
SENATE BILL 5040

State of Washington 63rd Legislature 2013 Regular Session

By Senators Hasegawa, Conway, Kohl-Welles, Kline, and Chase

Read first time 01/15/13. Referred to Committee on Ways & Means.

1 AN ACT Relating to incorporating state tax expenditures into the
2 state budget process; amending RCW 43.06.400 and 43.88.030; and adding
3 a new section to chapter 43.88 RCW.

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

5 NEW SECTION. **Sec. 1.** A new section is added to chapter 43.88 RCW
6 to read as follows:

7 (1) The omnibus operating appropriations bill enacted by the
8 legislature must include:

9 (a) A tax expenditure section or sections listing all discretionary
10 state tax expenditures together with an estimate of the state revenue
11 impact associated with each discretionary state tax expenditure;

12 (b) A section stating the total estimated revenue impact from all
13 discretionary state tax expenditures, total appropriations, and total
14 state expenditures representing the sum of discretionary state tax
15 expenditures and appropriations; and

16 (c) A section stating the total state revenue impact from all
17 nondiscretionary tax expenditures.

18 (2) The sections described in subsection (1) of this section must
19 be stated in part I of the omnibus operating appropriations bill.

1 (3) For the purposes of this section, "discretionary state tax
2 expenditure" means a tax preference, as defined in RCW 43.136.021, that
3 impacts revenues appropriated in the omnibus operating appropriations
4 bill and that is not required by the state Constitution, federal
5 Constitution, or federal law.

6 **Sec. 2.** RCW 43.06.400 and 2011 1st sp.s. c 20 s 201 are each
7 amended to read as follows:

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

- 21 (a) Real and personal property tax exemptions under Title 84 RCW;
 - 22 (b) Business and occupation tax exemptions, deductions, and credits
23 under chapter 82.04 RCW;
 - 24 (c) Retail sales and use tax exemptions under chapters 82.08,
25 82.12, and 82.14 RCW;
 - 26 (d) Public utility tax exemptions and deductions under chapter
27 82.16 RCW;
 - 28 (e) Food fish and shellfish tax exemptions under chapter 82.27 RCW;
 - 29 (f) Leasehold excise tax exemptions under chapter 82.29A RCW;
 - 30 (g) Motor vehicle and special fuel tax exemptions and refunds under
31 chapters 82.36 and 82.38 RCW;
 - 32 (h) Aircraft fuel tax exemptions under chapter 82.42 RCW;
 - 33 (i) Motor vehicle excise tax exclusions under chapter 82.44 RCW;
 - 34 and
 - 35 (j) Insurance premiums tax exemptions under chapter 48.14 RCW.
- 36 (2) The department of revenue must prepare the listing required by

1 this section with the assistance of any other agencies or departments
2 as may be required.

3 (3) The department of revenue must (~~present the listing to the~~
4 ~~ways and means committees of each house in public hearings~~) submit the
5 listing to the governor at the time biennial budget requests are due
6 under RCW 43.88.030.

7 (4) (~~Beginning in January 1984, and every four years thereafter~~)
8 The governor is requested to review the report from the department of
9 revenue and prepare a tax expenditure report as part of the biennial
10 budget documents under RCW 43.88.030. The tax expenditure report must
11 include the listing of expenditures prepared by the department of
12 revenue and a budget analysis of each expenditure. The budget analysis
13 must categorize each expenditure according to the programs or functions
14 each expenditure supports. The tax expenditure report is not required
15 to address tax expenditures required under the state Constitution,
16 federal Constitution, or federal law.

17 (5) The governor must identify each expenditure that will terminate
18 during the next biennium and make a recommendation as to whether the
19 expenditure should be allowed to terminate, continue, or continue with
20 modification. The governor also may submit other recommendations to
21 the legislature with respect to the repeal or modification of any tax
22 (~~exemption~~) expenditure. The (~~ways and means~~) fiscal committees of
23 each house and the appropriate standing committee of each house must
24 hold public hearings and take appropriate action on the tax expenditure
25 report and recommendations submitted by the governor.

26 (~~(+5)~~) (6) As used in this section, "tax (~~exemption~~)
27 expenditure" means an exemption, exclusion, or deduction from the base
28 of a tax; a credit against a tax; a deferral of a tax; or a
29 preferential tax rate.

30 (~~(+6)~~) (7) For purposes of the listing due in January 2012, the
31 department of revenue does not have to prepare or update the listing
32 with respect to any tax exemption that would not be likely to increase
33 state revenue if the exemption was repealed or otherwise eliminated.

34 **Sec. 3.** RCW 43.88.030 and 2006 c 334 s 43 are each amended to read
35 as follows:

36 (1) The director of financial management (~~shall~~) must provide all
37 agencies with a complete set of instructions for submitting biennial

1 budget requests to the director at least three months before agency
2 budget documents are due into the office of financial management. The
3 budget document or documents (~~shall~~) must consist of the governor's
4 budget message, which (~~shall~~) must be explanatory of the budget and
5 (~~shall~~) must contain an outline of the proposed financial policies of
6 the state for the ensuing fiscal period, as well as an outline of the
7 proposed six-year financial policies where applicable, and (~~shall~~)
8 must describe in connection therewith the important features of the
9 budget. The biennial budget document or documents (~~shall~~) must also
10 describe performance indicators that demonstrate measurable progress
11 towards priority results. The message (~~shall~~) must set forth the
12 reasons for salient changes from the previous fiscal period in
13 expenditure and revenue items and (~~shall~~) must explain any major
14 changes in financial policy. Attached to the budget message (~~shall~~)
15 must be such supporting schedules, exhibits and other explanatory
16 material in respect to both current operations and capital improvements
17 as the governor (~~shall~~) deems to be useful to the legislature. The
18 budget document or documents (~~shall~~) must set forth a proposal for
19 expenditures in the ensuing fiscal period, or six-year period where
20 applicable, based upon the estimated revenues and caseloads as approved
21 by the economic and revenue forecast council and caseload forecast
22 council or upon the estimated revenues and caseloads of the office of
23 financial management for those funds, accounts, sources, and programs
24 for which the forecast councils do not prepare an official forecast.
25 Revenues (~~shall~~) must be estimated for such fiscal period from the
26 source and at the rates existing by law at the time of submission of
27 the budget document, including the supplemental budgets submitted in
28 the even-numbered years of a biennium. However, the estimated revenues
29 and caseloads for use in the governor's budget document may be adjusted
30 to reflect budgetary revenue transfers and revenue and caseload
31 estimates dependent upon budgetary assumptions of enrollments,
32 workloads, and caseloads. All adjustments to the approved estimated
33 revenues and caseloads must be set forth in the budget document. The
34 governor may additionally submit, as an appendix to each supplemental,
35 biennial, or six-year agency budget or to the budget document or
36 documents, a proposal for expenditures in the ensuing fiscal period
37 from revenue sources derived from proposed changes in existing
38 statutes.

1 (2) The budget document or documents (~~shall~~) must also contain:
2 (a) Revenues classified by fund and source for the immediately past
3 fiscal period, those received or anticipated for the current fiscal
4 period, and those anticipated for the ensuing biennium;
5 (b) The tax expenditure report prepared under RCW 43.06.400;
6 (c) The undesignated fund balance or deficit, by fund;
7 (~~e~~) (d) Such additional information dealing with expenditures,
8 revenues, workload, performance, and personnel as the legislature may
9 direct by law or concurrent resolution;
10 (~~d~~) (e) Such additional information dealing with revenues and
11 expenditures as the governor (~~shall~~) deems pertinent and useful to
12 the legislature;
13 (~~e~~) (f) Tabulations showing expenditures classified by fund,
14 function, and agency;
15 (~~f~~) (g) The expenditures that include nonbudgeted,
16 nonappropriated accounts outside the state treasury;
17 (~~g~~) (h) Identification of all proposed direct expenditures to
18 implement the Puget Sound water quality plan under chapter 90.71 RCW,
19 shown by agency and in total; and
20 (~~h~~) (i) Tabulations showing each postretirement adjustment by
21 retirement system established after fiscal year 1991, to include, but
22 not be limited to, estimated total payments made to the end of the
23 previous biennial period, estimated payments for the present biennium,
24 and estimated payments for the ensuing biennium.
25 (~~2~~) (3) The budget document or documents (~~shall~~) must include
26 detailed estimates of all anticipated revenues applicable to proposed
27 operating or capital expenditures and (~~shall~~) must also include all
28 proposed operating or capital expenditures. The total of beginning
29 undesignated fund balance and estimated revenues less working capital
30 and other reserves (~~shall~~) must equal or exceed the total of proposed
31 applicable expenditures. The budget document or documents (~~shall~~)
32 must further include:
33 (a) Interest, amortization and redemption charges on the state
34 debt;
35 (b) Payments of all reliefs, judgments, and claims;
36 (c) Other statutory expenditures;
37 (d) Expenditures incident to the operation for each agency;
38 (e) Revenues derived from agency operations;

1 (f) Expenditures and revenues (~~shall~~) must be given in
2 comparative form showing those incurred or received for the immediately
3 past fiscal period and those anticipated for the current biennium and
4 next ensuing biennium;

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

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

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

12 (j) A showing and explanation of anticipated amounts of general
13 fund and other funds required to amortize the unfunded actuarial
14 accrued liability of the retirement system specified under chapter
15 41.45 RCW, and the contributions to meet such amortization, stated in
16 total dollars and as a level percentage of total compensation.

17 (~~(+3)~~) (4) The governor's operating budget document or documents
18 (~~shall~~) must reflect the statewide priorities as required by RCW
19 43.88.090.

20 (~~(+4)~~) (5) The governor's operating budget document or documents
21 (~~shall~~) must identify activities that are not addressing the
22 statewide priorities.

23 (~~(+5)~~) (6)(a) A separate capital budget document or schedule
24 (~~shall~~) must be submitted that (~~will~~) contains the following:

25 (~~(+a)~~) (i) A statement setting forth a long-range facilities plan
26 for the state that identifies and includes the highest priority needs
27 within affordable spending levels;

28 (~~(+b)~~) (ii) A capital program consisting of proposed capital
29 projects for the next biennium and the two biennia succeeding the next
30 biennium consistent with the long-range facilities plan. Inasmuch as
31 is practical, and recognizing emergent needs, the capital program
32 (~~shall~~) must reflect the priorities, projects, and spending levels
33 proposed in previously submitted capital budget documents in order to
34 provide a reliable long-range planning tool for the legislature and
35 state agencies;

36 (~~(+c)~~) (iii) A capital plan consisting of proposed capital
37 spending for at least four biennia succeeding the next biennium;

1 ~~((d))~~ (iv) A strategic plan for reducing backlogs of maintenance
2 and repair projects. The plan ~~((shall))~~ must include a prioritized
3 list of specific facility deficiencies and capital projects to address
4 the deficiencies for each agency, cost estimates for each project, a
5 schedule for completing projects over a reasonable period of time, and
6 identification of normal maintenance activities to reduce future
7 backlogs;

8 ~~((e))~~ (v) A statement of the reason or purpose for a project;

9 ~~((f))~~ (vi) Verification that a project is consistent with the
10 provisions set forth in chapter 36.70A RCW;

11 ~~((g))~~ (vii) A statement about the proposed site, size, and
12 estimated life of the project, if applicable;

13 ~~((h))~~ (viii) Estimated total project cost;

14 ~~((i))~~ (ix) For major projects valued over five million dollars,
15 estimated costs for the following project components: Acquisition,
16 consultant services, construction, equipment, project management, and
17 other costs included as part of the project. Project component costs
18 ~~((shall))~~ must be displayed in a standard format defined by the office
19 of financial management to allow comparisons between projects;

20 ~~((j))~~ (x) Estimated total project cost for each phase of the
21 project as defined by the office of financial management;

22 ~~((k))~~ (xi) Estimated ensuing biennium costs;

23 ~~((l))~~ (xii) Estimated costs beyond the ensuing biennium;

24 ~~((m))~~ (xiii) Estimated construction start and completion dates;

25 ~~((n))~~ (xiv) Source and type of funds proposed;

26 ~~((o))~~ (xv) Estimated ongoing operating budget costs or savings
27 resulting from the project, including staffing and maintenance costs;

28 ~~((p))~~ (xvi) For any capital appropriation requested for a state
29 agency for the acquisition of land or the capital improvement of land
30 in which the primary purpose of the acquisition or improvement is
31 recreation or wildlife habitat conservation, the capital budget
32 document, or an omnibus list of recreation and habitat acquisitions
33 provided with the governor's budget document, ~~((shall))~~ must identify
34 the projected costs of operation and maintenance for at least the two
35 biennia succeeding the next biennium. Omnibus lists of habitat and
36 recreation land acquisitions ~~((shall))~~ must include individual project
37 cost estimates for operation and maintenance as well as a total for all

1 state projects included in the list. The document (~~shall~~) must
2 identify the source of funds from which the operation and maintenance
3 costs are proposed to be funded;

4 (~~(g)~~) (xvii) Such other information bearing upon capital projects
5 as the governor deems to be useful;

6 (~~(r)~~) (xviii) Standard terms, including a standard and uniform
7 definition of normal maintenance, for all capital projects;

8 (~~(s)~~) (xix) Such other information as the legislature may direct
9 by law or concurrent resolution.

10 (b) For purposes of this subsection (~~(5)~~) (6), the term "capital
11 project" (~~shall~~) must be defined subsequent to the analysis,
12 findings, and recommendations of a joint committee comprised of
13 representatives from the house capital appropriations committee, senate
14 ways and means committee, legislative evaluation and accountability
15 program committee, and office of financial management.

16 (~~(6)~~) (7) No change affecting the comparability of agency or
17 program information relating to expenditures, revenues, workload,
18 performance and personnel (~~shall~~) may be made in the format of any
19 budget document or report presented to the legislature under this
20 section or RCW 43.88.160(1) relative to the format of the budget
21 document or report which was presented to the previous regular session
22 of the legislature during an odd-numbered year without prior
23 legislative concurrence. Prior legislative concurrence (~~shall~~) must
24 consist of (a) a favorable majority vote on the proposal by the
25 standing committees on ways and means of both houses if the legislature
26 is in session or (b) a favorable majority vote on the proposal by
27 members of the legislative evaluation and accountability program
28 committee if the legislature is not in session.

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