

---

**HOUSE BILL 1569**

---

**State of Washington**

**69th Legislature**

**2025 Regular Session**

**By** Representatives Pollet, Santos, Wylie, Fey, Thai, Goodman, Walen, Farivar, Doglio, Macri, Tharinger, Taylor, Bergquist, Kloba, Reeves, Hackney, Bernbaum, Scott, Nance, Peterson, Lekanoff, Berry, Gregerson, Parshley, Cortes, Ramel, Obras, Simmons, Ormsby, Salahuddin, and Reed

Read first time 01/24/25. Referred to Committee on Appropriations.

1 AN ACT Relating to increasing tax exemption transparency and  
2 accountability; amending RCW 43.06.400, 43.88.030, 43.88.055,  
3 43.136.045, 43.136.055, 43.136.065, and 82.33.060; adding new  
4 sections to chapter 43.88 RCW; adding a new section to chapter 82.32  
5 RCW; and creating new sections.

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

7 NEW SECTION. **Sec. 1.** (1) Hundreds of tax exemptions and special  
8 tax preferences have been granted to special interests by the  
9 legislature without requiring assessment of whether those exemptions  
10 and preferences would create jobs or result in increased economic  
11 activity that increases state revenues. These exemptions and  
12 preferences result in the entire tax system being less fair for  
13 people who do not have special exemptions and preferences and  
14 increase the taxes on all other taxpayers in order to fund education  
15 and other state services.

16 (2) Tax exemptions reduce revenues collected from the tax base  
17 and provide preferential treatment to some at the expense of those  
18 not getting a tax exemption. Almost as much money as is collected in  
19 tax revenues is not collected and is given out as tax exemptions.  
20 While every expenditure of revenue must be authorized and  
21 appropriated in the state budget approved by the legislature, the

1 massive amounts of funding for these tax preferences and exemptions  
2 continue without any readoption by the legislature in each budget.  
3 These exemptions and preferences are, therefore, tax expenditures,  
4 most of which continue without any legislative action year after year  
5 while the state seeks other funding to meet constitutional duties to  
6 fund education and other services and obligations.

7 (3) Off-budget spending in the form of tax expenditures has  
8 resulted in out-of-control state spending that is depleting the state  
9 of needed revenue to fund essential state services like education and  
10 health care. Tax expenditures as off-budget spending lack the  
11 accountability of other state spending programs because they have not  
12 been included in the state biennial budget process and are not  
13 subject to the same biennial scrutiny.

14 (4) This act creates a discretionary tax expenditure budget as  
15 part of the biennial budget adopted by the legislature. This act  
16 reforms the tax expenditure process by including a discretionary tax  
17 expenditure budget in the biennial state budget process. This act is  
18 intended to improve transparency and accountability by requiring that  
19 those tax preferences that have no expiration date in law or have  
20 been recommended for review and clarification: Receive a review,  
21 clarification, performance measures, and expiration date; are  
22 readopted every two years as part of the budget process; or expire.  
23 This brings tax expenditures into the state budget process to protect  
24 the public's interest, makes them more transparent and accountable,  
25 and helps ensure the tax expenditures are producing the results  
26 intended when they were adopted by the legislature. The legislature  
27 finds that it has not acted to review and clarify or terminate most  
28 tax preferences that the joint legislative audit and review committee  
29 have recommended for review and clarification or termination by the  
30 legislature. It is the legislature's intent to add weight to such  
31 findings and recommendations by recognizing that these are tax  
32 expenditures and requiring those discretionary preferences to be  
33 reviewed and clarified, terminated, or readopted in the biennial  
34 budget if they are to be continued.

35 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.88  
36 RCW to read as follows:

37 (1) The omnibus operating appropriations act enacted by the  
38 legislature must include a discretionary tax expenditure budget  
39 detailing all discretionary tax expenditures. The four-year budget

1 required to be balanced in RCW 43.88.055 may use revenues from  
2 expenditures that expire absent legislative re adoption in the next  
3 biennial budget pursuant to section 5(2) of this act, and which are  
4 listed in the discretionary tax expenditure report prepared by the  
5 department of revenue pursuant to RCW 43.06.400, for the purposes of  
6 calculating available resources for the next ensuing fiscal biennium,  
7 provided that the omnibus operating appropriations act identifies the  
8 expiring discretionary tax expenditures.

9 (2) The discretionary tax expenditure budget must include an  
10 estimate of the state revenue impact associated with each  
11 discretionary tax expenditure.

12 (3) Discretionary tax expenditures in the discretionary tax  
13 expenditure budget must:

14 (a) Be treated as any other state expenditure and must be  
15 reauthorized with each biennial budget, until such time as the  
16 expenditure otherwise expires;

17 (b) Have an expiration date of no greater than 10 years  
18 established in law or have been clarified if recommended for  
19 clarification by the joint legislative audit and review committee or  
20 the citizen commission for performance measurement of tax preferences  
21 review; and

22 (c) Have a revenue reduction of greater than \$50,000 per fiscal  
23 year or \$100,000 per biennium as estimated in the report prepared by  
24 the department of revenue pursuant to RCW 43.06.400.

25 (4) The legislature may expire a discretionary tax expenditure  
26 earlier than its authorized term by either:

27 (a) A majority vote as provided under Article II, section 22 of  
28 the state Constitution; or

29 (b) As part of the budget process in the same manner as any other  
30 expenditure is approved or denied in the omnibus operating  
31 appropriations act by a majority vote of the members of the house of  
32 representatives and the senate.

33 (5) For the purposes of this section, "discretionary tax  
34 expenditure" means a tax preference, as defined in RCW 43.136.021,  
35 which:

36 (a) Impacts revenues appropriated in the omnibus operating  
37 appropriations act;

38 (b) Has no expiration date established in law, or has been  
39 recommended by the joint legislative audit and review committee for  
40 review and clarification, but for which the legislature has not

1 clarified and adopted new performance measures and an expiration date  
2 pursuant to RCW 82.32.805 and 82.32.808; and

3 (c) Is not required by the state Constitution, United States  
4 Constitution, or federal law.

5 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.32  
6 RCW to read as follows:

7 (1) New or existing discretionary tax expenditures may not be  
8 approved or reauthorized by the legislature for 10 years after the  
9 effective date of this section.

10 (2) Any discretionary tax expenditure that is required to be part  
11 of the submitted discretionary tax expenditure budget under section 5  
12 of this act by reason of not having an expiration date established in  
13 law or not having been reviewed and clarified by the legislature  
14 following a recommendation to do so from the joint legislative audit  
15 and review committee or citizen commission for performance  
16 measurement of tax preferences, but which is not included in the  
17 discretionary tax expenditure budget in the adopted omnibus  
18 appropriations act, expires at the end of the calendar year in which  
19 the budget is adopted.

20 (3) Any new discretionary tax expenditure is subject to the same  
21 audit and review procedures as existing discretionary tax  
22 expenditures are required to meet. New discretionary tax expenditures  
23 authorized as part of the discretionary tax expenditure budget in the  
24 omnibus operating appropriations act, but which were not reviewed  
25 under all provisions of RCW 43.136.045 or 43.136.055 before  
26 authorization in the omnibus operating appropriations act must be  
27 prioritized for review by the citizen commission for performance  
28 measurement of tax preferences and the joint legislative audit and  
29 review committee.

30 (4) For the purpose of this section, "discretionary tax  
31 expenditure" means a tax preference, as defined in RCW 43.136.021,  
32 which:

33 (a) Impacts revenues appropriated in the omnibus operating  
34 appropriations act;

35 (b) Has no expiration date established in law, or has been  
36 recommended by the joint legislative audit and review committee for  
37 review and clarification, but for which the legislature has not  
38 clarified and adopted new performance measures and an expiration date  
39 pursuant to RCW 82.32.805 and 82.32.808; and

1 (c) Is not required by the state Constitution, United States  
2 Constitution, or federal law.

3 **Sec. 4.** RCW 43.06.400 and 2013 c 225 s 605 are each amended to  
4 read as follows:

5 (1) Beginning ~~((in January 1984, and in January of every fourth))~~  
6 December 1, 2025, and December 1, 2026, and every second year  
7 thereafter, the department of revenue must submit to the legislature  
8 prior to the regular session a report with a listing of the amount of  
9 reduction for the current and next biennium in the revenues of the  
10 state or the revenues of local government collected by the state as a  
11 result of discretionary tax ((exemptions)) expenditures. ~~((The~~  
12 ~~listing must include an estimate of the revenue lost from the tax~~  
13 ~~exemption, the purpose of the tax exemption, the persons,~~  
14 ~~organizations, or parts of the population which benefit from the tax~~  
15 ~~exemption, and whether or not the tax exemption conflicts with~~  
16 ~~another state program. The listing))~~ The report must include a  
17 summary of the results of any review by the joint legislative audit  
18 and review committee and the citizen commission for performance  
19 measurement of tax preferences made pursuant to RCW 43.136.065. The  
20 report must be made readily available on the department of revenue's  
21 website and include links to relevant reports or recommendations of  
22 the joint legislative audit and review committee and the citizen  
23 commission for performance measurement of tax preferences. The report  
24 also must include but not be limited to the following revenue  
25 sources:

26 (a) Real and personal property tax exemptions under Title 84 RCW;

27 (b) Business and occupation tax exemptions, deductions, and  
28 credits under chapter 82.04 RCW;

29 (c) Retail sales and use tax exemptions under chapters 82.08,  
30 82.12, and 82.14 RCW;

31 (d) Public utility tax exemptions and deductions under chapter  
32 82.16 RCW;

33 (e) Food fish and shellfish tax exemptions under chapter 82.27  
34 RCW;

35 (f) Leasehold excise tax exemptions under chapter 82.29A RCW;

36 (g) Motor vehicle and special fuel tax exemptions and refunds  
37 under chapter 82.38 RCW;

38 (h) Aircraft fuel tax exemptions under chapter 82.42 RCW;

1 (i) Motor vehicle excise tax exclusions under chapter 82.44 RCW;  
2 and

3 (j) Insurance premiums tax exemptions under chapter 48.14 RCW.

4 (2) The department of revenue must prepare the (~~listing~~) report  
5 required by this section with the assistance of any other agencies or  
6 departments as may be required.

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

9 ~~(4) Beginning in January 1984, and every four years thereafter~~  
10 ~~the governor is requested to review the report from the department of~~  
11 ~~revenue and may submit recommendations to the legislature with~~  
12 ~~respect to the repeal or modification of any tax exemption. The ways~~  
13 ~~and means committees of each house and the appropriate standing~~  
14 ~~committee of each house must hold public hearings and take~~  
15 ~~appropriate action on the recommendations submitted by the governor.~~

16 ~~(5))~~ The department of revenue must submit the discretionary tax  
17 expenditure report to the governor at the time biennial budget  
18 requests are due under RCW 43.88.030. The governor is requested to  
19 review the discretionary tax expenditure report from the department  
20 of revenue and submit it as part of the biennial budget documents  
21 under RCW 43.88.030.

22 (4) As used in this section, "discretionary tax ((exemption))  
23 expenditure" means ((an exemption, exclusion, or deduction from the  
24 base of a tax; a credit against a tax; a deferral of a tax; or a  
25 preferential tax rate)) a tax preference, as defined in RCW  
26 43.136.021, which:

27 (a) Impacts revenues appropriated in the omnibus operating  
28 appropriations act;

29 (b) Has no expiration date established in law, or has been  
30 recommended by the joint legislative audit and review committee for  
31 review and clarification, but for which the legislature has not  
32 clarified and adopted new performance measures and an expiration date  
33 pursuant to RCW 82.32.805 and 82.32.808; and

34 (c) Is not required by the state Constitution, United States  
35 Constitution, or federal law.

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

1        NEW SECTION.    **Sec. 5.**    A new section is added to chapter 43.88  
2    RCW to read as follows:

3        (1) (a) The governor must transmit a proposed discretionary tax  
4    expenditure budget and the discretionary report required under RCW  
5    43.06.400 to the legislature with the governor's proposed operating  
6    budget document or documents with recommendations for ending or  
7    continuing each discretionary tax expenditure that either:

8        (i) Has no expiration date established in law;

9        (ii) Has been recommended by the joint legislative audit and  
10   review committee for review and clarification, but for which the  
11   legislature has not clarified and adopted new performance measures  
12   and an expiration date pursuant to RCW 82.32.805 and 82.32.808; or

13       (iii) Has a revenue reduction of greater than \$50,000 per fiscal  
14   year or \$100,000 per biennium as estimated in the report prepared by  
15   the department of revenue pursuant to RCW 43.06.400.

16       (b) The discretionary tax expenditure budget must include an  
17   estimate of the state revenue impact associated with each  
18   discretionary tax expenditure. The discretionary tax expenditure  
19   budget may address tax expenditures required under the state  
20   Constitution, United States Constitution, or federal law.

21       (2) The governor also may submit other recommendations to the  
22   legislature with respect to the repeal or modification of any tax  
23   expenditure. The fiscal committees of the house of representatives  
24   and the senate and the appropriate standing committees of the house  
25   of representatives and the senate must hold public hearings.

26       (3) For the purpose of this section, "discretionary tax  
27   expenditure" means a tax preference as defined in RCW 43.136.021,  
28   which:

29       (a) Impacts revenues appropriated in the omnibus operating  
30   appropriations act;

31       (b) Has no expiration date established in law, or has been  
32   recommended by the joint legislative audit and review committee for  
33   review and clarification, but for which the legislature has not  
34   clarified and adopted new performance measures and an expiration date  
35   pursuant to RCW 82.32.805 and 82.32.808; and

36       (c) Is not required by the state Constitution, United States  
37   Constitution, or federal law.

38       **Sec. 6.**    RCW 43.88.030 and 2023 c 474 s 8035 are each amended to  
39   read as follows:

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

40           The budget document or documents shall 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 deem pertinent and useful to the  
10 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) The discretionary tax expenditure budget prepared under  
16 section 5 of this act;

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

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

25 (2) The budget document or documents shall include detailed  
26 estimates of all anticipated revenues applicable to proposed  
27 operating ~~(( $\oplus$ ))~~, capital, and discretionary tax expenditures and  
28 shall also include all proposed operating ~~(( $\oplus$ ))~~, capital, and  
29 discretionary tax expenditures. The total of beginning undesignated  
30 fund balance and estimated revenues less working capital and other  
31 reserves shall equal or exceed the total of proposed applicable  
32 expenditures. The budget document or documents shall further include:

33 (a) Interest, amortization and redemption charges on the state  
34 debt;

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

36 (c) Other statutory expenditures;

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

38 (e) Revenues derived from agency operations;

39 (f) Expenditures and revenues shall be given in comparative form  
40 showing those incurred or received for the immediately past fiscal

1 period and those anticipated for the current biennium and next  
2 ensuing biennium;

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

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

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

10 (j) A showing and explanation of anticipated amounts of general  
11 fund and other funds required to amortize the unfunded actuarial  
12 accrued liability of the retirement system specified under chapter  
13 41.45 RCW, and the contributions to meet such amortization, stated in  
14 total dollars and as a level percentage of total compensation.

15 (3) The governor's operating budget document or documents shall  
16 reflect the statewide priorities as required by RCW 43.88.090.

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

19 (5) (a) Beginning in the 2021-2023 fiscal biennium, the governor's  
20 operating budget document or documents submitted to the legislature  
21 must leave, in total, a positive ending fund balance in the general  
22 fund and related funds.

23 (b) Beginning in the 2021-2023 fiscal biennium, the projected  
24 maintenance level of the governor's operating budget document or  
25 documents submitted to the legislature must not exceed the available  
26 fiscal resources for the next ensuing fiscal biennium.

27 (c) For purposes of this subsection:

28 (i) "Available fiscal resources" means the beginning general fund  
29 and related funds balances and any fiscal resources estimated for the  
30 general fund and related funds, adjusted for proposed revenue  
31 legislation, and with forecasted revenues adjusted to the greater of  
32 (A) the official general fund and related funds revenue forecast for  
33 the ensuing biennium, or (B) the official general fund and related  
34 funds forecast for the second fiscal year of the current fiscal  
35 biennium, increased by 4.5 percent for each fiscal year of the  
36 ensuing biennium.

37 (ii) "Projected maintenance level" means estimated appropriations  
38 necessary to maintain the continuing costs of program and service  
39 levels either funded in the governor's budget document or documents  
40 submitted to the legislature or mandated by other state or federal

1 law, adjusted by the estimated cost of proposed executive branch  
2 legislation, and the amount of any general fund moneys projected to  
3 be transferred to the budget stabilization account pursuant to  
4 Article VII, section 12 of the state Constitution. Proposed executive  
5 branch legislation does not include proposals by institutions of  
6 higher education, other separately elected officials, or other  
7 boards, commissions, and offices not under the authority of the  
8 governor that are not funded or assumed in the governor's budget  
9 document or documents submitted to the legislature.

10 (iii) "Related funds" has the meaning defined in RCW 43.88.055.

11 (d) (b) of this subsection (5) does not apply:

12 (i) To any governor-proposed legislation submitted to the  
13 legislature that makes net reductions in general fund and related  
14 funds appropriations to prevent the governor from making across-the-  
15 board reductions in allotments for these particular funds as provided  
16 in RCW 43.88.110(10); or

17 (ii) In a fiscal biennium for which the governor proposes  
18 appropriations from the budget stabilization account pursuant to  
19 Article VII, section 12(d)(ii) of the state Constitution.

20 (6) A separate capital budget document or schedule shall be  
21 submitted that will contain the following:

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

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

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

35 (d) A strategic plan for reducing backlogs of maintenance and  
36 repair projects. The plan shall include a prioritized list of  
37 specific facility deficiencies and capital projects to address the  
38 deficiencies for each agency, cost estimates for each project, a  
39 schedule for completing projects over a reasonable period of time,

1 and identification of normal maintenance activities to reduce future  
2 backlogs;

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

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

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

8 (h) Estimated total project cost;

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

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

17 (k) Estimated ensuing biennium costs;

18 (l) Estimated costs beyond the ensuing biennium;

19 (m) Estimated construction start and completion dates;

20 (n) Source and type of funds proposed;

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

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

36 (q) For any capital budget request for funding in the 2023-2025  
37 or 2025-2027 fiscal biennia by an institution of higher education to  
38 address a cost increase for any major project, a statement describing  
39 the unexpected project costs, ways the agency has mitigated or will  
40 mitigate the estimated project costs, and identification of other

1 funding that may be applied to the project. For purposes of this  
2 subsection (6) (q):

3 (i) "Cost increases" means total project costs estimated above  
4 those listed in the prior agency budget request and for which the  
5 legislature relied in making a funding decision for design or  
6 construction, adjusted for C-100 inflation factors; and

7 (ii) "Institution of higher education" has the meaning provided  
8 in RCW 28B.10.016;

9 (r) Such other information bearing upon capital projects as the  
10 governor deems to be useful;

11 (s) Standard terms, including a standard and uniform definition  
12 of normal maintenance, for all capital projects; and

13 (t) Such other information as the legislature may direct by law  
14 or concurrent resolution.

15 For purposes of this subsection (6), the term "capital project"  
16 shall be defined subsequent to the analysis, findings, and  
17 recommendations of a joint committee comprised of representatives  
18 from the house capital appropriations committee, senate ways and  
19 means committee, legislative evaluation and accountability program  
20 committee, and office of financial management.

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

34 **Sec. 7.** RCW 43.88.055 and 2021 c 199 s 103 are each amended to  
35 read as follows:

36 (1) The legislature must adopt a four-year balanced budget as  
37 follows:

38 (a) Beginning in the 2013-2015 fiscal biennium, the legislature  
39 shall enact a balanced omnibus operating appropriations bill that

1 leaves, in total, a positive ending fund balance in the general fund  
2 and related funds.

3 (b) Beginning in the 2013-2015 fiscal biennium, the projected  
4 maintenance level of the omnibus appropriations bill enacted by the  
5 legislature shall not exceed the available fiscal resources for the  
6 next ensuing fiscal biennium.

7 (2) (~~For purposes of this section:~~) The definitions in this  
8 subsection apply throughout this section unless the context clearly  
9 requires otherwise.

10 (a) "Available fiscal resources" means the beginning general fund  
11 and related fund balances and any fiscal resources estimated for the  
12 general fund and related funds, adjusted for enacted legislation, and  
13 with forecasted revenues adjusted to the greater of (i) the official  
14 general fund and related funds revenue forecast for the ensuing  
15 biennium, or (ii) the official general fund and related funds  
16 forecast for the second fiscal year of the current fiscal biennium,  
17 increased by 4.5 percent for each fiscal year of the ensuing  
18 biennium;

19 (b) "Discretionary tax expenditure" means a tax preference, as  
20 defined in RCW 43.136.021, which:

21 (i) Impacts revenues appropriated in the omnibus operating  
22 appropriations act;

23 (ii) Has no expiration date established in law, or has been  
24 recommended by the joint legislative audit and review committee for  
25 review and clarification, but for which the legislature has not  
26 clarified and adopted new performance measures and an expiration date  
27 pursuant to RCW 82.32.805 and 82.32.808; and

28 (iii) Is not required by the state Constitution, United States  
29 Constitution, or federal law;

30 (c) "Forecasted revenues" means the revenue estimate prepared by  
31 the economic and revenue forecast council plus any discretionary tax  
32 expenditures identified as not being reauthorized in the omnibus  
33 operating appropriations act;

34 (d) "Projected maintenance level" means estimated appropriations  
35 necessary to maintain the continuing costs of program and service  
36 levels either funded in that appropriations bill or mandated by other  
37 state or federal law, and the amount of any general fund moneys  
38 projected to be transferred to the budget stabilization account  
39 pursuant to Article VII, section 12 of the state Constitution;

1       (~~(e)~~) (e) "Related funds," as used in this section, means the  
2 Washington opportunity pathways account, the workforce education  
3 investment account, the fair start for kids account, and the  
4 education legacy trust account.

5       (3) Subsection (1)(a) and (b) of this section does not apply to  
6 an appropriations bill that makes net reductions in general fund and  
7 related funds appropriations and is enacted between July 1st and  
8 February 15th of any fiscal year.

9       (4) Subsection (1)(b) of this section does not apply in a fiscal  
10 biennium in which money is appropriated from the budget stabilization  
11 account pursuant to Article VII, section 12(d)(ii) of the state  
12 Constitution.

13       **Sec. 8.** RCW 43.136.045 and 2011 c 335 s 2 are each amended to  
14 read as follows:

15       (1) The citizen commission for performance measurement of tax  
16 preferences must develop a schedule to accomplish an orderly review  
17 of discretionary tax (~~(preferences)~~) expenditures at least once every  
18 (~~(ten)~~) 10 years. In determining the schedule, the commission must  
19 consider the order the discretionary tax (~~(preferences)~~) expenditures  
20 were enacted into law, in addition to other factors including but not  
21 limited to grouping preferences for review by type of industry,  
22 economic sector, or policy area. (~~The commission may elect to~~  
23 ~~include, anywhere in the schedule, a tax preference that has a~~  
24 ~~statutory expiration date. The commission must omit from the schedule~~  
25 ~~tax preferences that are required by constitutional law, sales and~~  
26 ~~use tax exemptions for machinery and equipment for manufacturing,~~  
27 ~~research and development, or testing, the small business credit for~~  
28 ~~the business and occupation tax, sales and use tax exemptions for~~  
29 ~~food and prescription drugs, property tax relief for retired persons,~~  
30 ~~and property tax valuations based on current use, and may omit any~~  
31 ~~tax preference that the commission determines is a critical part of~~  
32 ~~the structure of the tax system.)) The commission must include, in a  
33 timely manner, in the schedule, a discretionary tax expenditure that  
34 has a statutory expiration date. The commission shall omit from the  
35 schedule discretionary tax expenditures that are required by  
36 constitutional law. As an alternative to the process under RCW  
37 43.136.055, the commission, as well as the governor or the state  
38 legislature, may recommend to the joint legislative audit and review~~

1 committee an expedited review process for any discretionary tax  
2 (~~preference~~) expenditure or group of expenditures.

3 (2) The commission must revise the schedule as needed each year,  
4 taking into account newly enacted or terminated discretionary tax  
5 (~~preferences~~) expenditures. The commission must deliver the  
6 schedule to the joint legislative audit and review committee by  
7 September 1st of each year.

8 (3) The commission must provide a process for effective citizen  
9 input during its deliberations and must allow comments to be  
10 submitted and posted online.

11 (4) For the purpose of this section, "discretionary tax  
12 expenditure" means a tax preference, as defined in RCW 43.136.021,  
13 which:

14 (a) Impacts revenues appropriated in the omnibus operating  
15 appropriations act;

16 (b) Has no expiration date established in law, or has been  
17 recommended by the joint legislative audit and review committee for  
18 review and clarification, but for which the legislature has not  
19 clarified and adopted new performance measures and an expiration date  
20 pursuant to RCW 82.32.805 and 82.32.808; and

21 (c) Is not required by the state Constitution, United States  
22 Constitution, or federal law.

23 **Sec. 9.** RCW 43.136.055 and 2011 c 335 s 3 are each amended to  
24 read as follows:

25 (1) The joint legislative audit and review committee must review  
26 tax preferences according to the schedule developed under RCW  
27 43.136.045. The committee must consider, but not be limited to, the  
28 following factors in the review as relevant to each particular tax  
29 preference:

30 (a) The classes of individuals, types of organizations, or types  
31 of industries whose state tax liabilities are directly affected by  
32 the tax preference;

33 (b) Public policy objectives that might provide a justification  
34 for the tax preference, including but not limited to the legislative  
35 history, any legislative intent, or the extent to which the tax  
36 preference encourages business growth or relocation into this state,  
37 promotes growth or retention of high wage jobs, or helps stabilize  
38 communities;



1 (c) Evidence that the existence of the tax preference has  
2 contributed to the achievement of any of the public policy  
3 objectives;

4 (d) The extent to which continuation of the tax preference might  
5 contribute to any of the public policy objectives;

6 (e) The extent to which the tax preference may provide unintended  
7 benefits to an individual, organization, or industry other than those  
8 the legislature intended;

9 (f) The extent to which terminating the tax preference may have  
10 negative effects on the category of taxpayers that currently benefit  
11 from the tax preference, and the extent to which resulting higher  
12 taxes may have negative effects on employment and the economy;

13 (g) The feasibility of modifying the tax preference to provide  
14 for adjustment or recapture of the tax benefits of the tax preference  
15 if the objectives are not fulfilled;

16 (h) Fiscal impacts of the tax preference, including past impacts  
17 and expected future impacts if it is continued. For the purposes of  
18 this subsection, "fiscal impact" includes an analysis of the general  
19 effects of the tax preference on the overall state economy,  
20 including, but not limited to, the effects of the tax preference on  
21 the consumption and expenditures of persons and businesses within the  
22 state;

23 (i) The extent to which termination of the tax preference would  
24 affect the distribution of liability for payment of state taxes;

25 (j) The economic impact of the tax preference compared to the  
26 economic impact of government activities funded by the tax for which  
27 the tax preference is taken at the same level of expenditure as the  
28 tax preference. For purposes of this subsection the economic impact  
29 shall be determined using the Washington input-output model as  
30 published by the office of financial management;

31 (k) The amount of additional revenue generated in comparison to  
32 the reduction in revenue from the tax preference, if the tax  
33 preference includes a tax preference performance statement, stated  
34 legislative intent, or implied intent that seeks to generate  
35 additional revenue; and

36 (1) Consideration of similar tax preferences adopted in other  
37 states, and potential public policy benefits that might be gained by  
38 incorporating corresponding provisions in Washington.

39 (2) For each tax preference, the committee must provide a  
40 recommendation as to whether the tax preference should be continued

1 without modification, modified, scheduled for sunset review at a  
2 future date, or terminated immediately. The committee may recommend  
3 accountability standards for the future review of a tax preference.

4 **Sec. 10.** RCW 43.136.065 and 2006 c 197 s 6 are each amended to  
5 read as follows:

6 (1) The joint legislative audit and review committee shall report  
7 its findings and recommendations for scheduled discretionary tax  
8 (~~preferences~~) expenditures to the citizen commission for  
9 performance measurement of tax preferences by (~~August~~) July 30th of  
10 each even-numbered year. The commission (~~may~~) must review and  
11 comment on the report of the committee. The committee may revise its  
12 report based on the comments of the commission. The committee shall  
13 prepare a final report that includes the comments of the commission  
14 and submit the final report to the finance committee of the house of  
15 representatives (~~and~~), the ways and means committee of the senate  
16 (~~by December 30th~~), the department of revenue, and the governor's  
17 office by September 30th of each even-numbered year. The governor and  
18 the department of revenue must consider and incorporate the findings  
19 of the final report in their preparation of the discretionary tax  
20 expenditure budget required under section 5 of this act.

21 (~~(2) (The joint legislative audit and review committee shall~~  
22 ~~submit a special report reviewing all tax preferences that have~~  
23 ~~statutory expiration dates between June 30, 2005, and January 1,~~  
24 ~~2007. For the special report, the committee shall complete a review~~  
25 ~~under RCW 43.136.055, and obtain comments of the citizen commission~~  
26 ~~for performance measurement of tax preferences under subsection (1)~~  
27 ~~of this section, to the extent possible. The committee shall submit~~  
28 ~~the special report to the finance committee of the house of~~  
29 ~~representatives and the ways and means committee of the senate by~~  
30 ~~January 12, 2006.~~

31 (~~3~~)) Following receipt of a report under this section, the  
32 finance committee of the house of representatives and the ways and  
33 means committee of the senate shall jointly hold a public hearing to  
34 consider the final report and any related data.

35 (3) For the purpose of this section, "discretionary tax  
36 expenditure" means a tax preference, as defined in RCW 43.136.021,  
37 which:

38 (a) Impacts revenues appropriated in the omnibus operating  
39 appropriations act;

1       (b) Has no expiration date established in law, or has been  
2 recommended by the joint legislative audit and review committee for  
3 review and clarification, but for which the legislature has not  
4 clarified and adopted new performance measures and an expiration date  
5 pursuant to RCW 82.32.805 and 82.32.808; and

6       (c) Is not required by the state Constitution, United States  
7 Constitution, or federal law.

8       **Sec. 11.** RCW 82.33.060 and 2020 c 218 s 5 are each amended to  
9 read as follows:

10       (1) To facilitate compliance with, and subject to the terms of,  
11 RCW 43.88.055 and 43.88.030, the state budget outlook work group  
12 shall prepare, subject to the approval of the economic and revenue  
13 forecast council under RCW 82.33.010, an official state budget  
14 outlook for state revenues and expenditures for the general fund and  
15 related funds. The revenue and caseload projections used in the  
16 outlook must reflect the most recent official forecasts adopted by  
17 the economic and revenue forecast council and the caseload forecast  
18 council for the years for which those forecasts are available.

19       (2) The outlook must:

20       (a) Estimate revenues to and expenditures from the state general  
21 fund and related funds. The estimate of ensuing biennium expenditures  
22 must include maintenance items including, but not limited to,  
23 continuation of current programs, forecasted growth of current  
24 entitlement programs, and actions required by law, including  
25 legislation with a future implementation date. Estimates of ensuing  
26 biennium expenditures must exclude policy items including, but not  
27 limited to, legislation not yet enacted by the legislature,  
28 collective bargaining agreements not yet approved by the legislature,  
29 and changes to levels of funding for employee salaries and benefits  
30 unless those changes are required by statute. Estimated maintenance  
31 level expenditures must also exclude costs of court rulings issued  
32 during or within fewer than ninety days before the beginning of the  
33 current legislative session;

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

36       (c) Clearly state the assumptions used in the estimates of  
37 baseline and projected expenditures and any adjustments made to those  
38 estimates;

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

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

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

8 (4) The economic and revenue forecast council shall submit state  
9 budget outlooks prepared under this section to the governor and the  
10 members of the committees on ways and means of the senate and house  
11 of representatives, including one copy to the staff of each of the  
12 committees, as required by this section.

13 (5) Each January, the state budget outlook work group shall also  
14 prepare, subject to the approval of the economic and revenue forecast  
15 council, a state budget outlook for state revenues and expenditures  
16 that reflects the governor's proposed budget document submitted to  
17 the legislature under chapter 43.88 RCW. Within thirty days following  
18 enactment of an operating budget by the legislature, the work group  
19 shall prepare, subject to the approval of the economic and revenue  
20 forecast council, a state budget outlook for state revenues and  
21 expenditures that reflects the enacted budget.

22 (6) All agencies of state government shall provide to the  
23 supervisor immediate access to all information relating to state  
24 budget outlooks.

25 (7) The state budget outlook work group must publish its proposed  
26 methodology on the economic and revenue forecast council website. The  
27 state budget outlook work group, in consultation with the economic  
28 and revenue forecast work group and outside experts if necessary,  
29 must analyze the extent to which the proposed methodology for  
30 projecting expenditures for the ensuing fiscal biennia may be  
31 reliably used to determine the future impact of appropriations and  
32 make recommendations to change the outlook process to increase  
33 reliability and accuracy. The recommendations are due by December 1,  
34 2013, and every five years thereafter.

35 (8) (a) The state budget outlook work group shall maintain a  
36 current listing of discretionary tax expenditures on the economic and  
37 revenue forecast council website. The listing must include the  
38 following information:

39 (i) A description of the discretionary tax expenditure;

40 (ii) Prior and estimated future fiscal impacts;

1 (iii) Any stated public policy objective of the discretionary tax  
2 expenditure;

3 (iv) The expiration date of the discretionary tax expenditure or  
4 the lack thereof; and

5 (v) The most recently available recommendations to continue,  
6 modify, or eliminate the discretionary tax expenditure by the joint  
7 legislative audit and review committee and the citizen commission for  
8 performance measurement of tax preferences under chapter 43.136 RCW.

9 (b) The department of revenue must provide the information  
10 contained in the report under RCW 43.06.400 to the state budget  
11 outlook work group.

12 (c) The websites of the office of financial management, the  
13 legislative evaluation and accountability program, and the  
14 legislature must post a link to the listing of discretionary tax  
15 expenditures.

16 (9) For the purpose of this section, "discretionary tax  
17 expenditure" means a tax preference, as defined in RCW 43.136.021,  
18 which:

19 (a) Impacts revenues appropriated in the omnibus operating  
20 appropriations act;

21 (b) Has no expiration date established in law, or has been  
22 recommended by the joint legislative audit and review committee for  
23 review and clarification, but for which the legislature has not  
24 clarified and adopted new performance measures and an expiration date  
25 pursuant to RCW 82.32.805 and 82.32.808; and

26 (c) Is not required by the state Constitution, United States  
27 Constitution, or federal law.

28 NEW SECTION. Sec. 12. The department of revenue and the office  
29 of the code reviser must draft proposed legislation making technical  
30 corrections and any other changes required for the administration and  
31 implementation of this act and submit the draft to the chair of the  
32 house finance committee and the chair of the senate ways and means  
33 committee on or before December 31, 2025.

34 NEW SECTION. Sec. 13. If any provision of this act or its  
35 application to any person or circumstance is held invalid, the  
36 remainder of the act or the application of the provision to other  
37 persons or circumstances is not affected.

1        NEW SECTION.    **Sec. 14.**    This act may be known and cited as the  
2    tax exemption transparency and accountability act.

--- **END** ---