
HOUSE BILL 2666

State of Washington 64th Legislature 2016 Regular Session

By Representatives Santos, Walkinshaw, and Farrell

Read first time 01/18/16. Referred to Committee on Appropriations.

1 AN ACT Relating to providing transparency on the effect of tax
2 expenditures on the state's budget; amending RCW 43.06.400,
3 43.88.030, and 82.33.060; reenacting and amending RCW 82.33.020; and
4 providing an effective date.

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

6 **Sec. 1.** RCW 43.06.400 and 2013 c 225 s 605 are each amended to
7 read as follows:

8 (1) Beginning in January (~~(1984)~~) 2017, and in January of every
9 (~~(fourth)~~) second year thereafter, the department of revenue must
10 submit to the legislature prior to the regular session a listing of
11 the amount of reduction for the current and next biennium in the
12 revenues of the state or the revenues of local government collected
13 by the state as a result of tax exemptions. The listing must include
14 an estimate of the revenue lost from the tax exemption, the purpose
15 of the tax exemption, the persons, organizations, or parts of the
16 population which benefit from the tax exemption, and whether or not
17 the tax exemption conflicts with another state program. The listing
18 must include but not be limited to the following revenue sources:

- 19 (a) Real and personal property tax exemptions under Title 84 RCW;
20 (b) Business and occupation tax exemptions, deductions, and
21 credits under chapter 82.04 RCW;

- 1 (c) Retail sales and use tax exemptions under chapters 82.08,
2 82.12, and 82.14 RCW;
- 3 (d) Public utility tax exemptions and deductions under chapter
4 82.16 RCW;
- 5 (e) Food fish and shellfish tax exemptions under chapter 82.27
6 RCW;
- 7 (f) Leasehold excise tax exemptions under chapter 82.29A RCW;
- 8 (g) Motor vehicle and special fuel tax exemptions and refunds
9 under chapter 82.38 RCW;
- 10 (h) Aircraft fuel tax exemptions under chapter 82.42 RCW;
- 11 (i) Motor vehicle excise tax exclusions under chapter 82.44 RCW;
12 and
- 13 (j) Insurance premiums tax exemptions under chapter 48.14 RCW.
- 14 (2) The department of revenue must prepare the listing required
15 by this section with the assistance of any other agencies or
16 departments as may be required.
- 17 (3) The department of revenue must present the listing to the
18 ways and means committees of each house in public hearings.
- 19 (4) Beginning in January (~~(1984)~~) 2017, and every (~~(four)~~) two
20 years thereafter, the governor is requested to review the report from
21 the department of revenue and may submit recommendations to the
22 legislature with respect to the repeal or modification of any tax
23 exemption. The ways and means committees of each house and the
24 appropriate standing committee of each house must hold public
25 hearings and take appropriate action on the recommendations submitted
26 by the governor.
- 27 (5) As used in this section, "tax exemption" means an exemption,
28 exclusion, or deduction from the base of a tax; a credit against a
29 tax; a deferral of a tax; or a preferential tax rate.
- 30 (6) For purposes of the listing due in January 2012, the
31 department of revenue does not have to prepare or update the listing
32 with respect to any tax exemption that would not be likely to
33 increase state revenue if the exemption was repealed or otherwise
34 eliminated.

35 **Sec. 2.** RCW 43.88.030 and 2006 c 334 s 43 are each amended to
36 read as follows:

- 37 (1) The director of financial management (~~(shall)~~) must provide
38 all agencies with a complete set of instructions for submitting
39 biennial budget requests to the director at least three months before

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

39 (2) The budget document or documents (~~shall~~) must also contain:

1 (a) Revenues classified by fund and source for the immediately
2 past fiscal period, those received or anticipated for the current
3 fiscal period, and those anticipated for the ensuing biennium;

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

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

8 (d) Such additional information dealing with revenues and
9 expenditures as the governor (~~shall~~) deems pertinent and useful to
10 the legislature;

11 (e) Tabulations showing expenditures classified by fund,
12 function, and agency;

13 (f) The expenditures that include nonbudgeted, nonappropriated
14 accounts outside the state treasury;

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

18 (h) Tabulations showing each postretirement adjustment by
19 retirement system established after fiscal year 1991, to include, but
20 not be limited to, estimated total payments made to the end of the
21 previous biennial period, estimated payments for the present
22 biennium, and estimated payments for the ensuing biennium.

23 (~~(+2)~~) (3) The budget document or documents (~~shall~~) must
24 include detailed estimates of all anticipated revenues applicable to
25 proposed operating or capital expenditures and shall also include all
26 proposed operating or capital expenditures. The total of beginning
27 undesignated fund balance and estimated revenues less working capital
28 and other reserves (~~shall~~) must equal or exceed the total of
29 proposed applicable expenditures. The budget document or documents
30 (~~shall~~) must further include:

31 (a) Interest, amortization and redemption charges on the state
32 debt;

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

34 (c) Other statutory expenditures;

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

36 (e) Revenues derived from agency operations;

37 (f) Expenditures and revenues shall be given in comparative form
38 showing those incurred or received for the immediately past fiscal
39 period and those anticipated for the current biennium and next
40 ensuing biennium;

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

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

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

8 (j) A showing and explanation of anticipated amounts of general
9 fund and other funds required to amortize the unfunded actuarial
10 accrued liability of the retirement system specified under chapter
11 41.45 RCW, and the contributions to meet such amortization, stated in
12 total dollars and as a level percentage of total compensation.

13 ~~((+3))~~ (4) The governor's operating budget document or documents
14 ~~((shall))~~ must reflect the statewide priorities as required by RCW
15 43.88.090.

16 ~~((+4))~~ (5) The governor's operating budget document or documents
17 ~~((shall))~~ must identify activities that are not addressing the
18 statewide priorities.

19 ~~((+5))~~ (6) The governor's operating budget document or documents
20 must clearly state a baseline revenue estimate in the operating
21 budget balance sheet that excludes the impact of any current tax
22 preferences and a revenue adjustment that includes the estimated
23 impact of current tax preferences. The baseline revenue estimates
24 must be clearly and transparently adjusted to reflect the impact of
25 all current tax preferences. The revenue adjustment must be labeled
26 as "currently required tax expenditures." If the governor chooses to
27 expand any current tax preference, including the extension of
28 existing preferences, or authorize a new tax preference, those
29 amounts must also be clearly displayed and labeled as "additional
30 proposed tax expenditures." Supporting documents must include a link
31 to the listing required under RCW 43.06.400, published by the
32 department of revenue, detailing the revenue impact of all individual
33 tax preferences. For purposes of this section, tax preference has the
34 same meaning as in RCW 43.136.021.

35 (7) A separate capital budget document or schedule ~~((shall))~~ must
36 be submitted that ~~((will))~~ contains the following:

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

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

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

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

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

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

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

23 (h) Estimated total project cost;

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

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

32 (k) Estimated ensuing biennium costs;

33 (l) Estimated costs beyond the ensuing biennium;

34 (m) Estimated construction start and completion dates;

35 (n) Source and type of funds proposed;

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

38 (p) For any capital appropriation requested for a state agency
39 for the acquisition of land or the capital improvement of land in
40 which the primary purpose of the acquisition or improvement is

1 recreation or wildlife habitat conservation, the capital budget
2 document, or an omnibus list of recreation and habitat acquisitions
3 provided with the governor's budget document, (~~shall~~) must identify
4 the projected costs of operation and maintenance for at least the two
5 biennia succeeding the next biennium. Omnibus lists of habitat and
6 recreation land acquisitions (~~shall~~) must include individual
7 project cost estimates for operation and maintenance as well as a
8 total for all state projects included in the list. The document
9 (~~shall~~) must identify the source of funds from which the operation
10 and maintenance costs are proposed to be funded;

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

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

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

17 (8) For purposes of (~~this~~) subsection (~~(5)~~) (7) of this
18 section, the term "capital project" (~~shall~~) must be defined
19 subsequent to the analysis, findings, and recommendations of a joint
20 committee comprised of representatives from the house capital
21 appropriations committee, senate ways and means committee,
22 legislative evaluation and accountability program committee, and
23 office of financial management.

24 (~~(6)~~) (9) No change affecting the comparability of agency or
25 program information relating to expenditures, revenues, workload,
26 performance and personnel (~~shall~~) may be made in the format of any
27 budget document or report presented to the legislature under this
28 section or RCW 43.88.160(1) relative to the format of the budget
29 document or report (~~which~~) that was presented to the previous
30 regular session of the legislature during an odd-numbered year
31 without prior legislative concurrence. Prior legislative concurrence
32 (~~shall~~) must consist of (a) a favorable majority vote on the
33 proposal by the standing committees on ways and means of both houses
34 if the legislature is in session or (b) a favorable majority vote on
35 the proposal by members of the legislative evaluation and
36 accountability program committee if the legislature is not in
37 session.

38 **Sec. 3.** RCW 82.33.020 and 2015 c 3 s 14 are each reenacted and
39 amended to read as follows:

1 (1) Four times each year the supervisor must prepare, subject to
2 the approval of the economic and revenue forecast council under RCW
3 82.33.010:

4 (a) An official state economic and revenue forecast;

5 (b) An unofficial state economic and revenue forecast based on
6 optimistic economic and revenue projections; and

7 (c) An unofficial state economic and revenue forecast based on
8 pessimistic economic and revenue projections.

9 (2) The supervisor must submit forecasts prepared under this
10 section, along with any unofficial forecasts provided under RCW
11 82.33.010, to the governor and the members of the committees on ways
12 and means and the chairs of the committees on transportation of the
13 senate and house of representatives, including one copy to the staff
14 of each of the committees, on or before November 20th, February 20th
15 in the even-numbered years, March 20th in the odd-numbered years,
16 June 27th, and September 27th. In fiscal year 2015, the March 20th
17 forecast (~~(shall)~~) must be submitted on or before February 20, 2015.
18 All forecasts must include both estimated receipts and estimated
19 revenues in conformance with generally accepted accounting principles
20 as provided by RCW 43.88.037. In odd-numbered years, the period
21 covered by forecasts for the state general fund and related funds
22 must cover the current fiscal biennium and the next ensuing fiscal
23 biennium. In even-numbered years, the period covered by the forecasts
24 for the state general fund and related funds (~~(shall)~~) must be
25 current fiscal and the next two ensuing fiscal biennia.

26 (3) The submitted forecast document or documents must clearly
27 state a baseline revenue estimate that excludes the impact of any
28 current tax preferences and a revenue adjustment that includes the
29 estimated impact of current tax preferences. The baseline revenue
30 estimates and forecast must be clearly and transparently adjusted to
31 reflect the impact of all current tax preferences. The revenue
32 adjustment must be labeled as "currently required tax expenditures."
33 Supporting documents must include a link to the listing required
34 under RCW 43.06.400, published by the department of revenue,
35 detailing the revenue impact of all individual tax preferences. For
36 purposes of this section, tax preference has the same meaning as
37 provided in RCW 43.136.021.

38 (4) All agencies of state government must provide to the
39 supervisor immediate access to all information relating to economic
40 and revenue forecasts. Revenue collection information must be

1 available to the supervisor the first business day following the
2 conclusion of each collection period.

3 ~~((4))~~ (5) The economic and revenue forecast supervisor and
4 staff must colocate and share information, data, and files with the
5 tax research section of the department of revenue but may not
6 duplicate the duties and functions of one another.

7 ~~((5))~~ (6) As part of its forecasts under subsection (1) of this
8 section, the supervisor must provide estimated revenue from tuition
9 fees as defined in RCW 28B.15.020.

10 ~~((6))~~ (7) The economic and revenue forecast council must, in
11 consultation with the economic and revenue forecast work group
12 created in RCW 82.33.040, review the existing economic and revenue
13 forecast council revenue model, data, and methodologies and in light
14 of recent economic changes, engage outside experts if necessary, and
15 recommend changes to the economic and revenue forecast council
16 revenue forecasting process to increase confidence and promote
17 accuracy in the revenue forecast. The recommendations are due by
18 September 30, 2012, and every five years thereafter.

19 **Sec. 4.** RCW 82.33.060 and 2012 1st sp.s. c 8 s 4 are each
20 amended to read as follows:

21 (1) To facilitate compliance with, and subject to the terms of,
22 RCW 43.88.055, the state budget outlook work group ~~((shall))~~ must
23 prepare, subject to the approval of the economic and revenue forecast
24 council under RCW 82.33.010, an official state budget outlook for
25 state revenues and expenditures for the general fund and related
26 funds. In odd-numbered years, the period covered by the November
27 state budget outlook shall be the current fiscal biennium and the
28 next ensuing fiscal biennium. In even-numbered years, the period
29 covered by the November state budget outlook ~~((shall))~~ must be the
30 next two ensuing fiscal biennia. The revenue and caseload projections
31 used in the outlook must reflect the most recent official forecasts
32 adopted by the economic and revenue forecast council and the caseload
33 forecast council for the years for which those forecasts are
34 available.

35 (2) The outlook must:

36 (a) Estimate revenues to and expenditures from the state general
37 fund and related funds. The estimate of ensuing biennium expenditures
38 must include maintenance items including, but not limited to,
39 continuation of current programs, forecasted growth of current

1 entitlement programs, and actions required by law, including
2 legislation with a future implementation date. Estimates of ensuing
3 biennium expenditures must exclude policy items including, but not
4 limited to, legislation not yet enacted by the legislature,
5 collective bargaining agreements not yet approved by the legislature,
6 and changes to levels of funding for employee salaries and benefits
7 unless those changes are required by statute. Estimated maintenance
8 level expenditures must also exclude costs of court rulings issued
9 during or within fewer than ninety days before the beginning of the
10 current legislative session;

11 (b) Address major budget and revenue drivers, including trends
12 and variability in these drivers;

13 (c) Clearly state the assumptions used in the estimates of
14 baseline and projected expenditures and any adjustments made to those
15 estimates;

16 (d) Clearly state the assumptions used in the baseline revenue
17 estimates and any adjustments to those estimates; (~~and~~)

18 (e) The baseline revenue estimate must be calculated and
19 displayed before the impact of any current tax preference. The
20 baseline revenue must be clearly and transparently adjusted to
21 reflect the impact of all current tax preferences, with this
22 adjustment labeled as "currently required tax expenditures";

23 (f) For purposes of this section, tax preference has the same
24 meaning as in RCW 43.136.021; and

25 (g) Include the impact of previously enacted legislation with a
26 future implementation date.

27 (3) The outlook must also separately include projections based on
28 the revenues and expenditures proposed in the governor's budget
29 documents submitted to the legislature under RCW 43.88.030.

30 (4) The economic and revenue forecast council (~~shall~~) must
31 submit state budget outlooks prepared under this section to the
32 governor and the members of the committees on ways and means of the
33 senate and house of representatives, including one copy to the staff
34 of each of the committees, as required by this section.

35 (5) Each January, the state budget outlook work group (~~shall~~)
36 must also prepare, subject to the approval of the economic and
37 revenue forecast council, a state budget outlook for state revenues
38 and expenditures that reflects the governor's proposed budget
39 document submitted to the legislature under chapter 43.88 RCW. Within
40 thirty days following enactment of an operating budget by the

1 legislature, the work group (~~shall~~) must prepare, subject to the
2 approval of the economic and revenue forecast council, a state budget
3 outlook for state revenues and expenditures that reflects the enacted
4 budget.

5 (6) All agencies of state government (~~shall~~) must provide to
6 the supervisor immediate access to all information relating to state
7 budget outlooks.

8 (7) The state budget outlook work group must publish its proposed
9 methodology on the economic and revenue forecast council web site.
10 The state budget outlook work group, in consultation with the
11 economic and revenue forecast work group and outside experts if
12 necessary, must analyze the extent to which the proposed methodology
13 for projecting expenditures for the ensuing fiscal biennia may be
14 reliably used to determine the future impact of appropriations and
15 make recommendations to change the outlook process to increase
16 reliability and accuracy. The recommendations are due by December 1,
17 2013, and every five years thereafter.

18 NEW SECTION. **Sec. 5.** Section 1 of this act takes effect July 1,
19 2016.

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