirits
7 in the original package at the rate of twenty cents per liter through
8 June 30, 1995, thirty cents per liter for the period July 1, 1995,
9 through June 30, 1997, and forty-one cents per liter thereafter. This
10 additional tax applies to all such sales including sales by Washington
11 state liquor stores and agencies, and including sales to spirits, beer,
12 and wine restaurant licensees.

13 (d) All revenues collected during any month from additional taxes
14 under this subsection shall be deposited in the (~~health services~~
15 ~~account created under RCW 43.72.900 by the twenty-fifth day of the~~
16 ~~following month~~) state general fund.

17 (7)(a) An additional tax is imposed upon each retail sale of
18 spirits in the original package at the rate of one dollar and thirty-
19 three cents per liter. This additional tax applies to all such sales
20 including sales by Washington state liquor stores and agencies, but
21 excluding sales to spirits, beer, and wine restaurant licensees.

22 (b) All revenues collected during any month from additional taxes
23 under this subsection shall be deposited (~~by the twenty-fifth day of~~
24 ~~the following month as follows~~:-

25 ~~(i) 97.5 percent into the general fund;~~

26 ~~(ii) 2.3 percent into the health services account created under RCW~~
27 ~~43.72.900; and~~

28 ~~(iii) 0.2 percent into the violence reduction and drug enforcement~~
29 ~~account created under RCW 69.50.520)) in the state general fund.~~

30 (8) The tax imposed in RCW 82.08.020 shall not apply to sales of
31 spirits in the original package.

32 (9) The taxes imposed in this section shall be paid by the buyer to
33 the seller, and each seller shall collect from the buyer the full
34 amount of the tax payable in respect to each taxable sale under this
35 section. The taxes required by this section to be collected by the
36 seller shall be stated separately from the selling price and for
37 purposes of determining the tax due from the buyer to the seller, it

1 shall be conclusively presumed that the selling price quoted in any
2 price list does not include the taxes imposed by this section.

3 (10) As used in this section, the terms, "spirits" and "package"
4 shall have the meaning ascribed to them in chapter 66.04 RCW.

5 **Sec. 33.** RCW 82.24.020 and 2008 c 226 s 3 and 2008 c 86 s 301 are
6 each reenacted and amended to read as follows:

7 (1) There is levied and there shall be collected as provided in
8 this chapter, a tax upon the sale, use, consumption, handling,
9 possession, or distribution of all cigarettes, in an amount equal to
10 one and fifteen one-hundredths cents per cigarette.

11 (2) An additional tax is imposed upon the sale, use, consumption,
12 handling, possession, or distribution of all cigarettes, in an amount
13 equal to five hundred twenty-five one-thousandths of a cent per
14 cigarette. All revenues collected during any month from this
15 additional tax shall be deposited in the (~~violence reduction and drug~~
16 ~~enforcement account under RCW 69.50.520 by the twenty fifth day of the~~
17 ~~following month~~) state general fund.

18 (3) An additional tax is imposed upon the sale, use, consumption,
19 handling, possession, or distribution of all cigarettes, in an amount
20 equal to two and five one-hundredths cents per cigarette. All revenues
21 collected during any month from this additional tax shall be deposited
22 in the (~~health services account created under RCW 43.72.900 by the~~
23 ~~twenty fifth day of the following month~~) state general fund.

24 (4) Wholesalers subject to the payment of this tax may, if they
25 wish, absorb five one-hundredths cents per cigarette of the tax and not
26 pass it on to purchasers without being in violation of this section or
27 any other act relating to the sale or taxation of cigarettes.

28 (5) For purposes of this chapter, "possession" shall mean both (a)
29 physical possession by the purchaser and, (b) when cigarettes are being
30 transported to or held for the purchaser or his or her designee by a
31 person other than the purchaser, constructive possession by the
32 purchaser or his or her designee, which constructive possession shall
33 be deemed to occur at the location of the cigarettes being so
34 transported or held.

35 (6) In accordance with federal law and rules prescribed by the
36 department, an enrolled member of a federally recognized Indian tribe
37 may purchase cigarettes from an Indian tribal organization under the

1 jurisdiction of the member's tribe for the member's own use exempt from
2 the applicable taxes imposed by this chapter. Except as provided in
3 subsection (7) of this section, any person, who purchases cigarettes
4 from an Indian tribal organization and who is not an enrolled member of
5 the federally recognized Indian tribe within whose jurisdiction the
6 sale takes place, is not exempt from the applicable taxes imposed by
7 this chapter.

8 (7) If the state enters into a cigarette tax contract or agreement
9 with a federally recognized Indian tribe under chapter 43.06 RCW, the
10 terms of the contract or agreement shall take precedence over any
11 conflicting provisions of this chapter while the contract or agreement
12 is in effect.

13 **Sec. 34.** RCW 82.24.026 and 2008 c 86 s 302 are each amended to
14 read as follows:

15 (1) In addition to the tax imposed upon the sale, use, consumption,
16 handling, possession, or distribution of cigarettes set forth in RCW
17 82.24.020, there is imposed a tax in an amount equal to three cents per
18 cigarette.

19 (2) The revenue collected under this section shall be deposited as
20 follows:

21 (a) ~~((21.7 percent shall be deposited into the health services~~
22 ~~account.~~

23 ~~(b) 2.8 percent shall be deposited into the general fund.~~

24 ~~(c) 2.3 percent shall be deposited into the violence reduction and~~
25 ~~drug enforcement account under RCW 69.50.520.~~

26 ~~(d) 1.7 percent shall be deposited into the water quality account~~
27 ~~under RCW 70.146.030.)) 28.5 percent shall be deposited into the state~~
28 ~~general fund.~~

29 ~~((+e)) (b) The remainder shall be deposited into the education~~
30 ~~legacy trust account.~~

31 **Sec. 35.** RCW 82.26.020 and 2005 c 180 s 3 are each amended to read
32 as follows:

33 (1) There is levied and there shall be collected a tax upon the
34 sale, handling, or distribution of all tobacco products in this state
35 at the following rate:

1 (a) Seventy-five percent of the taxable sales price of cigars, not
2 to exceed fifty cents per cigar; or

3 (b) Seventy-five percent of the taxable sales price of all tobacco
4 products that are not cigars.

5 (2) Taxes under this section shall be imposed at the time the
6 distributor (a) brings, or causes to be brought, into this state from
7 without the state tobacco products for sale, (b) makes, manufactures,
8 fabricates, or stores tobacco products in this state for sale in this
9 state, (c) ships or transports tobacco products to retailers in this
10 state, to be sold by those retailers, or (d) handles for sale any
11 tobacco products that are within this state but upon which tax has not
12 been imposed.

13 (3) The moneys collected under this section shall be deposited (~~as~~
14 ~~follows:~~

15 ~~(a) Thirty-seven percent)) in the general fund((+)~~

16 ~~(b) Fifty percent in the health services account created under RCW~~
17 ~~43.72.900; and~~

18 ~~(c) Thirteen percent in the water quality account under RCW~~
19 ~~70.146.030 for the period beginning July 1, 2005, through June 30,~~
20 ~~2021, and in the general fund for the period beginning July 1, 2021)).~~

21 **NECESSARY TO IMPLEMENT**

22 NEW SECTION. **Sec. 36.** Any residual balance of funds remaining in
23 the health services account, violence reduction and drug enforcement
24 account, and water quality account on the effective date of this
25 section shall be transferred to the state general fund.

26 NEW SECTION. **Sec. 37.** This act is necessary for the immediate
27 preservation of the public peace, health, or safety, or support of the
28 state government and its existing public institutions, and takes effect
29 July 1, 2009.

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