
ENGROSSED SENATE BILL 6118

State of Washington

54th Legislature

1996 Regular Session

By Senators Sheldon, Loveland, Snyder, Rinehart, Spanel, Rasmussen, Thibaudeau, Hale, Long, Morton, West, Finkbeiner, Sellar, Winsley, Haugen, Goings, Heavey, Bauer, Drew, Quigley, McAuliffe, Newhouse and Oke

Read first time 01/08/96. Referred to Committee on Ways & Means.

1 AN ACT Relating to reducing the state property tax levy for 1996 by
2 five percent and providing for future reductions with revenues in
3 excess of the state spending limit; amending RCW 43.135.045, 84.48.080,
4 and 84.52.010; reenacting and amending RCW 43.84.092; adding a new
5 section to chapter 84.55 RCW; and declaring an emergency.

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

7 NEW SECTION. **Sec. 1.** A new section is added to chapter 84.55 RCW
8 to read as follows:

9 (1) As used in this section, "full levy" means the levy amount that
10 would be allowed otherwise under this chapter without regard to this
11 section or RCW 84.55.012.

12 (2) The state levy for collection in 1996 shall be reduced by five
13 percent of the full levy for that year. State levies for collection
14 after 1996 shall not exceed the amount that would be allowed otherwise
15 under this chapter if the state levy for collection in 1996 had been
16 set at ninety-five percent of the full levy for that year.

17 (3) Levies collected before 1996 shall not be used as a base for
18 calculating limits for state levies for collection after 1996.

1 (4) Levies collected before any reduction under RCW 43.135.045
2 shall not be used as a base for calculating limits for state levies for
3 collection in following years.

4 **Sec. 2.** RCW 43.135.045 and 1994 c 2 s 3 are each amended to read
5 as follows:

6 (1) The property tax reduction fund and the emergency reserve fund
7 ((is)) are established in the state treasury. During each fiscal year,
8 the state treasurer shall deposit in the ((emergency reserve)) property
9 tax reduction fund all general fund--state revenues in excess of the
10 state expenditure limit for that fiscal year. Deposits shall be made
11 at the end of each fiscal quarter based on projections of state
12 revenues and the state expenditure limit.

13 The amount transferred into the property tax reduction fund in any
14 fiscal year may not exceed the amount of tax that would otherwise be
15 levied by the state for the support of the common schools for
16 collection in the second calendar year following the end of the fiscal
17 year, as forecast by the economic and revenue forecast council. All
18 general fund--state revenues for any fiscal year in excess of the
19 amount of tax that would otherwise be levied by the state for the
20 support of the common schools for collection in the second calendar
21 year following the end of the fiscal year, as forecast by the economic
22 and revenue forecast council, shall be deposited into the emergency
23 reserve fund.

24 The budget document submitted to the legislature by the governor
25 under RCW 43.88.030 shall include a transfer to the general fund, for
26 purposes of reducing the state levy for the support of the common
27 schools, of the amounts deposited in the property tax reduction fund
28 for the previous fiscal year. Moneys deposited in the property tax
29 reduction fund during a fiscal year are subject in the next fiscal year
30 to either: (a) Transfer to the general fund for purposes of reducing
31 the state levy for the support of the common schools in the calendar
32 year following the fiscal year in which the transfer is made; or (b)
33 transfer by the legislature to the emergency reserve fund. Any moneys
34 transferred to the general fund for this purpose shall be credited
35 against the levy under RCW 84.52.065 for collection in the calendar
36 year following the fiscal year in which the transfer is made. Any
37 moneys deposited into the property tax reduction fund in any fiscal
38 year that are not transferred by the legislature in the following

1 fiscal year shall be transferred by the state treasurer to the
2 emergency reserve fund under subsection (2) of this section on
3 September 1st of the second fiscal year following the year in which the
4 moneys were deposited into the property tax reduction fund.

5 (2) The legislature may appropriate moneys from the emergency
6 reserve fund only with approval of at least two-thirds of the members
7 of each house of the legislature, and then only if the appropriation
8 does not cause total expenditures to exceed the state expenditure limit
9 under this chapter.

10 (3) The emergency reserve fund balance shall not exceed five
11 percent of biennial general fund--state revenues as projected by the
12 official state revenue forecast. Any balance in excess of five percent
13 shall be transferred on a quarterly basis by the state treasurer to the
14 education construction fund hereby created in the treasury.

15 (4)(a) Funds may be appropriated from the education construction
16 fund exclusively for common school construction or higher education
17 construction.

18 (b) Funds may be appropriated for any other purpose only if
19 approved by a two-thirds vote of each house of the legislature and if
20 approved by a vote of the people at the next general election. An
21 appropriation approved by the people under this subsection shall result
22 in an adjustment to the state expenditure limit only for the fiscal
23 period for which the appropriation is made and shall not affect any
24 subsequent fiscal period.

25 **Sec. 3.** RCW 84.48.080 and 1995 2nd sp.s. c 13 s 3 are each amended
26 to read as follows:

27 (1) Annually during the months of September and October, the
28 department of revenue shall examine and compare the returns of the
29 assessment of the property in the several counties of the state, and
30 the assessment of the property of railroad and other companies assessed
31 by the department, and proceed to equalize the same, so that each
32 county in the state shall pay its due and just proportion of the taxes
33 for state purposes for such assessment year, according to the ratio the
34 valuation of the property in each county bears to the total valuation
35 of all property in the state.

36 First. The department shall classify all property, real and
37 personal, and shall raise and lower the valuation of any class of
38 property in any county to a value that shall be equal, so far as

1 possible, to the true and fair value of such class as of January 1st of
2 the current year for the purpose of ascertaining the just amount of tax
3 due from each county for state purposes. In equalizing personal
4 property as of January 1st of the current year, the department shall
5 use the assessment level of the preceding year. Such classification
6 may be on the basis of types of property, geographical areas, or both.
7 For purposes of this section, for each county that has not provided the
8 department with an assessment return by December 1st, the department
9 shall proceed, using facts and information and in a manner it deems
10 appropriate, to estimate the value of each class of property in the
11 county.

12 Second. The department shall keep a full record of its proceedings
13 and the same shall be published annually by the department.

14 (2) The department shall levy the state taxes authorized by law.
15 The amount levied in any one year for general state purposes shall not
16 exceed the lawful dollar rate on the dollar of the assessed value of
17 the property of the entire state, which assessed value shall be one
18 hundred percent of the true and fair value of such property in money.
19 The department shall apportion the amount of tax for state purposes
20 levied by the department, among the several counties, in proportion to
21 the valuation of the taxable property of the county for the year as
22 equalized by the department: PROVIDED, That for purposes of this
23 apportionment, the department shall recompute the previous year's levy
24 and the apportionment thereof to correct for changes and errors in
25 taxable values reported to the department after October 1 of the
26 preceding year and shall adjust the apportioned amount of the current
27 year's state levy for each county by the difference between the
28 apportioned amounts established by the original and revised levy
29 computations for the previous year. For purposes of this section,
30 changes in taxable values mean a final adjustment made by a county
31 board of equalization, the state board of tax appeals, or a court of
32 competent jurisdiction and shall include additions of omitted property,
33 other additions or deletions from the assessment or tax rolls, any
34 assessment return provided by a county to the department subsequent to
35 December 1st, or a change in the indicated ratio of a county. Errors
36 in taxable values mean errors corrected by a final reviewing body.

37 In addition to computing a levy under this subsection that is
38 reduced under RCW 43.135.045 or 84.55.012, the department shall compute
39 a hypothetical levy without regard to the reduction under RCW

1 43.135.045 or 84.55.012. This hypothetical levy shall also be
2 apportioned among the several counties in proportion to the valuation
3 of the taxable property of the county for the year, as equalized by the
4 department, in the same manner as the actual levy and shall be used by
5 the county assessors for the purpose of recomputing and establishing a
6 consolidated levy under RCW 84.52.010.

7 (3) The department shall have authority to adopt rules and
8 regulations to enforce obedience to its orders in all matters in
9 relation to the returns of county assessments, the equalization of
10 values, and the apportionment of the state levy by the department.

11 (4) After the completion of the duties prescribed in this section,
12 the director of the department shall certify the record of the
13 proceedings of the department under this section, the tax levies made
14 for state purposes and the apportionment thereof among the counties,
15 and the certification shall be available for public inspection.

16 **Sec. 4.** RCW 84.52.010 and 1995 2nd sp.s. c 13 s 4 are each amended
17 to read as follows:

18 Except as is permitted under RCW 84.55.050, all taxes shall be
19 levied or voted in specific amounts.

20 The rate percent of all taxes for state and county purposes, and
21 purposes of taxing districts coextensive with the county, shall be
22 determined, calculated and fixed by the county assessors of the
23 respective counties, within the limitations provided by law, upon the
24 assessed valuation of the property of the county, as shown by the
25 completed tax rolls of the county, and the rate percent of all taxes
26 levied for purposes of taxing districts within any county shall be
27 determined, calculated and fixed by the county assessors of the
28 respective counties, within the limitations provided by law, upon the
29 assessed valuation of the property of the taxing districts
30 respectively.

31 When a county assessor finds that the aggregate rate of tax levy on
32 any property, that is subject to the limitations set forth in RCW
33 84.52.043 or 84.52.050, exceeds the limitations provided in either of
34 these sections, the assessor shall recompute and establish a
35 consolidated levy in the following manner:

36 (1) The full certified rates of tax levy for state, county, county
37 road district, and city or town purposes shall be extended on the tax
38 rolls in amounts not exceeding the limitations established by law;

1 however any state levy shall take precedence over all other levies and
2 shall not be reduced for any purpose other than that required by RCW
3 84.55.010. If, as a result of the levies imposed under RCW 84.52.069,
4 84.34.230, the portion of the levy by a metropolitan park district that
5 was protected under RCW 84.52.120, and 84.52.105, the combined rate of
6 regular property tax levies that are subject to the one percent
7 limitation exceeds one percent of the true and fair value of any
8 property, then these levies shall be reduced as follows: (a) The
9 portion of the levy by a metropolitan park district that is protected
10 under RCW 84.52.120 shall be reduced until the combined rate no longer
11 exceeds one percent of the true and fair value of any property or shall
12 be eliminated; (b) if the combined rate of regular property tax levies
13 that are subject to the one percent limitation still exceeds one
14 percent of the true and fair value of any property, then the levies
15 imposed under RCW 84.34.230, 84.52.105, and any portion of the levy
16 imposed under RCW 84.52.069 that is in excess of thirty cents per
17 thousand dollars of assessed value, shall be reduced on a pro rata
18 basis until the combined rate no longer exceeds one percent of the true
19 and fair value of any property or shall be eliminated; and (c) if the
20 combined rate of regular property tax levies that are subject to the
21 one percent limitation still exceeds one percent of the true and fair
22 value of any property, then the thirty cents per thousand dollars of
23 assessed value of tax levy imposed under RCW 84.52.069 shall be reduced
24 until the combined rate no longer exceeds one percent of the true and
25 fair value of any property or eliminated.

26 (2) The certified rates of tax levy subject to these limitations by
27 all junior taxing districts imposing taxes on such property shall be
28 reduced or eliminated as follows to bring the consolidated levy of
29 taxes on such property within the provisions of these limitations:

30 (a) First, the certified property tax levy rates of those junior
31 taxing districts authorized under RCW 36.68.525, 36.69.145, and
32 67.38.130 shall be reduced on a pro rata basis or eliminated;

33 (b) Second, if the consolidated tax levy rate still exceeds these
34 limitations, the certified property tax levy rates of flood control
35 zone districts shall be reduced on a pro rata basis or eliminated;

36 (c) Third, if the consolidated tax levy rate still exceeds these
37 limitations, the certified property tax levy rates of all other junior
38 taxing districts, other than fire protection districts, library
39 districts, the first fifty cent per thousand dollars of assessed

1 valuation levies for metropolitan park districts, and the first fifty
2 cent per thousand dollars of assessed valuation levies for public
3 hospital districts, shall be reduced on a pro rata basis or eliminated;

4 (d) Fourth, if the consolidated tax levy rate still exceeds these
5 limitations, the certified property tax levy rates authorized to fire
6 protection districts under RCW 52.16.140 and 52.16.160 shall be reduced
7 on a pro rata basis or eliminated; and

8 (e) Fifth, if the consolidated tax levy rate still exceeds these
9 limitations, the certified property tax levy rates authorized for fire
10 protection districts under RCW 52.16.130, library districts,
11 metropolitan park districts under their first fifty cent per thousand
12 dollars of assessed valuation levy, and public hospital districts under
13 their first fifty cent per thousand dollars of assessed valuation levy,
14 shall be reduced on a pro rata basis or eliminated.

15 In determining whether the aggregate rate of tax levy on any
16 property, that is subject to the limitations set forth in RCW
17 84.52.050, exceeds the limitations provided in that section, the
18 assessor shall use the hypothetical state levy, as apportioned to the
19 county under RCW 84.48.080, that was computed under RCW 84.48.080
20 without regard to the reduction under RCW 43.135.045 or 84.55.012.

21 **Sec. 5.** RCW 43.84.092 and 1995 c 394 s 1 and 1995 c 122 s 12 are
22 each reenacted and amended to read as follows:

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

26 (2) The treasury income account shall be utilized to pay or receive
27 funds associated with federal programs as required by the federal cash
28 management improvement act of 1990. The treasury income account is
29 subject in all respects to chapter 43.88 RCW, but no appropriation is
30 required for refunds or allocations of interest earnings required by
31 the cash management improvement act. Refunds of interest to the
32 federal treasury required under the cash management improvement act
33 fall under RCW 43.88.180 and shall not require appropriation. The
34 office of financial management shall determine the amounts due to or
35 from the federal government pursuant to the cash management improvement
36 act. The office of financial management may direct transfers of funds
37 between accounts as deemed necessary to implement the provisions of the
38 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 Eastern Washington University capital projects
27 account, the education construction fund, the emergency reserve fund,
28 the federal forest revolving account, the health services account, the
29 public health services account, the health system capacity account, the
30 personal health services account, the industrial insurance premium
31 refund account, the judges' retirement account, the judicial retirement
32 administrative account, the judicial retirement principal account, the
33 local leasehold excise tax account, the local real estate excise tax
34 account, the local sales and use tax account, the medical aid account,
35 the mobile home park relocation fund, the municipal criminal justice
36 assistance account, the municipal sales and use tax equalization
37 account, the natural resources deposit account, the perpetual
38 surveillance and maintenance account, the property tax reduction fund,
39 the public employees' retirement system plan I account, the public

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

27 (b) The following accounts and funds shall receive eighty percent
28 of their proportionate share of earnings based upon each account's or
29 fund's average daily balance for the period: The aeronautics account,
30 the aircraft search and rescue account, the central Puget Sound public
31 transportation account, the city hardship assistance account, the
32 county arterial preservation account, the department of licensing
33 services account, the economic development account, the essential rail
34 assistance account, the essential rail banking account, the ferry bond
35 retirement fund, the gasohol exemption holding account, the grade
36 crossing protective fund, the high capacity transportation account, the
37 highway bond retirement fund, the highway construction stabilization
38 account, the highway safety account, the marine operating fund, the
39 motor vehicle fund, the motorcycle safety education account, the

1 pilotage account, the public transportation systems account, the Puget
2 Sound capital construction account, the Puget Sound ferry operations
3 account, the recreational vehicle account, the rural arterial trust
4 account, the safety and education account, the small city account, the
5 special category C account, the state patrol highway account, the
6 transfer relief account, the transportation capital facilities account,
7 the transportation equipment fund, the transportation fund, the
8 transportation improvement account, the transportation revolving loan
9 account, and the urban arterial trust account.

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

13 NEW SECTION. **Sec. 6.** This act is necessary for the immediate
14 preservation of the public peace, health, or safety, or support of the
15 state government and its existing public institutions, and shall take
16 effect immediately.

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