

SENATE BILL REPORT

ESB 5944

As Passed Senate, April 29, 2015

Title: An act relating to periodic review of state spending programs.

Brief Description: Implementing the periodic review of state spending programs.

Sponsors: Senators Hill, Rivers, Litzow, Bailey, Braun, Brown, Parlette, Hewitt and Benton.

Brief History:

Committee Activity: Ways & Means: 2/23/15, 2/26/15 [DP, DNP, w/oRec].

Passed Senate: 3/05/15, 40-9.

First Special Session: Passed Senate: 4/29/15, 38-6.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Hill, Chair; Braun, Vice Chair; Dammeier, Vice Chair; Honeyford, Vice Chair, Capital Budget Chair; Hargrove, Ranking Member; Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Ranking Minority Member, Operating; Bailey, Becker, Brown, Conway, Hewitt, O'Ban, Padden, Parlette, Rolfes, Schoesler and Warnick.

Minority Report: Do not pass.

Signed by Senator Hasegawa.

Minority Report: That it be referred without recommendation.

Signed by Senators Fraser, Hatfield and Kohl-Welles.

Staff: Steve Jones (786-7440)

Background: Under the Washington Sunset Act of 1977, the Legislature may schedule a state agency, program, or statute for termination and repeal, subject to a program and fiscal review by the Joint Legislative Audit and Review Committee (JLARC), a legislative agency. An entity scheduled for termination must establish performance measures to be used in the program and fiscal review.

In 2006 the Legislature established by statute a process for review and potential termination of tax preferences. Tax preferences include tax exemptions, exclusions, deductions, credits, deferrals, and preferential rates. A Citizen Commission for Performance Measurement of

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Tax Preferences develops a schedule for periodic review of tax preferences at least once every ten years.

Every bill enacting a new tax preference must include a tax preference performance statement that includes ascertainable metrics and data requirements that allow JLARC to measure the effectiveness of the tax preference in achieving its purpose. Unless an expiration date is specified in the bill, every new tax preference expires ten years after its enactment.

Summary of Engrossed Bill: After January 1, 2016, every bill establishing a new statutory state spending program must include an expiration date that is no more than ten years after its enactment, and the bill must include a state spending performance statement that identifies the purpose of the program and establishes ascertainable metrics and data requirements that allow JLARC to measure the effectiveness of the program.

New statutory state spending program is a program that is projected to cost more than \$1 million biennially in state funds, is not self-supported by fees, and establishes a new department, agency, or program, expands a state entitlement program, or expands distributions of state revenue to local governments or other entities.

JLARC must establish a schedule to review and make recommendations on the termination or continuation of the new statutory state spending programs. The review must be based on the state spending performance statement contained in the legislation establishing the program.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on January 1, 2016.

Staff Summary of Public Testimony: PRO: The process proposed by this legislation is parallel to, and consistent with, the process currently in place for the periodic review of tax preferences, based on ascertainable metrics and stated objectives. The question to be asked is, did the program achieve its desired objective? The goal of this process is to provide more information to the public and the Legislature to aid in the periodic review of new spending programs. This will provide long-lasting benefits to the development of sound public policy.

OTHER: State law already provides for periodic performance reviews within the budget development process. Attaching expiration dates to state spending programs may distort the four-year budget projections required under state law.

Persons Testifying: PRO: Senator Hill, prime sponsor; Amber Carter, Assn. of WA Business.

OTHER: Kim Justice, WA State Budget and Policy Center.

Persons Signed in to Testify But Not Testifying: No one.