

CERTIFICATION OF ENROLLMENT

SECOND ENGROSSED SECOND SUBSTITUTE SENATE BILL 6856

Chapter 4, Laws of 2000

(partial veto)

56th Legislature
2000 Second Special Session

TRANSPORTATION FUNDING

EFFECTIVE DATE: 7/28/00 - Except sections 1 through 3 and 20, which become effective 5/2/00; sections 4 and 7 through 10, which become effective 7/1/00; section 5, which becomes effective 9/1/00; and section 6, which becomes effective 3/1/02.

Passed by the Senate April 27, 2000
YEAS 31 NAYS 15

BRAD OWEN

President of the Senate

Passed by the House April 27, 2000
YEAS 87 NAYS 10

CLYDE BALLARD

Speaker of the
House of Representatives

FRANK CHOPP

Speaker of the
House of Representatives

Approved May 2, 2000, with the exception of section 8(2) and section 15, which are vetoed.

GARY LOCKE

Governor of the State of Washington

CERTIFICATE

I, Tony M. Cook, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SECOND ENGROSSED SECOND SUBSTITUTE SENATE BILL 6856** as passed by the Senate and the House of Representatives on the dates hereon set forth.

TONY M. COOK

Secretary

FILED

May 2, 2000 - 10:38 a.m.

Secretary of State
State of Washington

SECOND ENGROSSED SECOND SUBSTITUTE SENATE BILL 6856

Passed Legislature - 2000 Second Special Session

State of Washington 56th Legislature 2000 1st Special Session

By Senate Committee on Transportation (originally sponsored by Senators Goings, Gardner, Haugen, Prentice and Jacobsen)

Read first time 03/10/2000.

1 AN ACT Relating to transportation funding; amending RCW 82.08.020,
2 43.84.092, 43.84.092, 43.89.010, 46.68.035, 82.36.380, 82.38.270,
3 43.88.020, 43.88.030, 43.88.120, 43.88.122, 44.40.070, 82.14.045,
4 82.45.010, 35.21.755, 81.112.060, and 48.30.270; reenacting and
5 amending RCW 43.84.092 and 82.04.050; reenacting RCW 43.84.092; adding
6 a new section to chapter 47.66 RCW; adding new sections to chapter
7 81.112 RCW; adding a new section to chapter 82.08 RCW; adding a new
8 section to chapter 82.12 RCW; adding a new section to chapter 82.04
9 RCW; adding a new section to chapter 82.29A RCW; adding a new section
10 to chapter 84.36 RCW; adding a new section to chapter 35.21 RCW;
11 creating new sections; providing effective dates; providing an
12 expiration date; and declaring an emergency.

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

14 **Sec. 1.** RCW 82.08.020 and 1998 c 321 s 36 (Referendum Bill No. 49)
15 are each amended to read as follows:

16 (1) There is levied and there shall be collected a tax on each
17 retail sale in this state equal to six and five-tenths percent of the
18 selling price.

1 (2) There is levied and there shall be collected an additional tax
2 on each retail car rental, regardless of whether the vehicle is
3 licensed in this state, equal to five and nine-tenths percent of the
4 selling price. The revenue collected under this subsection shall be
5 deposited (~~and distributed in the same manner as motor vehicle excise~~
6 ~~tax revenue collected under RCW 82.44.020(1))~~ in the multimodal
7 transportation account created in section 2 of this act.

8 (3) The taxes imposed under this chapter shall apply to successive
9 retail sales of the same property.

10 (4) The rates provided in this section apply to taxes imposed under
11 chapter 82.12 RCW as provided in RCW 82.12.020.

12 NEW SECTION. **Sec. 2.** A new section is added to chapter 47.66 RCW
13 to read as follows:

14 The multimodal transportation account is created in the state
15 treasury. Moneys in the account may be spent only after appropriation.
16 Expenditures from the account may be used only for transportation
17 purposes.

18 **Sec. 3.** RCW 43.84.092 and 1999 c 380 s 8, 1999 c 309 s 928, 1999
19 c 268 s 4, and 1999 c 94 s 2 are each reenacted and amended to read as
20 follows:

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

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

1 allocations shall occur prior to the distributions of earnings set
2 forth in subsection (4) of this section.

3 (3) Except for the provisions of RCW 43.84.160, the treasury income
4 account may be utilized for the payment of purchased banking services
5 on behalf of treasury funds including, but not limited to, depository,
6 safekeeping, and disbursement functions for the state treasury and
7 affected state agencies. The treasury income account is subject in all
8 respects to chapter 43.88 RCW, but no appropriation is required for
9 payments to financial institutions. Payments shall occur prior to
10 distribution of earnings set forth in subsection (4) of this section.

11 (4) Monthly, the state treasurer shall distribute the earnings
12 credited to the treasury income account. The state treasurer shall
13 credit the general fund with all the earnings credited to the treasury
14 income account except:

15 (a) The following accounts and funds shall receive their
16 proportionate share of earnings based upon each account's and fund's
17 average daily balance for the period: The capitol building
18 construction account, the Cedar River channel construction and
19 operation account, the Central Washington University capital projects
20 account, the charitable, educational, penal and reformatory
21 institutions account, the common school construction fund, the county
22 criminal justice assistance account, the county sales and use tax
23 equalization account, the data processing building construction
24 account, the deferred compensation administrative account, the deferred
25 compensation principal account, the department of retirement systems
26 expense account, the drinking water assistance account, the Eastern
27 Washington University capital projects account, the education
28 construction fund, the emergency reserve fund, the federal forest
29 revolving account, the health services account, the public health
30 services account, the health system capacity account, the personal
31 health services account, the state higher education construction
32 account, the higher education construction account, the highway
33 infrastructure account, the industrial insurance premium refund
34 account, the judges' retirement account, the judicial retirement
35 administrative account, the judicial retirement principal account, the
36 local leasehold excise tax account, the local real estate excise tax
37 account, the local sales and use tax account, the medical aid account,
38 the mobile home park relocation fund, the multimodal transportation
39 account, the municipal criminal justice assistance account, the

1 municipal sales and use tax equalization account, the natural resources
2 deposit account, the perpetual surveillance and maintenance account,
3 the public employees' retirement system plan 1 account, the public
4 employees' retirement system plan 2 account, the Puyallup tribal
5 settlement account, the resource management cost account, the site
6 closure account, the special wildlife account, the state employees'
7 insurance account, the state employees' insurance reserve account, the
8 state investment board expense account, the state investment board
9 commingled trust fund accounts, the supplemental pension account, the
10 teachers' retirement system plan 1 account, the teachers' retirement
11 system plan 2 account, the tobacco prevention and control account, the
12 tobacco settlement account, the transportation infrastructure account,
13 the tuition recovery trust fund, the University of Washington bond
14 retirement fund, the University of Washington building account, the
15 volunteer fire fighters' and reserve officers' relief and pension
16 principal ((~~account~~)) fund, the volunteer fire fighters' ((~~relief~~)) and
17 ((~~pension~~)) reserve officers' administrative ((~~account~~)) fund, the
18 Washington judicial retirement system account, the Washington law
19 enforcement officers' and fire fighters' system plan 1 retirement
20 account, the Washington law enforcement officers' and fire fighters'
21 system plan 2 retirement account, the Washington state patrol
22 retirement account, the Washington State University building account,
23 the Washington State University bond retirement fund, the water
24 pollution control revolving fund, and the Western Washington University
25 capital projects account. Earnings derived from investing balances of
26 the agricultural permanent fund, the normal school permanent fund, the
27 permanent common school fund, the scientific permanent fund, and the
28 state university permanent fund shall be allocated to their respective
29 beneficiary accounts. All earnings to be distributed under this
30 subsection (4)(a) shall first be reduced by the allocation to the state
31 treasurer's service fund pursuant to RCW 43.08.190.

32 (b) The following accounts and funds shall receive eighty percent
33 of their proportionate share of earnings based upon each account's or
34 fund's average daily balance for the period: The aeronautics account,
35 the aircraft search and rescue account, the county arterial
36 preservation account, the department of licensing services account, the
37 essential rail assistance account, the ferry bond retirement fund, the
38 grade crossing protective fund, the high capacity transportation
39 account, the highway bond retirement fund, the highway safety account,

1 the marine operating fund, the motor vehicle fund, the motorcycle
2 safety education account, the pilotage account, the public
3 transportation systems account, the Puget Sound capital construction
4 account, the Puget Sound ferry operations account, the recreational
5 vehicle account, the rural arterial trust account, the safety and
6 education account, the special category C account, the state patrol
7 highway account, the transportation equipment fund, the transportation
8 fund, the transportation improvement account, the transportation
9 improvement board bond retirement account, and the urban arterial trust
10 account.

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

14 **Sec. 4.** RCW 43.84.092 and 2000 c 79 s 38 are each amended to read
15 as follows:

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

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

34 (3) Except for the provisions of RCW 43.84.160, the treasury income
35 account may be utilized for the payment of purchased banking services
36 on behalf of treasury funds including, but not limited to, depository,
37 safekeeping, and disbursement functions for the state treasury and
38 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 (a) The following accounts and funds shall receive their
9 proportionate share of earnings based upon each account's and fund's
10 average daily balance for the period: The capitol building
11 construction account, the Cedar River channel construction and
12 operation account, the Central Washington University capital projects
13 account, the charitable, educational, penal and reformatory
14 institutions account, the common school construction fund, the county
15 criminal justice assistance account, the county sales and use tax
16 equalization account, the data processing building construction
17 account, the deferred compensation administrative account, the deferred
18 compensation principal account, the department of retirement systems
19 expense account, the drinking water assistance account, the Eastern
20 Washington University capital projects account, the education
21 construction fund, the emergency reserve fund, the federal forest
22 revolving account, the health services account, the public health
23 services account, the health system capacity account, the personal
24 health services account, the state higher education construction
25 account, the higher education construction account, the highway
26 infrastructure account, the industrial insurance premium refund
27 account, the judges' retirement account, the judicial retirement
28 administrative account, the judicial retirement principal account, the
29 local leasehold excise tax account, the local real estate excise tax
30 account, the local sales and use tax account, the medical aid account,
31 the mobile home park relocation fund, the multimodal transportation
32 account, the municipal criminal justice assistance account, the
33 municipal sales and use tax equalization account, the natural resources
34 deposit account, the perpetual surveillance and maintenance account,
35 the public employees' retirement system plan 1 account, the public
36 employees' retirement system plan 2 account, the Puyallup tribal
37 settlement account, the resource management cost account, the site
38 closure account, the special wildlife account, the state employees'
39 insurance account, the state employees' insurance reserve account, the

1 state investment board expense account, the state investment board
2 commingled trust fund accounts, the supplemental pension account, the
3 teachers' retirement system plan 1 account, the teachers' retirement
4 system plan 2 account, the tobacco prevention and control account, the
5 tobacco settlement account, the transportation infrastructure account,
6 the tuition recovery trust fund, the University of Washington bond
7 retirement fund, the University of Washington building account, the
8 volunteer fire fighters' and reserve officers' relief and pension
9 principal fund, the volunteer fire fighters' and reserve officers'
10 administrative fund, the Washington judicial retirement system account,
11 the Washington law enforcement officers' and fire fighters' system plan
12 1 retirement account, the Washington law enforcement officers' and fire
13 fighters' system plan 2 retirement account, the Washington state health
14 insurance pool account, the Washington state patrol retirement account,
15 the Washington State University building account, the Washington State
16 University bond retirement fund, the water pollution control revolving
17 fund, and the Western Washington University capital projects account.
18 Earnings derived from investing balances of the agricultural permanent
19 fund, the normal school permanent fund, the permanent common school
20 fund, the scientific permanent fund, and the state university permanent
21 fund shall be allocated to their respective beneficiary accounts. All
22 earnings to be distributed under this subsection (4)(a) shall first be
23 reduced by the allocation to the state treasurer's service fund
24 pursuant to RCW 43.08.190.

25 (b) The following accounts and funds shall receive eighty percent
26 of their proportionate share of earnings based upon each account's or
27 fund's average daily balance for the period: The aeronautics account,
28 the aircraft search and rescue account, the county arterial
29 preservation account, the department of licensing services account, the
30 essential rail assistance account, the ferry bond retirement fund, the
31 grade crossing protective fund, the high capacity transportation
32 account, the highway bond retirement fund, the highway safety account,
33 the motor vehicle fund, the motorcycle safety education account, the
34 pilotage account, the public transportation systems account, the Puget
35 Sound capital construction account, the Puget Sound ferry operations
36 account, the recreational vehicle account, the rural arterial trust
37 account, the safety and education account, the special category C
38 account, the state patrol highway account, the transportation equipment
39 fund, the transportation fund, the transportation improvement account,

1 the transportation improvement board bond retirement account, and the
2 urban arterial trust account.

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

6 **Sec. 5.** RCW 43.84.092 and 2000 c 79 s 39 are each amended to read
7 as follows:

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

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

26 (3) Except for the provisions of RCW 43.84.160, the treasury income
27 account may be utilized for the payment of purchased banking services
28 on behalf of treasury funds including, but not limited to, depository,
29 safekeeping, and disbursement functions for the state treasury and
30 affected state agencies. The treasury income account is subject in all
31 respects to chapter 43.88 RCW, but no appropriation is required for
32 payments to financial institutions. Payments shall occur prior to
33 distribution of earnings set forth in subsection (4) of this section.

34 (4) Monthly, the state treasurer shall distribute the earnings
35 credited to the treasury income account. The state treasurer shall
36 credit the general fund with all the earnings credited to the treasury
37 income account except:

1 (a) The following accounts and funds shall receive their
2 proportionate share of earnings based upon each account's and fund's
3 average daily balance for the period: The capitol building
4 construction account, the Cedar River channel construction and
5 operation account, the Central Washington University capital projects
6 account, the charitable, educational, penal and reformatory
7 institutions account, the common school construction fund, the county
8 criminal justice assistance account, the county sales and use tax
9 equalization account, the data processing building construction
10 account, the deferred compensation administrative account, the deferred
11 compensation principal account, the department of retirement systems
12 expense account, the drinking water assistance account, the Eastern
13 Washington University capital projects account, the education
14 construction fund, the emergency reserve fund, the federal forest
15 revolving account, the health services account, the public health
16 services account, the health system capacity account, the personal
17 health services account, the state higher education construction
18 account, the higher education construction account, the highway
19 infrastructure account, the industrial insurance premium refund
20 account, the judges' retirement account, the judicial retirement
21 administrative account, the judicial retirement principal account, the
22 local leasehold excise tax account, the local real estate excise tax
23 account, the local sales and use tax account, the medical aid account,
24 the mobile home park relocation fund, the multimodal transportation
25 account, the municipal criminal justice assistance account, the
26 municipal sales and use tax equalization account, the natural resources
27 deposit account, the perpetual surveillance and maintenance account,
28 the public employees' retirement system plan 1 account, the public
29 employees' retirement system plan 2 account, the Puyallup tribal
30 settlement account, the resource management cost account, the site
31 closure account, the special wildlife account, the state employees'
32 insurance account, the state employees' insurance reserve account, the
33 state investment board expense account, the state investment board
34 commingled trust fund accounts, the supplemental pension account, the
35 teachers' retirement system plan 1 account, the teachers' retirement
36 system combined plan 2 and plan 3 account, the tobacco prevention and
37 control account, the tobacco settlement account, the transportation
38 infrastructure account, the tuition recovery trust fund, the University
39 of Washington bond retirement fund, the University of Washington

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

20 (b) The following accounts and funds shall receive eighty percent
21 of their proportionate share of earnings based upon each account's or
22 fund's average daily balance for the period: The aeronautics account,
23 the aircraft search and rescue account, the county arterial
24 preservation account, the department of licensing services account, the
25 essential rail assistance account, the ferry bond retirement fund, the
26 grade crossing protective fund, the high capacity transportation
27 account, the highway bond retirement fund, the highway safety account,
28 the motor vehicle fund, the motorcycle safety education account, the
29 pilotage account, the public transportation systems account, the Puget
30 Sound capital construction account, the Puget Sound ferry operations
31 account, the recreational vehicle account, the rural arterial trust
32 account, the safety and education account, the special category C
33 account, the state patrol highway account, the transportation equipment
34 fund, the transportation fund, the transportation improvement account,
35 the transportation improvement board bond retirement account, and the
36 urban arterial trust account.

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

1 **Sec. 6.** RCW 43.84.092 and 2000 2nd sp.s. c . . . s 5 (section 5 of
2 this act) and 2000 c 247 s 702 are each reenacted to read as follows:

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

6 (2) The treasury income account shall be utilized to pay or receive
7 funds associated with federal programs as required by the federal cash
8 management improvement act of 1990. The treasury income account is
9 subject in all respects to chapter 43.88 RCW, but no appropriation is
10 required for refunds or allocations of interest earnings required by
11 the cash management improvement act. Refunds of interest to the
12 federal treasury required under the cash management improvement act
13 fall under RCW 43.88.180 and shall not require appropriation. The
14 office of financial management shall determine the amounts due to or
15 from the federal government pursuant to the cash management improvement
16 act. The office of financial management may direct transfers of funds
17 between accounts as deemed necessary to implement the provisions of the
18 cash management improvement act, and this subsection. Refunds or
19 allocations shall occur prior to the distributions of earnings set
20 forth in subsection (4) of this section.

21 (3) Except for the provisions of RCW 43.84.160, the treasury income
22 account may be utilized for the payment of purchased banking services
23 on behalf of treasury funds including, but not limited to, depository,
24 safekeeping, and disbursement functions for the state treasury and
25 affected state agencies. The treasury income account is subject in all
26 respects to chapter 43.88 RCW, but no appropriation is required for
27 payments to financial institutions. Payments shall occur prior to
28 distribution of earnings set forth in subsection (4) of this section.

29 (4) Monthly, the state treasurer shall distribute the earnings
30 credited to the treasury income account. The state treasurer shall
31 credit the general fund with all the earnings credited to the treasury
32 income account except:

33 (a) The following accounts and funds shall receive their
34 proportionate share of earnings based upon each account's and fund's
35 average daily balance for the period: The capitol building
36 construction account, the Cedar River channel construction and
37 operation account, the Central Washington University capital projects
38 account, the charitable, educational, penal and reformatory
39 institutions account, the common school construction fund, the county

1 criminal justice assistance account, the county sales and use tax
2 equalization account, the data processing building construction
3 account, the deferred compensation administrative account, the deferred
4 compensation principal account, the department of retirement systems
5 expense account, the drinking water assistance account, the Eastern
6 Washington University capital projects account, the education
7 construction fund, the emergency reserve fund, the federal forest
8 revolving account, the health services account, the public health
9 services account, the health system capacity account, the personal
10 health services account, the state higher education construction
11 account, the higher education construction account, the highway
12 infrastructure account, the industrial insurance premium refund
13 account, the judges' retirement account, the judicial retirement
14 administrative account, the judicial retirement principal account, the
15 local leasehold excise tax account, the local real estate excise tax
16 account, the local sales and use tax account, the medical aid account,
17 the mobile home park relocation fund, the multimodal transportation
18 account, the municipal criminal justice assistance account, the
19 municipal sales and use tax equalization account, the natural resources
20 deposit account, the perpetual surveillance and maintenance account,
21 the public employees' retirement system plan 1 account, the public
22 employees' retirement system combined plan 2 and plan 3 account, the
23 Puyallup tribal settlement account, the resource management cost
24 account, the site closure account, the special wildlife account, the
25 state employees' insurance account, the state employees' insurance
26 reserve account, the state investment board expense account, the state
27 investment board commingled trust fund accounts, the supplemental
28 pension account, the teachers' retirement system plan 1 account, the
29 teachers' retirement system combined plan 2 and plan 3 account, the
30 tobacco prevention and control account, the tobacco settlement account,
31 the transportation infrastructure account, the tuition recovery trust
32 fund, the University of Washington bond retirement fund, the University
33 of Washington building account, the volunteer fire fighters' and
34 reserve officers' relief and pension principal fund, the volunteer fire
35 fighters' and reserve officers' administrative fund, the Washington
36 judicial retirement system account, the Washington law enforcement
37 officers' and fire fighters' system plan 1 retirement account, the
38 Washington law enforcement officers' and fire fighters' system plan 2
39 retirement account, the Washington school employees' retirement system

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

13 (b) The following accounts and funds shall receive eighty percent
14 of their proportionate share of earnings based upon each account's or
15 fund's average daily balance for the period: The aeronautics account,
16 the aircraft search and rescue account, the county arterial
17 preservation account, the department of licensing services account, the
18 essential rail assistance account, the ferry bond retirement fund, the
19 grade crossing protective fund, the high capacity transportation
20 account, the highway bond retirement fund, the highway safety account,
21 the motor vehicle fund, the motorcycle safety education account, the
22 pilotage account, the public transportation systems account, the Puget
23 Sound capital construction account, the Puget Sound ferry operations
24 account, the recreational vehicle account, the rural arterial trust
25 account, the safety and education account, the special category C
26 account, the state patrol highway account, the transportation equipment
27 fund, the transportation fund, the transportation improvement account,
28 the transportation improvement board bond retirement account, and the
29 urban arterial trust account.

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

33 **Sec. 7.** RCW 43.89.010 and 1993 sp.s. c 23 s 63 are each amended to
34 read as follows:

35 The chief of the Washington state patrol is hereby authorized to
36 establish a ((teletypewriter)) communications network which will inter-
37 connect the law enforcement agencies of the state and its political
38 subdivisions into a unified written communications system. The chief

1 of the Washington state patrol is authorized to lease or purchase such
2 facilities and equipment as may be necessary to establish and maintain
3 (~~such teletypewriter~~) the communications network.

4 (1) The communications network shall be used exclusively for the
5 official business of the state, and the official business of any city,
6 county, city and county, or other public agency.

7 (2) This section does not prohibit the occasional use of the
8 state's communications network by any other state or public agency
9 thereof when the messages transmitted relate to the enforcement of the
10 criminal laws of the state.

11 (3) The chief of the Washington state patrol shall fix the monthly
12 operational charge to be paid by any department or agency of state
13 government, or any city, county, city and county, or other public
14 agency participating in the communications network: PROVIDED, That in
15 computing charges to be made against a city, county, or city and county
16 the state shall bear at least fifty percent of the costs of such
17 service as its share in providing a modern unified communications
18 network to the law enforcement agencies of the state. Of the fees
19 collected pursuant to this section, one-half shall be deposited in the
20 motor vehicle fund and one-half shall be deposited in the
21 (~~transportation fund~~) state patrol highway account.

22 (4) The chief of the Washington state patrol is authorized to
23 arrange for the connection of the communications network with the law
24 enforcement communications system of any adjacent state, or the
25 Province of British Columbia, Canada.

26 ***Sec. 8.** RCW 46.68.035 and 1993 c 102 s 7 are each amended to read
27 as follows:

28 All proceeds from combined vehicle licensing fees received by the
29 director for vehicles licensed under RCW 46.16.070 and 46.16.085 shall
30 be forwarded to the state treasurer to be distributed into accounts
31 according to the following method:

32 (1) The sum of two dollars for each vehicle shall be deposited into
33 the (~~highway safety fund~~) multimodal transportation account, except
34 that for each vehicle registered by a county auditor or agent to a
35 county auditor pursuant to RCW 46.01.140, the sum of two dollars shall
36 be credited to the current county expense fund.

37 **(2) *The remainder shall be distributed as follows:***

1 (a) ~~((23.677 percent shall be deposited into the state patrol~~
2 ~~highway account of the motor vehicle fund;~~

3 ~~(b))~~ 1.521 percent shall be deposited into the Puget Sound ferry
4 operations account of the motor vehicle fund; and

5 ~~((c))~~ (b) The remaining proceeds shall be deposited into the
6 motor vehicle fund.

7 *Sec. 8 was partially vetoed. See message at end of chapter.

8 **Sec. 9.** RCW 82.36.380 and 1995 c 287 s 2 are each amended to read
9 as follows:

10 (1) It is unlawful for a person or corporation to evade a tax or
11 fee imposed under this chapter.

12 (2) Evasion of taxes or fees under this chapter is a class C felony
13 under chapter 9A.20 RCW. In addition to other penalties and remedies
14 provided by law, the court shall order a person or corporation found
15 guilty of violating subsection (1) of this section to:

16 (a) Pay the tax or fee evaded plus interest, commencing at the date
17 the tax or fee was first due, at the rate of twelve percent per year,
18 compounded monthly; and

19 (b) Pay a penalty of one hundred percent of the tax evaded, to the
20 multimodal transportation ~~((fund))~~ account of the state.

21 **Sec. 10.** RCW 82.38.270 and 1995 c 287 s 4 are each amended to read
22 as follows:

23 (1) It is unlawful for a person or corporation to evade a tax or
24 fee imposed under this chapter.

25 (2) Evasion of taxes or fees under this chapter is a class C felony
26 under chapter 9A.20 RCW. In addition to other penalties and remedies
27 provided by law, the court shall order a person or corporation found
28 guilty of violating subsection (1) of this section to:

29 (a) Pay the tax or fee evaded plus interest, commencing at the date
30 the tax or fee was first due, at the rate of twelve percent per year,
31 compounded monthly; and

32 (b) Pay a penalty of one hundred percent of the tax evaded, to the
33 multimodal transportation ~~((fund))~~ account of the state.

34 **Sec. 11.** RCW 43.88.020 and 1996 c 288 s 23 are each amended to
35 read as follows:

1 (1) "Budget" means a proposed plan of expenditures for a given
2 period or purpose and the proposed means for financing these
3 expenditures.

4 (2) "Budget document" means a formal statement, either written or
5 provided on any electronic media or both, offered by the governor to
6 the legislature, as provided in RCW 43.88.030.

7 (3) "Director of financial management" means the official appointed
8 by the governor to serve at the governor's pleasure and to whom the
9 governor may delegate necessary authority to carry out the governor's
10 duties as provided in this chapter. The director of financial
11 management shall be head of the office of financial management which
12 shall be in the office of the governor.

13 (4) "Agency" means and includes every state office, officer, each
14 institution, whether educational, correctional, or other, and every
15 department, division, board, and commission, except as otherwise
16 provided in this chapter.

17 (5) "Public funds", for purposes of this chapter, means all moneys,
18 including cash, checks, bills, notes, drafts, stocks, and bonds,
19 whether held in trust, for operating purposes, or for capital purposes,
20 and collected or disbursed under law, whether or not such funds are
21 otherwise subject to legislative appropriation, including funds
22 maintained outside the state treasury.

23 (6) "Regulations" means the policies, standards, and requirements,
24 stated in writing, designed to carry out the purposes of this chapter,
25 as issued by the governor or the governor's designated agent, and which
26 shall have the force and effect of law.

27 (7) "Ensuing biennium" means the fiscal biennium beginning on July
28 1st of the same year in which a regular session of the legislature is
29 held during an odd-numbered year pursuant to Article II, section 12 of
30 the Constitution and which biennium next succeeds the current biennium.

31 (8) "Dedicated fund" means a fund in the state treasury, or a
32 separate account or fund in the general fund in the state treasury,
33 that by law is dedicated, appropriated, or set aside for a limited
34 object or purpose; but "dedicated fund" does not include a revolving
35 fund or a trust fund.

36 (9) "Revolving fund" means a fund in the state treasury,
37 established by law, from which is paid the cost of goods or services
38 furnished to or by a state agency, and which is replenished through

1 charges made for such goods or services or through transfers from other
2 accounts or funds.

3 (10) "Trust fund" means a fund in the state treasury in which
4 designated persons or classes of persons have a vested beneficial
5 interest or equitable ownership, or which was created or established by
6 a gift, grant, contribution, devise, or bequest that limits the use of
7 the fund to designated objects or purposes.

8 (11) "Administrative expenses" means expenditures for: (a)
9 Salaries, wages, and related costs of personnel and (b) operations and
10 maintenance including but not limited to costs of supplies, materials,
11 services, and equipment.

12 (12) "Fiscal year" means the year beginning July 1st and ending the
13 following June 30th.

14 (13) "Lapse" means the termination of authority to expend an
15 appropriation.

16 (14) "Legislative fiscal committees" means the joint legislative
17 audit and review committee, the legislative evaluation and
18 accountability program committee, the ways and means and transportation
19 committees of the senate and house of representatives, and, where
20 appropriate, the legislative transportation committee.

21 (15) "Fiscal period" means the period for which an appropriation is
22 made as specified within the act making the appropriation.

23 (16) "Primary budget driver" means the primary determinant of a
24 budget level, other than a price variable, which causes or is
25 associated with the major expenditure of an agency or budget unit
26 within an agency, such as a caseload, enrollment, workload, or
27 population statistic.

28 (17) "State tax revenue limit" means the limitation created by
29 chapter 43.135 RCW.

30 (18) "General state revenues" means the revenues defined by Article
31 VIII, section 1(c) of the state Constitution.

32 (19) "Annual growth rate in real personal income" means the
33 estimated percentage growth in personal income for the state during the
34 current fiscal year, expressed in constant value dollars, as published
35 by the office of financial management or its successor agency.

36 (20) "Estimated revenues" means estimates of revenue in the most
37 recent official economic and revenue forecast prepared under RCW
38 82.33.020, and prepared by the office of financial management for those
39 funds, accounts, and sources for which the office of the economic and

1 revenue forecast council does not prepare an official forecast
2 including estimates of revenues to support financial plans under RCW
3 44.40.070, that are prepared by the office of financial management in
4 consultation with the (~~interagency task force~~) transportation revenue
5 forecast council.

6 (21) "Estimated receipts" means the estimated receipt of cash in
7 the most recent official economic and revenue forecast prepared under
8 RCW 82.33.020, and prepared by the office of financial management for
9 those funds, accounts, and sources for which the office of the economic
10 and revenue forecast council does not prepare an official forecast.

11 (22) "State budgeting, accounting, and reporting system" means a
12 system that gathers, maintains, and communicates fiscal information.
13 The system links fiscal information beginning with development of
14 agency budget requests through adoption of legislative appropriations
15 to tracking actual receipts and expenditures against approved plans.

16 (23) "Allotment of appropriation" means the agency's statement of
17 proposed expenditures, the director of financial management's review of
18 that statement, and the placement of the approved statement into the
19 state budgeting, accounting, and reporting system.

20 (24) "Statement of proposed expenditures" means a plan prepared by
21 each agency that breaks each appropriation out into monthly detail
22 representing the best estimate of how the appropriation will be
23 expended.

24 (25) "Undesignated fund balance (or deficit)" means unreserved and
25 undesignated current assets or other resources available for
26 expenditure over and above any current liabilities which are expected
27 to be incurred by the close of the fiscal period.

28 (26) "Internal audit" means an independent appraisal activity
29 within an agency for the review of operations as a service to
30 management, including a systematic examination of accounting and fiscal
31 controls to assure that human and material resources are guarded
32 against waste, loss, or misuse; and that reliable data are gathered,
33 maintained, and fairly disclosed in a written report of the audit
34 findings.

35 (27) "Performance verification" means an analysis that (a) verifies
36 the accuracy of data used by state agencies in quantifying intended
37 results and measuring performance toward those results, and (b)
38 verifies whether or not the reported results were achieved.

1 (28) "Performance audit" has the same meaning as it is defined in
2 RCW 44.28.005.

3 **Sec. 12.** RCW 43.88.030 and 1998 c 346 s 910 are each amended to
4 read as follows:

5 (1) The director of financial management shall provide all agencies
6 with a complete set of instructions for submitting biennial budget
7 requests to the director at least three months before agency budget
8 documents are due into the office of financial management. The
9 director shall provide agencies and committees that are required under
10 RCW 44.40.070 to develop comprehensive six-year program and financial
11 plans with a complete set of instructions for submitting these program
12 and financial plans at the same time that instructions for submitting
13 other budget requests are provided. The budget document or documents
14 shall consist of the governor's budget message which shall be
15 explanatory of the budget and shall contain an outline of the proposed
16 financial policies of the state for the ensuing fiscal period, as well
17 as an outline of the proposed six-year financial policies where
18 applicable, and shall describe in connection therewith the important
19 features of the budget. The message shall set forth the reasons for
20 salient changes from the previous fiscal period in expenditure and
21 revenue items and shall explain any major changes in financial policy.
22 Attached to the budget message shall be such supporting schedules,
23 exhibits and other explanatory material in respect to both current
24 operations and capital improvements as the governor shall deem to be
25 useful to the legislature. The budget document or documents shall set
26 forth a proposal for expenditures in the ensuing fiscal period, or six-
27 year period where applicable, based upon the estimated revenues and
28 caseloads as approved by the economic and revenue forecast council and
29 caseload forecast council or upon the estimated revenues and caseloads
30 of the office of financial management for those funds, accounts,
31 sources, and programs for which the forecast councils do not prepare an
32 official forecast, including those revenues anticipated to support the
33 six-year programs and financial plans under RCW 44.40.070. In
34 estimating revenues to support financial plans under RCW 44.40.070, the
35 office of financial management shall rely on information and advice
36 from the ((interagency)) transportation revenue ((task force)) forecast
37 council. Revenues shall be estimated for such fiscal period from the
38 source and at the rates existing by law at the time of submission of

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

13 Supplemental and biennial documents shall reflect a six-year
14 expenditure plan consistent with estimated revenues from existing
15 sources and at existing rates for those agencies required to submit
16 six-year program and financial plans under RCW 44.40.070. Any
17 additional revenue resulting from proposed changes to existing statutes
18 shall be separately identified within the document as well as related
19 expenditures for the six-year period.

20 The budget document or documents shall also contain:

21 (a) Revenues classified by fund and source for the immediately past
22 fiscal period, those received or anticipated for the current fiscal
23 period, those anticipated for the ensuing biennium, and those
24 anticipated for the ensuing six-year period to support the six-year
25 programs and financial plans required under RCW 44.40.070;

26 (b) The undesignated fund balance or deficit, by fund;

27 (c) Such additional information dealing with expenditures,
28 revenues, workload, performance, and personnel as the legislature may
29 direct by law or concurrent resolution;

30 (d) Such additional information dealing with revenues and
31 expenditures as the governor shall deem pertinent and useful to the
32 legislature;

33 (e) Tabulations showing expenditures classified by fund, function,
34 activity, and agency;

35 (f) A delineation of each agency's activities, including those
36 activities funded from nonbudgeted, nonappropriated sources, including
37 funds maintained outside the state treasury;

1 (g) Identification of all proposed direct expenditures to implement
2 the Puget Sound water quality plan under chapter 90.71 RCW, shown by
3 agency and in total; and

4 (h) Tabulations showing each postretirement adjustment by
5 retirement system established after fiscal year 1991, to include, but
6 not be limited to, estimated total payments made to the end of the
7 previous biennial period, estimated payments for the present biennium,
8 and estimated payments for the ensuing biennium.

9 (2) The budget document or documents shall include detailed
10 estimates of all anticipated revenues applicable to proposed operating
11 or capital expenditures and shall also include all proposed operating
12 or capital expenditures. The total of beginning undesignated fund
13 balance and estimated revenues less working capital and other reserves
14 shall equal or exceed the total of proposed applicable expenditures.
15 The budget document or documents shall further include:

16 (a) Interest, amortization and redemption charges on the state
17 debt;

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

19 (c) Other statutory expenditures;

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

21 (e) Revenues derived from agency operations;

22 (f) Expenditures and revenues shall be given in comparative form
23 showing those incurred or received for the immediately past fiscal
24 period and those anticipated for the current biennium and next ensuing
25 biennium, as well as those required to support the six-year programs
26 and financial plans required under RCW 44.40.070;

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

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

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

34 (j) A showing and explanation of anticipated amounts of general
35 fund and other funds required to amortize the unfunded actuarial
36 accrued liability of the retirement system specified under chapter
37 41.45 RCW, and the contributions to meet such amortization, stated in
38 total dollars and as a level percentage of total compensation.

1 (3) A separate capital budget document or schedule shall be
2 submitted that will contain the following:

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

6 (b) A capital program consisting of proposed capital projects for
7 the next biennium and the two biennia succeeding the next biennium
8 consistent with the long-range facilities plan. Inasmuch as is
9 practical, and recognizing emergent needs, the capital program shall
10 reflect the priorities, projects, and spending levels proposed in
11 previously submitted capital budget documents in order to provide a
12 reliable long-range planning tool for the legislature and state
13 agencies;

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

16 (d) A strategic plan for reducing backlogs of maintenance and
17 repair projects. The plan shall include a prioritized list of specific
18 facility deficiencies and capital projects to address the deficiencies
19 for each agency, cost estimates for each project, a schedule for
20 completing projects over a reasonable period of time, and
21 identification of normal maintenance activities to reduce future
22 backlogs;

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

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

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

28 (h) Estimated total project cost;

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

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

37 (k) Estimated ensuing biennium costs;

38 (l) Estimated costs beyond the ensuing biennium;

39 (m) Estimated construction start and completion dates;

1 (n) Source and type of funds proposed;

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

4 (p) For any capital appropriation requested for a state agency for
5 the acquisition of land or the capital improvement of land in which the
6 primary purpose of the acquisition or improvement is recreation or
7 wildlife habitat conservation, the capital budget document, or an
8 omnibus list of recreation and habitat acquisitions provided with the
9 governor's budget document, shall identify the projected costs of
10 operation and maintenance for at least the two biennia succeeding the
11 next biennium. Omnibus lists of habitat and recreation land
12 acquisitions shall include individual project cost estimates for
13 operation and maintenance as well as a total for all state projects
14 included in the list. The document shall identify the source of funds
15 from which the operation and maintenance costs are proposed to be
16 funded;

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

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

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

23 For purposes of this subsection (3), the term "capital project"
24 shall be defined subsequent to the analysis, findings, and
25 recommendations of a joint committee comprised of representatives from
26 the house capital appropriations committee, senate ways and means
27 committee, legislative transportation committee, legislative evaluation
28 and accountability program committee, and office of financial
29 management.

30 (4) No change affecting the comparability of agency or program
31 information relating to expenditures, revenues, workload, performance
32 and personnel shall be made in the format of any budget document or
33 report presented to the legislature under this section or RCW
34 43.88.160(1) relative to the format of the budget document or report
35 which was presented to the previous regular session of the legislature
36 during an odd-numbered year without prior legislative concurrence.
37 Prior legislative concurrence shall consist of (a) a favorable majority
38 vote on the proposal by the standing committees on ways and means of
39 both houses if the legislature is in session or (b) a favorable

1 majority vote on the proposal by members of the legislative evaluation
2 and accountability program committee if the legislature is not in
3 session.

4 **Sec. 13.** RCW 43.88.120 and 1991 c 358 s 3 are each amended to read
5 as follows:

6 Each agency engaged in the collection of revenues shall prepare
7 estimated revenues and estimated receipts for the current and ensuing
8 biennium and shall submit the estimates to the director of financial
9 management and the director of revenue at times and in the form
10 specified by the directors, along with any other information which the
11 directors may request. For those agencies required to develop six-year
12 programs and financial plans under RCW 44.40.070, six-year revenue
13 estimates shall be submitted to the director of financial management
14 and the ~~((legislative))~~ transportation committees of the senate and the
15 house of representatives unless the responsibility for reporting these
16 revenue estimates is assumed elsewhere.

17 A copy of such revenue estimates shall be simultaneously submitted
18 to the economic and revenue forecast work group when required by the
19 office of the economic and revenue forecast council.

20 **Sec. 14.** RCW 43.88.122 and 1991 c 358 s 7 are each amended to read
21 as follows:

22 Where there are variances of revenue forecasts between the office
23 of financial management and the ~~((interagency))~~ transportation revenue
24 ~~((task force))~~ forecast council, for those transportation agencies that
25 are required to develop plans under RCW 44.40.070, the office of
26 financial management shall submit (1) a reconciliation of the
27 differences between the revenue forecasts and (2) the assumptions used
28 by the office of financial management to the ~~((legislative))~~
29 transportation committees of the senate and the house of
30 representatives.

31 ***Sec. 15.** RCW 44.40.070 and 1998 c 245 s 87 are each amended to
32 read as follows:

33 *Prior to October 1st of each even-numbered year the transportation*
34 *revenue forecast council, consisting of all state agencies whose major*
35 *programs consist of transportation activities, including the department*
36 *of transportation, the transportation improvement board, the Washington*

1 state patrol, the department of licensing, the traffic safety
2 commission, the county road administration board, and the board of
3 pilotage commissioners, shall adopt or revise, after consultation with
4 the ((legislative)) transportation committees of the senate and house
5 of representatives, a comprehensive six-year program and financial plan
6 for all transportation activities under each agency's jurisdiction.

7 The comprehensive six-year program and financial plan shall state
8 the general objectives and needs of each agency's major transportation
9 programs, including workload and performance estimates.

10 *Sec. 15 was vetoed. See message at end of chapter.

11 **Sec. 16.** RCW 82.14.045 and 1998 c 321 s 7 (Referendum Bill No. 49)
12 are each amended to read as follows:

13 (1) The legislative body of any city pursuant to RCW 35.92.060, of
14 any county which has created an unincorporated transportation benefit
15 area pursuant to RCW 36.57.100 and 36.57.110, of any public
16 transportation benefit area pursuant to RCW 36.57A.080 and 36.57A.090,
17 of any county transportation authority established pursuant to chapter
18 36.57 RCW, and of any metropolitan municipal corporation within a
19 county with a population of one million or more pursuant to chapter
20 35.58 RCW, may, by resolution or ordinance for the sole purpose of
21 providing funds for the operation, maintenance, or capital needs of
22 public transportation systems and in lieu of the excise taxes
23 authorized by RCW 35.95.040, submit an authorizing proposition to the
24 voters or include such authorization in a proposition to perform the
25 function of public transportation and if approved by a majority of
26 persons voting thereon, fix and impose a sales and use tax in
27 accordance with the terms of this chapter: PROVIDED, That no such
28 legislative body shall impose such a sales and use tax without
29 submitting such an authorizing proposition to the voters and obtaining
30 the approval of a majority of persons voting thereon: PROVIDED
31 FURTHER, That where such a proposition is submitted by a county on
32 behalf of an unincorporated transportation benefit area, it shall be
33 voted upon by the voters residing within the boundaries of such
34 unincorporated transportation benefit area and, if approved, the sales
35 and use tax shall be imposed only within such area. Notwithstanding
36 any provisions of this section to the contrary, any county in which a
37 county public transportation plan has been adopted pursuant to RCW
38 36.57.070 and the voters of such county have authorized the imposition

1 of a sales and use tax pursuant to the provisions of section 10,
2 chapter 167, Laws of 1974 ex. sess., prior to July 1, 1975, shall be
3 authorized to fix and impose a sales and use tax as provided in this
4 section at not to exceed the rate so authorized without additional
5 approval of the voters of such county as otherwise required by this
6 section.

7 The tax authorized pursuant to this section shall be in addition to
8 the tax authorized by RCW 82.14.030 and shall be collected from those
9 persons who are taxable by the state pursuant to chapters 82.08 and
10 82.12 RCW upon the occurrence of any taxable event within such city,
11 public transportation benefit area, county, or metropolitan municipal
12 corporation as the case may be. The rate of such tax shall be one-
13 tenth, two-tenths, three-tenths, four-tenths, five-tenths, (~~or~~) six-
14 tenths, seven-tenths, eight-tenths, or nine-tenths of one percent of
15 the selling price (in the case of a sales tax) or value of the article
16 used (in the case of a use tax). The rate of such tax shall not exceed
17 the rate authorized by the voters unless such increase shall be
18 similarly approved.

19 (2)(a) In the event a metropolitan municipal corporation shall
20 impose a sales and use tax pursuant to this chapter no city, county
21 which has created an unincorporated transportation benefit area, public
22 transportation benefit area authority, or county transportation
23 authority wholly within such metropolitan municipal corporation shall
24 be empowered to levy and/or collect taxes pursuant to RCW 35.58.273,
25 35.95.040, and/or 82.14.045, but nothing herein shall prevent such city
26 or county from imposing sales and use taxes pursuant to any other
27 authorization.

28 (b) In the event a county transportation authority shall impose a
29 sales and use tax pursuant to this section, no city, county which has
30 created an unincorporated transportation benefit area, public
31 transportation benefit area, or metropolitan municipal corporation,
32 located within the territory of the authority, shall be empowered to
33 levy or collect taxes pursuant to RCW 35.58.273, 35.95.040, or
34 82.14.045.

35 (c) In the event a public transportation benefit area shall impose
36 a sales and use tax pursuant to this section, no city, county which has
37 created an unincorporated transportation benefit area, or metropolitan
38 municipal corporation, located wholly or partly within the territory of

1 the public transportation benefit area, shall be empowered to levy or
2 collect taxes pursuant to RCW 35.58.273, 35.95.040, or 82.14.045.

3 (3) Any local sales and use tax revenue collected pursuant to this
4 section by any city or by any county for transportation purposes
5 pursuant to RCW 36.57.100 and 36.57.110 shall not be counted as locally
6 generated tax revenues for the purposes of apportionment and
7 distribution, in the manner prescribed by chapter 82.44 RCW, of the
8 proceeds of the motor vehicle excise tax authorized pursuant to RCW
9 35.58.273, except that the local sales and use tax revenue collected
10 under this section by a city with a population greater than sixty
11 thousand that as of January 1, 1998, owns and operates a municipal
12 public transportation system shall be counted as locally generated tax
13 revenues for the purposes of apportionment and distribution, in the
14 manner prescribed by chapter 82.44 RCW, of the proceeds of the motor
15 vehicle excise tax authorized under RCW 35.58.273 as follows:

16 (a) For fiscal year 2000, revenues collected under this section
17 shall be counted as locally generated tax revenues for up to 25 percent
18 of the tax collected under RCW 35.58.273;

19 (b) For fiscal year 2001, revenues collected under this section
20 shall be counted as locally generated tax revenues for up to 50 percent
21 of the tax collected under RCW 35.58.273;

22 (c) For fiscal year 2002, revenues collected under this section
23 shall be counted as locally generated tax revenues for up to 75 percent
24 of the tax collected under RCW 35.58.273; and

25 (d) For fiscal year 2003 and thereafter, revenues collected under
26 this section shall be counted as locally generated tax revenues for up
27 to 100 percent of the tax collected under RCW 35.58.273.

28 NEW SECTION. **Sec. 17.** The legislature finds that additional funds
29 or other benefits can be made available to Washington regional transit
30 authorities by facilitating their entry into sale and leaseback,
31 leaseout and leaseback, and similar transactions that provide to
32 private parties, in consideration for the funds or other benefits
33 obtained by the regional transit authorities, tax benefits that are not
34 otherwise available to regional transit authorities. The legislature
35 further finds that such transactions have been encouraged by agencies
36 of the federal government as ways to provide additional funds for
37 public facilities. To facilitate such transactions for regional
38 transit authorities, the legislature has determined that while regional

1 transit authorities may currently have the necessary statutory
2 authority and may currently enjoy exemptions from Washington state
3 taxes for such transactions, an explicit statement of statutory
4 authority and exemption from Washington state taxes is necessary and
5 helpful for the parties to such transactions. In recognition of the
6 complexity of such transactions, the legislature desires that the
7 authority and exemptions provided by sections 18 through 30 of this act
8 be subject to certain limitations and be granted for a period as
9 specified in section 30 of this act.

10 NEW SECTION. **Sec. 18.** A new section is added to chapter 81.112
11 RCW to read as follows:

12 (1) In order to enable regional transit authorities to acquire or
13 finance equipment or facilities, or reduce the cost of equipment or
14 facilities, regional transit authorities may enter into sale and
15 leaseback, leaseout and leaseback, and other similar transactions with
16 respect to equipment, facilities, and other real and personal property.
17 In connection with any such transaction, a regional transit authority
18 may execute, as it considers appropriate, contracts, agreements, notes,
19 security agreements, conveyances, bills of sale, deeds, leases as
20 lessee or lessor, and currency hedges, defeasance arrangements,
21 interest rate, currency or other swap transactions, one or more payment
22 undertaking agreements, and agreements relating to foreign and domestic
23 currency. These agreements or instruments must have terms, maturities,
24 durations, provisions as to governing laws, grants of security
25 interests, and other provisions that are approved by the board of the
26 regional transit authority.

27 (2) "Payment undertaking agreement" means one or more agreements,
28 undertakings or arrangements under which all or a portion of the funds
29 generated by a sale and leaseback, leaseout and leaseback, or other
30 similar transaction are directed or paid over to a financial
31 institution, insurance company, or other entity that agrees to meet or
32 fulfill, in consideration for the funds, some or all of the obligations
33 of the regional transit authority, or any public corporation or other
34 entity created under section 20 of this act, to make future rent, debt
35 service, or purchase price installment payments in connection with the
36 transaction.

1 NEW SECTION. **Sec. 19.** A new section is added to chapter 81.112
2 RCW to read as follows:

3 Transactions undertaken under section 18 of this act are subject to
4 the following conditions:

5 (1) The financial institution, insurance company, or other entity
6 that enters into a payment undertaking agreement with the regional
7 transit authority or public development corporation or entity created
8 under section 20 of this act as a counterparty must have a rating from
9 at least two nationally recognized credit rating agencies, as of the
10 date of execution of the payment undertaking agreement, that is within
11 the two highest long-term investment grade rating categories, without
12 regard to subcategories, or the obligations of the counterparty must be
13 guaranteed by a financial institution, insurance company, or other
14 entity with that credit rating. The payment undertaking agreement must
15 require that the obligations of the counterparty or the guarantor, as
16 the case may be, must be collateralized by collateral of a type and in
17 an amount specified by the governing body of the regional transit
18 authority if the credit ratings of the counterparty or its guarantor
19 fall below the level required by this subsection.

20 (2) The amount to be paid by the counterparties under payment
21 undertaking agreements for a transaction under the terms of the
22 agreements, when combined with the amount of securities, deposits, and
23 investments set aside by the regional transit authority for payment in
24 respect of the transactions, together with interest or other earnings
25 on the securities, deposits, or investments, must be sufficient to pay
26 when due all amounts required to be paid by the regional transit
27 authority, or public corporation or entity created under section 20 of
28 this act, as rent, debt service, or installments of purchase price, as
29 the case may be, over the full term of the transaction plus any
30 optional purchase price due under the transaction. A certification by
31 an independent financial expert, banker, or certified public
32 accountant, who is not an employee of the regional transit authority or
33 public corporation or entity created under section 20 of this act,
34 certifying compliance with this requirement is conclusive evidence that
35 the arrangements, by their terms, comply with the requirement under
36 this subsection on the sufficiency of the amount.

37 (3) The payment undertaking agreements, and all other basic and
38 material agreements entered into in connection with the transactions,
39 must specify that the parties to the agreements consent to the

1 jurisdiction of state courts of Washington for disputes arising out of
2 the agreements and agree not to contest venue before such courts.
3 Regardless of the choice of law specified in the foregoing agreements,
4 the agreements must acknowledge that the regional transit authority or
5 public development corporation or entity created under section 20 of
6 this act that is a party to the agreements is an entity created under
7 the laws of the state of Washington whose power and authority and
8 limitations and restrictions on the power and authority are governed by
9 the laws of the state of Washington.

10 Payment undertaking agreements that meet the foregoing requirement
11 must be treated for all relevant purposes as agreements under which
12 future services are performed for a present payment and shall not be
13 treated as payment agreements within the meaning of chapter 39.96 RCW.

14 NEW SECTION. **Sec. 20.** A new section is added to chapter 81.112
15 RCW to read as follows:

16 To accomplish any of the activities under section 18 of this act,
17 a regional transit authority may create a public corporation,
18 commission, or authority under RCW 35.21.730 through 35.21.755, and
19 authorize the corporation, commission, or authority to provide any of
20 the facilities and services that a regional transit authority may
21 provide including any activities under section 18 of this act. A
22 regional transit authority has all the powers, authorities, and rights
23 granted to any city, town, or county or their agents under RCW
24 35.21.730 through 35.21.755 for the purposes of entering into and
25 implementing transactions under section 18 of this act.

26 NEW SECTION. **Sec. 21.** A new section is added to chapter 82.08 RCW
27 to read as follows:

28 The tax levied by RCW 82.08.020 does not apply to lease amounts
29 paid by a seller/lessee to a lessor under a sale/leaseback agreement
30 under section 18 of this act in respect to tangible personal property,
31 used by the seller/lessee, or to the purchase amount paid by the lessee
32 pursuant to an option to purchase at the end of the lease term, but
33 only if the seller/lessee previously paid any tax otherwise due under
34 this chapter or chapter 82.12 RCW at the time of acquisition of the
35 tangible personal property.

1 NEW SECTION. **Sec. 22.** A new section is added to chapter 82.12 RCW
2 to read as follows:

3 This chapter does not apply to the use of tangible personal
4 property by a seller/lessee to a lessor under a sale/leaseback
5 agreement under section 18 of this act in respect to tangible personal
6 property used by the seller/lessee, or to the purchase amount paid by
7 the lessee under an option to purchase at the end of the lease term,
8 but only if the seller/lessee previously paid any tax otherwise due
9 under this chapter or chapter 82.08 RCW at the time of acquisition of
10 the tangible personal property.

11 **Sec. 23.** RCW 82.04.050 and 1998 c 332 s 2, 1998 c 315 s 1, 1998 c
12 308 s 1, and 1998 c 275 s 1 are each reenacted and amended to read as
13 follows:

14 (1) "Sale at retail" or "retail sale" means every sale of tangible
15 personal property (including articles produced, fabricated, or
16 imprinted) to all persons irrespective of the nature of their business
17 and including, among others, without limiting the scope hereof, persons
18 who install, repair, clean, alter, improve, construct, or decorate real
19 or personal property of or for consumers other than a sale to a person
20 who presents a resale certificate under RCW 82.04.470 and who:

21 (a) Purchases for the purpose of resale as tangible personal
22 property in the regular course of business without intervening use by
23 such person, but a purchase for the purpose of resale by a regional
24 transit authority under section 18 of this act is not a sale for
25 resale; or

26 (b) Installs, repairs, cleans, alters, imprints, improves,
27 constructs, or decorates real or personal property of or for consumers,
28 if such tangible personal property becomes an ingredient or component
29 of such real or personal property without intervening use by such
30 person; or

31 (c) Purchases for the purpose of consuming the property purchased
32 in producing for sale a new article of tangible personal property or
33 substance, of which such property becomes an ingredient or component or
34 is a chemical used in processing, when the primary purpose of such
35 chemical is to create a chemical reaction directly through contact with
36 an ingredient of a new article being produced for sale; or

37 (d) Purchases for the purpose of consuming the property purchased
38 in producing ferrosilicon which is subsequently used in producing

1 magnesium for sale, if the primary purpose of such property is to
2 create a chemical reaction directly through contact with an ingredient
3 of ferrosilicon; or

4 (e) Purchases for the purpose of providing the property to
5 consumers as part of competitive telephone service, as defined in RCW
6 82.04.065. The term shall include every sale of tangible personal
7 property which is used or consumed or to be used or consumed in the
8 performance of any activity classified as a "sale at retail" or "retail
9 sale" even though such property is resold or utilized as provided in
10 (a), (b), (c), (d), or (e) of this subsection following such use. The
11 term also means every sale of tangible personal property to persons
12 engaged in any business which is taxable under RCW 82.04.280 (2) and
13 (7) and 82.04.290.

14 (2) The term "sale at retail" or "retail sale" shall include the
15 sale of or charge made for tangible personal property consumed and/or
16 for labor and services rendered in respect to the following:

17 (a) The installing, repairing, cleaning, altering, imprinting, or
18 improving of tangible personal property of or for consumers, including
19 charges made for the mere use of facilities in respect thereto, but
20 excluding charges made for the use of coin-operated laundry facilities
21 when such facilities are situated in an apartment house, rooming house,
22 or mobile home park for the exclusive use of the tenants thereof, and
23 also excluding sales of laundry service to nonprofit health care
24 facilities, and excluding services rendered in respect to live animals,
25 birds and insects;

26 (b) The constructing, repairing, decorating, or improving of new or
27 existing buildings or other structures under, upon, or above real
28 property of or for consumers, including the installing or attaching of
29 any article of tangible personal property therein or thereto, whether
30 or not such personal property becomes a part of the realty by virtue of
31 installation, and shall also include the sale of services or charges
32 made for the clearing of land and the moving of earth excepting the
33 mere leveling of land used in commercial farming or agriculture;

34 (c) The charge for labor and services rendered in respect to
35 constructing, repairing, or improving any structure upon, above, or
36 under any real property owned by an owner who conveys the property by
37 title, possession, or any other means to the person performing such
38 construction, repair, or improvement for the purpose of performing such
39 construction, repair, or improvement and the property is then

1 reconveyed by title, possession, or any other means to the original
2 owner;

3 (d) The sale of or charge made for labor and services rendered in
4 respect to the cleaning, fumigating, razing or moving of existing
5 buildings or structures, but shall not include the charge made for
6 janitorial services; and for purposes of this section the term
7 "janitorial services" shall mean those cleaning and caretaking services
8 ordinarily performed by commercial janitor service businesses
9 including, but not limited to, wall and window washing, floor cleaning
10 and waxing, and the cleaning in place of rugs, drapes and upholstery.
11 The term "janitorial services" does not include painting, papering,
12 repairing, furnace or septic tank cleaning, snow removal or
13 sandblasting;

14 (e) The sale of or charge made for labor and services rendered in
15 respect to automobile towing and similar automotive transportation
16 services, but not in respect to those required to report and pay taxes
17 under chapter 82.16 RCW;

18 (f) The sale of and charge made for the furnishing of lodging and
19 all other services by a hotel, rooming house, tourist court, motel,
20 trailer camp, and the granting of any similar license to use real
21 property, as distinguished from the renting or leasing of real
22 property, and it shall be presumed that the occupancy of real property
23 for a continuous period of one month or more constitutes a rental or
24 lease of real property and not a mere license to use or enjoy the same;

25 (g) The sale of or charge made for tangible personal property,
26 labor and services to persons taxable under (a), (b), (c), (d), (e),
27 and (f) of this subsection when such sales or charges are for property,
28 labor and services which are used or consumed in whole or in part by
29 such persons in the performance of any activity defined as a "sale at
30 retail" or "retail sale" even though such property, labor and services
31 may be resold after such use or consumption. Nothing contained in this
32 subsection shall be construed to modify subsection (1) of this section
33 and nothing contained in subsection (1) of this section shall be
34 construed to modify this subsection.

35 (3) The term "sale at retail" or "retail sale" shall include the
36 sale of or charge made for personal, business, or professional services
37 including amounts designated as interest, rents, fees, admission, and
38 other service emoluments however designated, received by persons
39 engaging in the following business activities:

1 (a) Amusement and recreation services including but not limited to
2 golf, pool, billiards, skating, bowling, ski lifts and tows, day trips
3 for sightseeing purposes, and others, when provided to consumers;

4 (b) Abstract, title insurance, and escrow services;

5 (c) Credit bureau services;

6 (d) Automobile parking and storage garage services;

7 (e) Landscape maintenance and horticultural services but excluding
8 (i) horticultural services provided to farmers and (ii) pruning,
9 trimming, repairing, removing, and clearing of trees and brush near
10 electric transmission or distribution lines or equipment, if performed
11 by or at the direction of an electric utility;

12 (f) Service charges associated with tickets to professional
13 sporting events; and

14 (g) The following personal services: Physical fitness services,
15 tanning salon services, tattoo parlor services, steam bath services,
16 turkish bath services, escort services, and dating services.

17 (4) The term shall also include the renting or leasing of tangible
18 personal property to consumers and the rental of equipment with an
19 operator.

20 (5) The term shall also include the providing of telephone service,
21 as defined in RCW 82.04.065, to consumers.

22 (6) The term shall also include the sale of canned software other
23 than a sale to a person who presents a resale certificate under RCW
24 82.04.470, regardless of the method of delivery to the end user, but
25 shall not include custom software or the customization of canned
26 software.

27 (7) The term shall not include the sale of or charge made for labor
28 and services rendered in respect to the building, repairing, or
29 improving of any street, place, road, highway, easement, right of way,
30 mass public transportation terminal or parking facility, bridge,
31 tunnel, or trestle which is owned by a municipal corporation or
32 political subdivision of the state or by the United States and which is
33 used or to be used primarily for foot or vehicular traffic including
34 mass transportation vehicles of any kind.

35 (8) The term shall also not include sales of chemical sprays or
36 washes to persons for the purpose of postharvest treatment of fruit for
37 the prevention of scald, fungus, mold, or decay, nor shall it include
38 sales of feed, seed, seedlings, fertilizer, agents for enhanced
39 pollination including insects such as bees, and spray materials to:

1 (a) Persons who participate in the federal conservation reserve
2 program, the environmental quality incentives program, the wetlands
3 reserve program, and the wildlife habitat incentives program, or their
4 successors administered by the United States department of agriculture;
5 (b) farmers for the purpose of producing for sale any agricultural
6 product; and (c) farmers acting under cooperative habitat development
7 or access contracts with an organization exempt from federal income tax
8 under 26 U.S.C. Sec. 501(c)(3) or the Washington state department of
9 fish and wildlife to produce or improve wildlife habitat on land that
10 the farmer owns or leases.

11 (9) The term shall not include the sale of or charge made for labor
12 and services rendered in respect to the constructing, repairing,
13 decorating, or improving of new or existing buildings or other
14 structures under, upon, or above real property of or for the United
15 States, any instrumentality thereof, or a county or city housing
16 authority created pursuant to chapter 35.82 RCW, including the
17 installing, or attaching of any article of tangible personal property
18 therein or thereto, whether or not such personal property becomes a
19 part of the realty by virtue of installation. Nor shall the term
20 include the sale of services or charges made for the clearing of land
21 and the moving of earth of or for the United States, any
22 instrumentality thereof, or a county or city housing authority. Nor
23 shall the term include the sale of services or charges made for
24 cleaning up for the United States, or its instrumentalities,
25 radioactive waste and other byproducts of weapons production and
26 nuclear research and development.

27 (10) Until July 1, 2003, the term shall not include the sale of or
28 charge made for labor and services rendered for environmental remedial
29 action as defined in RCW 82.04.2635(2).

30 NEW SECTION. **Sec. 24.** A new section is added to chapter 82.04 RCW
31 to read as follows:

32 This chapter does not apply to amounts received as lease payments
33 paid by a seller/lessee to a lessor under a sale/leaseback agreement
34 under section 18 of this act in respect to tangible personal property
35 used by the seller/lessee, or to the purchase amount paid by the lessee
36 under an option to purchase at the end of the lease term.

1 NEW SECTION. **Sec. 25.** A new section is added to chapter 82.29A
2 RCW to read as follows:

3 All leasehold interests in property of a regional transit authority
4 or public corporation created under section 20 of this act under an
5 agreement under section 18 of this act are exempt from tax under this
6 chapter.

7 **Sec. 26.** RCW 82.45.010 and 1999 c 209 s 2 are each amended to read
8 as follows:

9 (1) As used in this chapter, the term "sale" shall have its
10 ordinary meaning and shall include any conveyance, grant, assignment,
11 quitclaim, or transfer of the ownership of or title to real property,
12 including standing timber, or any estate or interest therein for a
13 valuable consideration, and any contract for such conveyance, grant,
14 assignment, quitclaim, or transfer, and any lease with an option to
15 purchase real property, including standing timber, or any estate or
16 interest therein or other contract under which possession of the
17 property is given to the purchaser, or any other person at the
18 purchaser's direction, and title to the property is retained by the
19 vendor as security for the payment of the purchase price. The term
20 also includes the grant, assignment, quitclaim, sale, or transfer of
21 improvements constructed upon leased land.

22 (2) The term "sale" also includes the transfer or acquisition
23 within any twelve-month period of a controlling interest in any entity
24 with an interest in real property located in this state for a valuable
25 consideration. For purposes of this subsection, all acquisitions of
26 persons acting in concert shall be aggregated for purposes of
27 determining whether a transfer or acquisition of a controlling interest
28 has taken place. The department of revenue shall adopt standards by
29 rule to determine when persons are acting in concert. In adopting a
30 rule for this purpose, the department shall consider the following:

31 (a) Persons shall be treated as acting in concert when they have a
32 relationship with each other such that one person influences or
33 controls the actions of another through common ownership; and

34 (b) When persons are not commonly owned or controlled, they shall
35 be treated as acting in concert only when the unity with which the
36 purchasers have negotiated and will consummate the transfer of
37 ownership interests supports a finding that they are acting as a single
38 entity. If the acquisitions are completely independent, with each

1 purchaser buying without regard to the identity of the other
2 purchasers, then the acquisitions shall be considered separate
3 acquisitions.

4 (3) The term "sale" shall not include:

5 (a) A transfer by gift, devise, or inheritance.

6 (b) A transfer of any leasehold interest other than of the type
7 mentioned above.

8 (c) A cancellation or forfeiture of a vendee's interest in a
9 contract for the sale of real property, whether or not such contract
10 contains a forfeiture clause, or deed in lieu of foreclosure of a
11 mortgage.

12 (d) The partition of property by tenants in common by agreement or
13 as the result of a court decree.

14 (e) The assignment of property or interest in property from one
15 spouse to the other in accordance with the terms of a decree of divorce
16 or in fulfillment of a property settlement agreement.

17 (f) The assignment or other transfer of a vendor's interest in a
18 contract for the sale of real property, even though accompanied by a
19 conveyance of the vendor's interest in the real property involved.

20 (g) Transfers by appropriation or decree in condemnation
21 proceedings brought by the United States, the state or any political
22 subdivision thereof, or a municipal corporation.

23 (h) A mortgage or other transfer of an interest in real property
24 merely to secure a debt, or the assignment thereof.

25 (i) Any transfer or conveyance made pursuant to a deed of trust or
26 an order of sale by the court in any mortgage, deed of trust, or lien
27 foreclosure proceeding or upon execution of a judgment, or deed in lieu
28 of foreclosure to satisfy a mortgage or deed of trust.

29 (j) A conveyance to the federal housing administration or veterans
30 administration by an authorized mortgagee made pursuant to a contract
31 of insurance or guaranty with the federal housing administration or
32 veterans administration.

33 (k) A transfer in compliance with the terms of any lease or
34 contract upon which the tax as imposed by this chapter has been paid or
35 where the lease or contract was entered into prior to the date this tax
36 was first imposed.

37 (l) The sale of any grave or lot in an established cemetery.

38 (m) A sale by the United States, this state or any political
39 subdivision thereof, or a municipal corporation of this state.

1 (n) A sale to a regional transit authority or public corporation
2 under section 20 of this act under a sale/leaseback agreement under
3 section 18 of this act.

4 (o) A transfer of real property, however effected, if it consists
5 of a mere change in identity or form of ownership of an entity where
6 there is no change in the beneficial ownership. These include
7 transfers to a corporation or partnership which is wholly owned by the
8 transferor and/or the transferor's spouse or children: PROVIDED, That
9 if thereafter such transferee corporation or partnership voluntarily
10 transfers such real property, or such transferor, spouse, or children
11 voluntarily transfer stock in the transferee corporation or interest in
12 the transferee partnership capital, as the case may be, to other than
13 (1) the transferor and/or the transferor's spouse or children, (2) a
14 trust having the transferor and/or the transferor's spouse or children
15 as the only beneficiaries at the time of the transfer to the trust, or
16 (3) a corporation or partnership wholly owned by the original
17 transferor and/or the transferor's spouse or children, within three
18 years of the original transfer to which this exemption applies, and the
19 tax on the subsequent transfer has not been paid within sixty days of
20 becoming due, excise taxes shall become due and payable on the original
21 transfer as otherwise provided by law.

22 ((+o+)) (p)(i) A transfer that for federal income tax purposes does
23 not involve the recognition of gain or loss for entity formation,
24 liquidation or dissolution, and reorganization, including but not
25 limited to nonrecognition of gain or loss because of application of
26 section 332, 337, 351, 368(a)(1), 721, or 731 of the Internal Revenue
27 Code of 1986, as amended.

28 (ii) However, the transfer described in ((+o+)) (p)(i) of this
29 subsection cannot be preceded or followed within a twelve-month period
30 by another transfer or series of transfers, that, when combined with
31 the otherwise exempt transfer or transfers described in ((+o+)) (p)(i)
32 of this subsection, results in the transfer of a controlling interest
33 in the entity for valuable consideration, and in which one or more
34 persons previously holding a controlling interest in the entity receive
35 cash or property in exchange for any interest the person or persons
36 acting in concert hold in the entity. This subsection (3)((+o+))
37 (p)(ii) does not apply to that part of the transfer involving property
38 received that is the real property interest that the person or persons
39 originally contributed to the entity or when one or more persons who

1 did not contribute real property or belong to the entity at a time when
2 real property was purchased receive cash or personal property in
3 exchange for that person or persons' interest in the entity. The real
4 estate excise tax under this subsection (3)((+o+)) (p)(ii) is imposed
5 upon the person or persons who previously held a controlling interest
6 in the entity.

7 NEW SECTION. Sec. 27. A new section is added to chapter 84.36 RCW
8 to read as follows:

9 All real and personal property subject to a sale/leaseback
10 agreement under section 18 of this act is exempt from taxation.

11 NEW SECTION. Sec. 28. A new section is added to chapter 35.21 RCW
12 to read as follows:

13 A city or town may not impose taxes on amounts received as lease
14 payments paid by a seller/lessee to a lessor under a sale/leaseback
15 agreement under section 18 of this act in respect to tangible personal
16 property used by the seller/lessee, or to the purchase amount paid by
17 the lessee under an option to purchase at the end of the lease term.

18 Sec. 29. RCW 35.21.755 and 1999 c 266 s 1 are each amended to read
19 as follows:

20 (1) A public corporation, commission, or authority created pursuant
21 to RCW 35.21.730 ((or)), 35.21.660, or section 20 of this act shall
22 receive the same immunity or exemption from taxation as that of the
23 city, town, or county creating the same: PROVIDED, That, except for
24 (a) any property within a special review district established by
25 ordinance prior to January 1, 1976, or listed on or which is within a
26 district listed on any federal or state register of historical sites or
27 (b) any property owned, operated, or controlled by a public corporation
28 that is used primarily for low-income housing, or that is used as a
29 convention center, performing arts center, public assembly hall, public
30 meeting place, public esplanade, street, public way, public open space,
31 park, public utility corridor, or view corridor for the general public
32 or (c) any blighted property owned, operated, or controlled by a public
33 corporation that was acquired for the purpose of remediation and
34 redevelopment of the property in accordance with an agreement or plan
35 approved by the city, town, or county in which the property is located,
36 or (d) any property owned, operated, or controlled by a public

1 corporation created under section 20 of this act, any such public
2 corporation, commission, or authority shall pay to the county treasurer
3 an annual excise tax equal to the amounts which would be paid upon real
4 property and personal property devoted to the purposes of such public
5 corporation, commission, or authority were it in private ownership, and
6 such real property and personal property is acquired and/or operated
7 under RCW 35.21.730 through 35.21.755, and the proceeds of such excise
8 tax shall be allocated by the county treasurer to the various taxing
9 authorities in which such property is situated, in the same manner as
10 though the property were in private ownership: PROVIDED FURTHER, That
11 the provisions of chapter 82.29A RCW shall not apply to property within
12 a special review district established by ordinance prior to January 1,
13 1976, or listed on or which is within a district listed on any federal
14 or state register of historical sites and which is controlled by a
15 public corporation, commission, or authority created pursuant to RCW
16 35.21.730 or 35.21.660, which was in existence prior to January 1,
17 1987: AND PROVIDED FURTHER, That property within a special review
18 district established by ordinance prior to January 1, 1976, or property
19 which is listed on any federal or state register of historical sites
20 and controlled by a public corporation, commission, or authority
21 created pursuant to RCW 35.21.730 or 35.21.660, which was in existence
22 prior to January 1, 1976, shall receive the same immunity or exemption
23 from taxation as if such property had been within a district listed on
24 any such federal or state register of historical sites as of January 1,
25 1976, and controlled by a public corporation, commission, or authority
26 created pursuant to RCW 35.21.730 or 35.21.660 which was in existence
27 prior to January 1, 1976.

28 (2) As used in this section:

29 (a) "Low-income" means a total annual income, adjusted for family
30 size, not exceeding fifty percent of the area median income.

31 (b) "Area median income" means:

32 (i) For an area within a standard metropolitan statistical area,
33 the area median income reported by the United States department of
34 housing and urban development for that standard metropolitan
35 statistical area; or

36 (ii) For an area not within a standard metropolitan statistical
37 area, the county median income reported by the department of community,
38 trade, and economic development.

1 (c) "Blighted property" means property that is contaminated with
2 hazardous substances as defined under RCW 70.105D.020(7).

3 NEW SECTION. **Sec. 30.** A new section is added to chapter 81.112
4 RCW to read as follows:

5 (1) Except as provided in subsection (3) of this section, no
6 regional transit authority may initiate a transaction authorized under
7 section 18 of this act after June 30, 2007.

8 (2) The termination of authority to enter into transactions after
9 June 30, 2007, does not affect the validity of any transactions entered
10 into under section 18 of this act.

11 (3) A regional transit authority may enter into a transaction in
12 accordance with section 18 of this act after June 30, 2007, to replace
13 or refinance a transaction that relates to specific obligations entered
14 into on or before that date and that has terminated, or is, under the
15 terms of the replacement or refinance, to terminate, before the final
16 stated term of that transaction. The exemptions from taxes provided by
17 sections 21, 22, 24, 25, 27, and 28 of this act and RCW 82.04.050,
18 82.45.010, and 35.21.755 apply to the replacement or refinance
19 transactions.

20 (4) A regional transit authority, or public corporation or entity
21 created under section 20 of this act, that undertakes a transaction
22 authorized by section 18 of this act, shall provide to the state
23 finance committee, or its financial advisor, at the state finance
24 committee's discretion, a copy of all material agreements executed in
25 connection with the transaction within three months of the closing of
26 the transaction and shall make a report to the state finance committee,
27 the president of the senate, and the speaker of the house of
28 representatives on transactions authorized by section 18 of this act.
29 The report must include the amount of the transactions, the expected
30 savings or losses resulting from the transactions, the transaction
31 costs, including fees and detailed pricing information, the risks
32 associated with the transaction, and any other information the regional
33 transit authority determines relevant. The report must be submitted
34 within six months of the closing of each transaction.

35 NEW SECTION. **Sec. 31.** The authority granted by sections 18
36 through 30 of this act is in addition and supplemental to any authority
37 previously granted and does not limit nor is limited by any other

1 powers or authority previously granted to regional transit authorities
2 or any public corporation, or restrictions on such powers or authority.
3 Nothing in sections 18 through 30 of this act limits other statutory
4 authority previously granted to regional transit authorities or public
5 corporations or other tax exemptions granted to regional transit
6 authorities or public corporations. Nothing in sections 18 through 30
7 of this act limits the authority of the state, any political
8 subdivision thereof, or any other public or municipal corporation to
9 undertake the activities described in sections 18 through 30 of this
10 act as expressly or impliedly authorized by other provisions of law.
11 Nothing in sections 18 through 30 of this act is an authorization to
12 provide indemnification to the extent the indemnification is prohibited
13 or restricted by other provisions of law or the Constitution of the
14 state of Washington.

15 **Sec. 32.** RCW 81.112.060 and 1992 c 101 s 6 are each amended to
16 read as follows:

17 An authority shall have the following powers:

18 (1) To establish offices, departments, boards, and commissions that
19 are necessary to carry out the purposes of the authority, and to
20 prescribe the functions, powers, and duties thereof.

21 (2) To appoint or provide for the appointment of, and to remove or
22 to provide for the removal of, all officers and employees of the
23 authority.

24 (3) To fix the salaries, wages, and other compensation of all
25 officers and employees of the authority.

26 (4) To employ such engineering, legal, financial, or other
27 specialized personnel as may be necessary to accomplish the purposes of
28 the authority.

29 (5) To determine risks, hazards, and liabilities in order to obtain
30 insurance consistent with these determinations. This insurance may
31 include any types of insurance covering, and for the benefit of, one or
32 more parties with whom the authority contracts for any purpose, and
33 insurance for the benefit of its board members, authority officers, and
34 employees to insure against liability for acts or omissions while
35 performing or in good faith purporting to perform their official
36 duties. All insurance obtained for construction of authority projects
37 with a total project cost exceeding one hundred million dollars may be
38 acquired by bid or by negotiation through December 31, 2006. In order

1 to allow the authority flexibility to secure appropriate insurance by
2 negotiation, the authority is exempt from RCW 48.30.270.

3 **Sec. 33.** RCW 48.30.270 and 1983 2nd ex.s. c 1 s 6 are each amended
4 to read as follows:

5 (1) No officer or employee of this state, or of any public agency,
6 public authority or public corporation except a public corporation or
7 public authority created pursuant to agreement or compact with another
8 state, and no person acting or purporting to act on behalf of such
9 officer or employee, or public agency or public authority or public
10 corporation, shall, with respect to any public building or construction
11 contract which is about to be, or which has been competitively bid,
12 require the bidder to make application to, or to furnish financial data
13 to, or to obtain or procure, any of the surety bonds or contracts of
14 insurance specified in connection with such contract, or specified by
15 any law, general, special or local, from a particular insurer or agent
16 or broker.

17 (2) No such officer or employee or any person, acting or purporting
18 to act on behalf of such officer or employee shall negotiate, make
19 application for, obtain or procure any of such surety bonds or
20 contracts of insurance, except contracts of insurance for builder's
21 risk or owner's protective liability, which can be obtained or procured
22 by the bidder, contractor or subcontractor.

23 (3) This section shall not be construed to prevent the exercise by
24 such officer or employee on behalf of the state or such public agency,
25 public authority, or public corporation of its right to approve the
26 form, sufficiency or manner or execution of the surety bonds or
27 contracts of insurance furnished by the insurer selected by the bidder
28 to underwrite such bonds, or contracts of insurance.

29 (4) Any provisions in any invitation for bids, or in any of the
30 contract documents, in conflict with this section are declared to be
31 contrary to the public policy of this state.

32 (5) A violation of this section shall be subject to the penalties
33 provided by RCW 48.01.080.

34 (6) This section shall not apply to:

35 (a) The public nonprofit corporation authorized under RCW
36 67.40.020; or

37 (b) A regional transit authority authorized under RCW 81.112.030.

1 NEW SECTION. **Sec. 34.** Section 1 of this act applies to taxes
2 collected on and after December 31, 1999.

3 NEW SECTION. **Sec. 35.** Sections 1 through 3 and 20 of this act are
4 necessary for the immediate preservation of the public peace, health,
5 or safety, or support of the state government and its existing public
6 institutions, and take effect immediately.

7 NEW SECTION. **Sec. 36.** (1) Sections 4 and 7 through 10 of this act
8 are necessary for the immediate preservation of the public peace,
9 health, or safety, or support of the state government and its existing
10 public institutions, and take effect July 1, 2000.

11 (2) Section 5 of this act takes effect September 1, 2000.

12 (3) Section 6 of this act takes effect March 1, 2002.

13 NEW SECTION. **Sec. 37.** Sections 3 and 4 of this act expire
14 September 1, 2000.

 Passed the Senate April 27, 2000.

 Passed the House April 27, 2000.

 Approved by the Governor May 2, 2000, with the exception of certain
 items that were vetoed.

 Filed in Office of Secretary of State May 2, 2000.

1 Note: Governor's explanation of partial veto is as follows:

2 "I am returning herewith, without my approval as to sections 8(2)
3 and 15 of Second Engrossed Second Substitute Senate Bill No. 6856
4 entitled:

5 "AN ACT Relating to transportation funding;"

6 Section 8(2) (found at page 14, line 37 through page 15, line 6 of
7 the bill) would have amended RCW 46.68.035 and Chapter 102, Section 7,
8 laws of 1993, to redirect the portion of the combined vehicle license
9 fee revenues that are currently distributed to the State Patrol Highway
10 Account to instead be distributed to the Motor Vehicle Account. This
11 change in distribution was inadvertently copied from an earlier version
12 of the bill and would have the effect of putting the State Patrol
13 Highway Account in a deficit position. In order to restore legislative
14 intent and to avoid fund balance problems in the State Patrol Highway
15 Account, I have vetoed this section.

16 Section 15 (found on pages 24 and 25 of the bill) would have
17 amended RCW 44.40.070 and Chapter 245, Section 87, laws of 1998, so
18 that the transportation revenue forecast council would be responsible
19 for adopting a comprehensive six-year program and financial plans for
20 state agency transportation activities. The section also would have
21 codified the membership of the transportation revenue forecast council
22 to include only transportation agencies. The council currently
23 includes representatives from transportation agencies, as well as the

1 Office of Financial Management, the Economic and Revenue Forecast
2 Council, the Office of the State Treasurer, and the House and Senate
3 Transportation Committees. I do not support the exclusion of non-
4 transportation agencies from the council, and I believe that the
5 development and adoption of six-year transportation expenditure and
6 revenue plans should remain with the agencies.

7 For these reasons, I have vetoed sections 8(2) and 15, Second
8 Engrossed Second Substitute Senate Bill No. 6856.

9 With the exception of sections 8(2) and 15, Second Engrossed
10 Second Substitute Senate Bill No. 6856 is approved."