
ENGROSSED SUBSTITUTE SENATE BILL 5513

State of Washington

65th Legislature

2018 Regular Session

By Senate Ways & Means (originally sponsored by Senators Frockt, Hasegawa, Miloscia, Rolfes, Saldaña, Keiser, Wellman, Conway, Chase, Billig, Kuderer, Hunt, McCoy, and Darneille)

READ FIRST TIME 02/06/18.

1 AN ACT Relating to increasing tax exemption transparency and
2 accountability; amending RCW 43.06.400, 82.33.060, and 43.88.030; and
3 creating a new section.

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

5 NEW SECTION. **Sec. 1.** It is the legislature's intent to
6 incorporate a more explicit recognition of the fiscal impact of tax
7 preferences on the state budget. This act reforms the tax preference
8 expenditure process by explicitly including the fiscal impact of tax
9 preference expenditures in the budget outlook document that is
10 created as part of the biennial state budget process. This brings tax
11 expenditures into the state budget process to protect the public's
12 interest, make them more transparent and accountable, and help ensure
13 they are producing results to meet the priorities of government.

14 **Sec. 2.** RCW 43.06.400 and 2013 c 225 s 605 are each amended to
15 read as follows:

16 (1) Beginning in January (~~(1984)~~) 2019, and in January of every
17 (~~(fourth)~~) second year thereafter, the department of revenue must
18 submit to the legislature prior to the regular session a listing of
19 the amount of reduction for the current and next biennium in the
20 revenues of the state or the revenues of local government collected

1 by the state as a result of tax (~~exemptions~~) preferences. The
2 listing must include an estimate of the revenue lost from the tax
3 (~~exemption~~) preference, the purpose of the tax (~~exemption~~)
4 preference, the persons, organizations, or parts of the population
5 which benefit from the tax (~~exemption~~) preference, recommendations
6 by the legislative auditor and citizen commission for performance
7 measurement of tax preferences for any review of the tax preference
8 under chapter 43.136 RCW, and whether or not the tax (~~exemption~~)
9 preference conflicts with another state program. The listing must
10 include but not be limited to the following revenue sources:

- 11 (a) Real and personal property tax exemptions under Title 84 RCW;
- 12 (b) Business and occupation tax exemptions, deductions, and
13 credits under chapter 82.04 RCW;
- 14 (c) Retail sales and use tax exemptions under chapters 82.08,
15 82.12, and 82.14 RCW;
- 16 (d) Public utility tax exemptions and deductions under chapter
17 82.16 RCW;
- 18 (e) Food fish and shellfish tax exemptions under chapter 82.27
19 RCW;
- 20 (f) Leasehold excise tax exemptions under chapter 82.29A RCW;
- 21 (g) Motor vehicle and special fuel tax exemptions and refunds
22 under chapter 82.38 RCW;
- 23 (h) Aircraft fuel tax exemptions under chapter 82.42 RCW;
- 24 (i) Motor vehicle excise tax exclusions under chapter 82.44 RCW;
- 25 and
- 26 (j) Insurance premiums tax exemptions under chapter 48.14 RCW.

27 (2) The department of revenue must prepare the listing required
28 by this section with the assistance of any other agencies or
29 departments as may be required.

30 (3) The department of revenue must present the listing to the
31 ways and means committees of each house in public hearings.

32 (4) Beginning in January (~~1984~~) 2019, and every (~~four~~) two
33 years thereafter the governor is requested to review the report from
34 the department of revenue and may submit recommendations to the
35 legislature with respect to the repeal or modification of any tax
36 (~~exemption. The ways and means committees of each house and the~~
37 ~~appropriate standing committee of each house must hold public~~
38 ~~hearings and take appropriate action on the recommendations submitted~~
39 ~~by the governor~~) preference.

1 (5) As used in this section, "tax (~~exemption~~) preference" means
2 an exemption, exclusion, or deduction from the base of a tax; a
3 credit against a tax; a deferral of a tax; or a preferential tax
4 rate.

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

10 **Sec. 3.** RCW 82.33.060 and 2012 1st sp.s. c 8 s 4 are each
11 amended to read as follows:

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

26 (2) The outlook must:

27 (a) Estimate revenues to and expenditures from the state general
28 fund and related funds. The estimate of ensuing biennium expenditures
29 must include maintenance items including, but not limited to,
30 continuation of current programs, forecasted growth of current
31 entitlement programs, and actions required by law, including
32 legislation with a future implementation date. Estimates of ensuing
33 biennium expenditures must exclude policy items including, but not
34 limited to, legislation not yet enacted by the legislature,
35 collective bargaining agreements not yet approved by the legislature,
36 and changes to levels of funding for employee salaries and benefits
37 unless those changes are required by statute. Estimated maintenance
38 level expenditures must also exclude costs of court rulings issued

1 during or within fewer than ninety days before the beginning of the
2 current legislative session;

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

5 (c) Clearly state the assumptions used in the estimates of
6 baseline and projected expenditures and any adjustments made to those
7 estimates;

8 (d) Clearly state the assumptions used in the baseline revenue
9 estimates and any adjustments to those estimates; and

10 (e) Include the impact of previously enacted legislation with a
11 future implementation date.

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

15 (4) The projected fiscal impact of discretionary tax preferences
16 in the current biennium and subsequent biennium, classified by the
17 category of the tax preference as provided in the tax preference
18 listing created and maintained by the department of revenue under RCW
19 43.06.400, shall be included for informational purposes in the
20 materials produced for the November state budget outlook.

21 (5) The economic and revenue forecast council (~~shall~~) must
22 submit state budget outlooks prepared under this section to the
23 governor and the members of the committees on ways and means of the
24 senate and house of representatives, including one copy to the staff
25 of each of the committees, as required by this section.

26 (~~(5)~~) (6) Each January, the state budget outlook work group
27 (~~shall~~) must also prepare, subject to the approval of the economic
28 and revenue forecast council, a state budget outlook for state
29 revenues and expenditures that reflects the governor's proposed
30 budget document submitted to the legislature under chapter 43.88 RCW.
31 Within thirty days following enactment of an operating budget by the
32 legislature, the work group (~~shall~~) must prepare, subject to the
33 approval of the economic and revenue forecast council, a state budget
34 outlook for state revenues and expenditures that reflects the enacted
35 budget.

36 (~~(6)~~) (7) All agencies of state government (~~shall~~) must
37 provide to the supervisor immediate access to all information
38 relating to state budget outlooks.

39 (~~(7)~~) (8) The state budget outlook work group must publish its
40 proposed methodology on the economic and revenue forecast council web

1 site. The state budget outlook work group, in consultation with the
2 economic and revenue forecast work group and outside experts if
3 necessary, must analyze the extent to which the proposed methodology
4 for projecting expenditures for the ensuing fiscal biennia may be
5 reliably used to determine the future impact of appropriations and
6 make recommendations to change the outlook process to increase
7 reliability and accuracy. The recommendations are due by December 1,
8 2013, and every five years thereafter.

9 (9)(a) The state budget outlook work group must maintain a
10 current listing of discretionary tax preferences on the economic and
11 revenue forecast council web site. The listing must include the
12 following information:

13 (i) A description of the discretionary tax preference;
14 (ii) Prior and estimated future fiscal impacts;
15 (iii) Any stated public policy objective of the discretionary tax
16 preference;

17 (iv) The expiration date of the discretionary tax preference or
18 the lack thereof; and

19 (v) The most recently available recommendations to continue,
20 modify, or eliminate the discretionary tax preference by the
21 legislative auditor and the citizen commission for performance
22 measurement of tax preferences under chapter 43.136 RCW.

23 (b) The department must provide the information contained in the
24 listing under RCW 43.06.400 to the state budget outlook work group.

25 (10) For the purpose of this section, "discretionary tax
26 preference" means a tax preference, as defined in RCW 43.136.021,
27 which is not required by the state Constitution, United States
28 Constitution, or federal law.

29 **Sec. 4.** RCW 43.88.030 and 2006 c 334 s 43 are each amended to
30 read as follows:

31 (1) The director of financial management (~~shall~~) must provide
32 all agencies with a complete set of instructions for submitting
33 biennial budget requests to the director at least three months before
34 agency budget documents are due into the office of financial
35 management. The budget document or documents (~~shall~~) must consist
36 of the governor's budget message which (~~shall~~) must be explanatory
37 of the budget and (~~shall~~) must contain an outline of the proposed
38 financial policies of the state for the ensuing fiscal period, as
39 well as an outline of the proposed six-year financial policies where

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

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

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

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

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

1 (d) Such additional information dealing with revenues and
2 expenditures as the governor (~~shall~~) deems pertinent and useful to
3 the legislature;

4 (e) Tabulations showing expenditures classified by fund,
5 function, and agency;

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

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

11 (h) A listing of discretionary tax preferences in the form and
12 manner provided in RCW 82.33.060(9). The budget portion of the web
13 site of the governor and office of financial management must also
14 provide a prominent link to the listing; and

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

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

28 (a) Interest, amortization and redemption charges on the state
29 debt;

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

31 (c) Other statutory expenditures;

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

33 (e) Revenues derived from agency operations;

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

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

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

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

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

10 (3) The governor's operating budget document or documents
11 (~~shall~~) must reflect the statewide priorities as required by RCW
12 43.88.090.

13 (4) The governor's operating budget document or documents
14 (~~shall~~) must identify activities that are not addressing the
15 statewide priorities.

16 (5) A separate capital budget document or schedule shall be
17 submitted that will contain the following:

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

21 (b) A capital program consisting of proposed capital projects for
22 the next biennium and the two biennia succeeding the next biennium
23 consistent with the long-range facilities plan. Inasmuch as is
24 practical, and recognizing emergent needs, the capital program
25 (~~shall~~) must reflect the priorities, projects, and spending levels
26 proposed in previously submitted capital budget documents in order to
27 provide a reliable long-range planning tool for the legislature and
28 state agencies;

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

31 (d) A strategic plan for reducing backlogs of maintenance and
32 repair projects. The plan (~~shall~~) must include a prioritized list
33 of specific facility deficiencies and capital projects to address the
34 deficiencies for each agency, cost estimates for each project, a
35 schedule for completing projects over a reasonable period of time,
36 and identification of normal maintenance activities to reduce future
37 backlogs;

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

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

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

3 (h) Estimated total project cost;

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

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

12 (k) Estimated ensuing biennium costs;

13 (l) Estimated costs beyond the ensuing biennium;

14 (m) Estimated construction start and completion dates;

15 (n) Source and type of funds proposed;

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

18 (p) For any capital appropriation requested for a state agency
19 for the acquisition of land or the capital improvement of land in
20 which the primary purpose of the acquisition or improvement is
21 recreation or wildlife habitat conservation, the capital budget
22 document, or an omnibus list of recreation and habitat acquisitions
23 provided with the governor's budget document, (~~shall~~) must identify
24 the projected costs of operation and maintenance for at least the two
25 biennia succeeding the next biennium. Omnibus lists of habitat and
26 recreation land acquisitions (~~shall~~) must include individual
27 project cost estimates for operation and maintenance as well as a
28 total for all state projects included in the list. The document
29 (~~shall~~) must identify the source of funds from which the operation
30 and maintenance costs are proposed to be funded;

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

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

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

37 (6) For purposes of (~~this~~) subsection (5) of this section, the
38 term "capital project" (~~shall~~) must be defined subsequent to the
39 analysis, findings, and recommendations of a joint committee
40 comprised of representatives from the house capital appropriations

1 committee, senate ways and means committee, legislative evaluation
2 and accountability program committee, and office of financial
3 management.

4 ~~((+6))~~ (7) No change affecting the comparability of agency or
5 program information relating to expenditures, revenues, workload,
6 performance and personnel ~~((shall))~~ may be made in the format of any
7 budget document or report presented to the legislature under this
8 section or RCW 43.88.160(1) relative to the format of the budget
9 document or report which was presented to the previous regular
10 session of the legislature during an odd-numbered year without prior
11 legislative concurrence. Prior legislative concurrence ~~((shall))~~ must
12 consist of (a) a favorable majority vote on the proposal by the
13 standing committees on ways and means of both houses if the
14 legislature is in session or (b) a favorable majority vote on the
15 proposal by members of the legislative evaluation and accountability
16 program committee if the legislature is not in session.

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