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**SENATE BILL 6621**

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**State of Washington**

**66th Legislature**

**2020 Regular Session**

**By** Senators Frockt and Braun

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)~~) 2022, 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~~)) 2022, 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 be~~) is the current fiscal biennium and  
19 the next ensuing fiscal biennium. In even-numbered years, the period  
20 covered by the November state budget outlook (~~shall be~~) is the next  
21 two ensuing fiscal biennia. The revenue and caseload projections used  
22 in the outlook must reflect the most recent official forecasts  
23 adopted by the economic and revenue forecast council and the caseload  
24 forecast council for the years for which those forecasts are  
25 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, must 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~~) must

17 be submitted that (~~will~~) contains 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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