

Initiative Measure No. 1276 filed February 5, 2013

BILL REQUEST - CODE REVISER'S OFFICE

BILL REQ. #: I-2658.1/13

ATTY/TYPIST: JA:crs

BRIEF DESCRIPTION: Reforming state government revenue and expenditures.

Initiative Measure No. 1276

filed February 5, 2013

AN ACT Relating to reforming state government revenue and expenditures; amending RCW 43.135.010, 43.135.034, 43.135.041, 43.135.055, 43.06.400, 43.88.030, 43.136.045, 43.136.055, and 43.136.065; adding a new section to chapter 43.88 RCW; and creating a new section.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF WASHINGTON:

Sec. 1. RCW 43.135.010 and 2005 c 72 s 3 are each amended to read as follows:

The people of the state of Washington hereby find and declare:

~~(1) ((The continuing increases in our state tax burden and the corresponding growth of state government is contrary to the interest of the people of the state of Washington.~~

~~— (2) It is necessary to limit the rate of growth of state government while assuring adequate funding of essential services, including basic education as defined by the legislature.~~

~~— (3) The current budgetary system in the state of Washington lacks stability. The system encourages crisis budgeting and results in~~

~~cutbacks during lean years and overspending during surplus years.~~

~~(4)) It is sound fiscal policy to limit the rate of growth of state government so that it does not exceed long-term growth in state revenue and personal income, while assuring adequate funding of essential services, including basic education and health care as defined by the legislature.~~

~~(2) It is a priority of the legislature that tax dollars and fees are collected fairly and equitably from taxpayers as needed and that the legislature prioritize spending these tax dollars as efficiently as possible without waste to meet prioritized state needs and services.~~

~~(3) The current budgetary system in the state of Washington lacks stability because of its overreliance on sales taxes and other taxes dependent on economy-driven consumer spending and also because of an inability to modify or repeal tax expenditures. The system encourages crisis budgeting and results in cutbacks during lean years and overspending during surplus years. The legislature needs the flexibility to modify revenue and expenditures with majority votes, and not have a small minority who benefit from the current system unfairly and unconstitutionally control the process.~~

~~(4) Tax expenditures, also known as tax preferences or exemptions, need to be incorporated into the state budgetary process and be subject to the same majority voting process as other state expenditures. It is a priority of the legislature that special interests do not gain special favor in the granting of tax expenditures and that tax expenditures be periodically reviewed as to whether they are meeting current state needs and priorities. Tax expenditures must be counted as expenditures of revenue in the state budget process. All tax exemptions being reviewed by the joint legislative audit and review committee must be submitted to the legislature no less than once every ten years with a recommendation of action and must require a vote of the legislature to remain in effect or such exemptions will expire.~~

~~(5) A return to majority votes by the legislature for taxes, fees, expenditures, and revenue issues in the budget is necessary to comply~~

with the provisions of the Washington state Constitution and to guarantee that all members of the legislature have equal voting power on budget issues regarding taxation and spending.

(6) It is therefore the intent of this chapter to:

(a) Establish a limit on state expenditures that will assure that the growth rate of state expenditures does not exceed the growth rate in Washington personal income;

(b) Assure that local governments are provided funds adequate to render those services deemed essential by their citizens;

(c) Assure that the state does not impose responsibility on local governments for new programs or increased levels of service under existing programs unless the costs thereof are paid by the state;

(d) Provide for adjustment of the limit when costs of a program are transferred between the state and another political entity;

(e) Establish a procedure for exceeding this limit in emergency situations;

(f) Provide for voter approval of tax increases; (~~and~~)

(g) Avoid overfunding and underfunding state programs by providing stability, consistency, and long-range planning;

(h) Require that every two years the legislature adopt a set of budget goals as part of the budget process that prioritizes state needs and services and that all state expenditures, including tax expenditures not mandated by state or federal constitutional issues, under this chapter be evaluated and ranked by the legislature as either high, medium, or low priority in meeting these goals;

(i) Require that state tax expenditures be incorporated into the biennially state budget process;

(j) Require as part of the tax expenditure review process by the joint legislative audit and review committee that tax expenditures be thoroughly reviewed by rigorous criteria, which assure that: (i) State taxpayers are benefiting from the expenditures; (ii) benefits are consistent with the legislatively adopted budget priorities; and (iii) a specific recommendation as to renewal, modification, or repeal of the expenditure is made. All tax expenditures reviewed under the joint legislative audit and review committee process automatically

expire unless acted on by the legislature. No tax expenditure can be enacted or reenacted for more than ten years;

(k) Define tax expenditure as meaning an exemption, exclusion, or deduction from the base of a state tax rate, a credit against a state tax, or a preferential state tax rate;

(l) Complete a periodic analysis of fees by state agencies to ensure that they are fair and determine the extent to which they cover the cost of issuing and maintaining the programs, and return fee setting to the agencies involved to remove politicizing the process while allowing the legislature to set fees if it sees the need;

(m) Ensure fairness and equity in decision making under this chapter by reinstating the constitutionally mandated system of majority voting by the legislature whereby every legislator has equal voting power regarding issues of taxation and spending; and

(n) Require publication in each year's state voter pamphlet a summary of the state budget and the current prioritized list of state needs. The voter's pamphlet must provide links to more detailed and complete information on the budget's revenue and expenditures, prioritized state needs, tax expenditures granted and the money removed from the state budget as a result, and analysis of how the tax expenditures meet the prioritized state needs.

Sec. 2. RCW 43.135.034 and 2013 c 1 s 2 (Initiative Measure No. 1185) are each amended to read as follows:

(1) (a) Any action or combination of actions by the legislature that raises taxes, revenue, or fees may be taken only if approved by a ~~((two-thirds vote))~~ majority of legislators voting in both the house of representatives and the senate, as set forth in Article II, section 22 of the Washington state Constitution. Pursuant to the referendum power set forth in Article II, section 1(b) of the state Constitution, tax increases may be referred to the voters for their approval or rejection at an election.

(b) For the purposes of this chapter, "raises taxes" means any action or combination of actions by the state legislature that increases state tax revenue deposited in any fund, budget, or account,

regardless of whether the revenues are deposited into the general fund.

(2) (a) If the legislative action under subsection (1) of this section will result in expenditures in excess of the state expenditure limit, then the action of the legislature (~~shall~~) does not take effect until approved by a vote of the people at a November general election. The state expenditure limit committee shall adjust the state expenditure limit by the amount of additional revenue approved by the voters under this section. This adjustment (~~shall~~) may not exceed the amount of revenue generated by the legislative action during the first full fiscal year in which it is in effect. The state expenditure limit (~~shall~~) must be adjusted downward upon expiration or repeal of the legislative action.

(b) The ballot title for any vote of the people required under this section (~~shall~~) must be substantially as follows:

"(~~Shall~~) Must taxes be (~~imposed~~) increased on in order to allow a spending increase above last year's authorized spending adjusted for personal income growth?"

(3) (a) The state expenditure limit may be exceeded upon declaration of an emergency for a period not to exceed twenty-four months by a law approved by a (~~two-thirds~~) majority vote of each house of the legislature as set forth in Article II, section 22 of the Washington state Constitution and signed by the governor. The law shall set forth the nature of the emergency, which is limited to natural disasters or terrorist acts that require immediate government action to alleviate human suffering and provide humanitarian assistance. The state expenditure limit may be exceeded for no more than twenty-four months following the declaration of the emergency and only for the purposes contained in the emergency declaration.

(b) Additional taxes required for an emergency under this section may be imposed only until thirty days following the next general election, unless an extension is approved at that general election. The additional taxes (~~shall~~) expire upon expiration of the Code Rev/JA:crs

declaration of emergency. The legislature (~~shall~~) may not impose additional taxes for emergency purposes under this subsection unless funds in the education construction fund have been exhausted.

(c) ~~The state (or any political subdivision of the state shall not impose any tax on intangible property listed in RCW 84.36.070 as that statute exists on January 1, 1993))~~ expenditure limit may also be exceeded and raised to bring the state into compliance with any order of the Washington state supreme court or the federal court system that mandates action by the state to comply with the Washington state Constitution, the United States Constitution, or federal law. Such action does not require a vote of the people to raise additional revenue.

(4) If the cost of any state program or function is shifted from the state general fund to another source of funding, or if moneys are transferred from the state general fund to another fund or account, the state expenditure limit committee, acting pursuant to RCW 43.135.025(5), (~~shall~~) must lower the state expenditure limit to reflect the shift. For the purposes of this section, a transfer of money from the state general fund to another fund or account includes any state legislative action taken that has the effect of reducing revenues from a particular source, where such revenues would otherwise be deposited into the state general fund, while increasing the revenues from that particular source to another state or local government account. This subsection does not apply to: (a) The dedication or use of lottery revenues under RCW 67.70.240(3), in support of education or education expenditures; or (b) a transfer of moneys to, or an expenditure from, the budget stabilization account.

(5) If the cost of any state program or function and the ongoing revenue necessary to fund the program or function are shifted to the state general fund on or after January 1, 2007, the state expenditure limit committee, acting pursuant to RCW 43.135.025(5), (~~shall~~) must increase the state expenditure limit to reflect the shift unless the shifted revenue had previously been shifted from the general fund. Fees are not considered taxes. Reducing, repealing, terminating, expiring, or making any other modification of a tax preference, also

known as a tax expenditure, as defined in RCW 43.136.021 is not considered to raise taxes, but is instead considered to be a reduction or shift in state expenditures.

Sec. 3. RCW 43.135.041 and 2013 c 1 s 6 (Initiative Measure No. 1185) are each amended to read as follows:

(1) (a) After July 1, 2011, if legislative action raising taxes as defined by RCW 43.135.034 is (~~blocked from~~) subject to a public vote or is not referred to the people by a referendum petition found to be sufficient under RCW 29A.72.250, a measure for an advisory vote of the people is required and (~~shall~~) must be placed on the next general election ballot (~~under this chapter~~).

(b) If legislative action raising taxes enacted after July 1, 2011, involves more than one revenue source and is subject to a public vote, each tax being increased (~~shall be~~) is subject to a separate measure for an advisory vote of the people (~~under the requirements of this chapter~~).

(2) No later than the first of August, the attorney general will send written notice to the secretary of state of any tax increase that is subject to an advisory vote of the people, under the provisions and exceptions provided by this chapter. Within five days of receiving such written notice from the attorney general, the secretary of state will assign a serial number for a measure for an advisory vote of the people and transmit one copy of the measure bearing its serial number to the attorney general as required by RCW 29A.72.040, for any tax increase identified by the attorney general as needing an advisory vote of the people for that year's general election ballot. Saturdays, Sundays, and legal holidays are not counted in calculating the time limits in this subsection.

(3) (~~For the purposes of this section, "blocked from a public vote" includes adding an emergency clause to a bill increasing taxes, bonding or contractually obligating taxes, or otherwise preventing a referendum on a bill increasing taxes.~~

~~(4))~~ If legislative action raising taxes is referred to the people by the legislature or is included in an initiative to the

people found to be sufficient under RCW 29A.72.250, then the tax increase is exempt from an advisory vote of the people under this chapter.

(4) The state budget office must publish in each year's state voter pamphlet a summary of the state budget and the current prioritized list of state needs. The voter's pamphlet must provide information to links on the official state web site giving complete information on the state budget: Detailing revenue and expenditures and prioritized state needs; providing a list and explanation of all tax expenditures granted and the money removed from the state budget as a result; and providing an analysis of how the tax expenditures meet the prioritized state needs.

Sec. 4. RCW 43.135.055 and 2013 c 1 s 4 are each amended to read as follows:

(1) A fee may (~~only~~) be imposed or increased in any fiscal year if approved with a simple majority vote in both the house of representatives and the senate and must be subject to the accountability procedures required by RCW 43.135.031, if the increase is greater than the most recent yearly consumer price index increase for the Seattle area.

(2) This section does not apply to an assessment made by an agricultural commodity commission or board created by state statute or created under a marketing agreement or order under chapter 15.65 or 15.66 RCW, or to the forest products commission, if the assessment is approved by referendum in accordance with the provisions of the statutes creating the commission or board or chapter 15.65 or 15.66 RCW for approving such assessments.

(3) (a) By September 30, 2014, every state agency must present to the governor and the state legislature a detailed analysis of all fees they currently charge for state services, including but not limited to what the fee was when originally imposed, what the fee currently is, whether the fee has kept pace with the consumer price index, and the extent to which the fee covers the state agencies' cost of issuing permits and maintaining the program.

(b) The fee analysis under this subsection must be updated every two years thereafter so that the information can be used in budget considerations.

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

(1) The omnibus operating appropriations bill enacted by the legislature must include:

(a) A tax expenditure section or sections listing all discretionary state tax expenditures together with an estimate of the state revenue impact associated with each discretionary state tax expenditure;

(b) A section stating the total estimated revenue impact from all discretionary state tax expenditures, total appropriations, and total state expenditures representing the sum of discretionary state tax expenditures and appropriations; and

(c) A section stating the total state revenue impact from all nondiscretionary tax expenditures.

(2) The sections described in subsection (1) of this section must be stated in part I of the omnibus operating appropriations bill.

(3) For the purposes of this section, "discretionary state tax expenditure" means a tax preference, as defined in RCW 43.136.021, which impacts revenues appropriated in the omnibus operating appropriations bill and that is not required by the state Constitution, United States Constitution, or federal law.

Sec. 6. RCW 43.06.400 and 2011 1st sp.s. c 20 s 201 are each amended to read as follows:

(1) (~~(Beginning in January 1984, and in January of every fourth year thereafter, the department of revenue must submit to the legislature prior to the regular session))~~ Biennially, the department of revenue must prepare a listing of the amount of reduction for the current and next biennium in the revenues of the state or the revenues of local government collected by the state as a result of tax (~~(exemptions))~~ expenditures. The listing must include an estimate of

the revenue lost from the tax (~~(exemption)~~) expenditure, the purpose of the tax (~~(exemption)~~) expenditure, the persons, organizations, or parts of the population which benefit from the tax (~~(exemption)~~) expenditure, and whether or not the tax (~~(exemption)~~) expenditure conflicts with another state program. The listing must include but not be limited to the following revenue sources:

- (a) Real and personal property tax exemptions under Title 84 RCW;
 - (b) Business and occupation tax exemptions, deductions, and credits under chapter 82.04 RCW;
 - (c) Retail sales and use tax exemptions under chapters 82.08, 82.12, and 82.14 RCW;
 - (d) Public utility tax exemptions and deductions under chapter 82.16 RCW;
 - (e) Food fish and shellfish tax exemptions under chapter 82.27 RCW;
 - (f) Leasehold excise tax exemptions under chapter 82.29A RCW;
 - (g) Motor vehicle and special fuel tax exemptions and refunds under chapters 82.36 and 82.38 RCW;
 - (h) Aircraft fuel tax exemptions under chapter 82.42 RCW;
 - (i) Motor vehicle excise tax exclusions under chapter 82.44 RCW;
- and
- (j) Insurance premiums tax exemptions under chapter 48.14 RCW.

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

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

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

~~— (5) As used in this section, "tax exemption") submit the listing~~

to the governor at the time biennial budget requests are due under RCW 43.88.030. The governor is requested to review the report from the department of revenue and prepare a tax expenditure report as part of the biennial budget documents under RCW 43.88.030. The tax expenditure report must include the listing of expenditures prepared by the department of revenue and a budget analysis of each expenditure. The budget analysis must categorize each expenditure according to the programs or functions each expenditure supports. The tax expenditure report is not required to address tax expenditures required under the state Constitution, United States Constitution, or federal law.

(4) The governor must coordinate the department of revenue's review and the governor's review with the audit review process by the joint legislative audit and review committee and must identify each expenditure that will expire during the next biennium and make a recommendation as to whether the expenditure should be allowed to expire, continue, or continue with modification. The governor also may submit other recommendations to the legislature with respect to the repeal or modification of any tax expenditure. The fiscal committees of both the house of representatives and the senate and the appropriate standing committee of the house of representatives and the senate must hold public hearings and take appropriate action on the tax expenditure report and recommendations submitted by the governor.

(5) As used in this section, "tax expenditure" means: An exemption, exclusion, or deduction from the base of a tax; a credit against a tax; a deferral of a tax; or a preferential tax rate.

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

Sec. 7. RCW 43.88.030 and 2006 c 334 s 43 are each amended to read as follows:

(1) (a) The director of financial management ((shall)) must provide all agencies with a complete set of instructions for submitting

biennial budget requests to the director at least three months before agency budget documents are due into the office of financial management.

(b) The budget document or documents (~~(shall)~~) must consist of the governor's budget message, which (~~(shall)~~) must be explanatory of the budget and (~~(shall)~~) must contain an outline of the proposed financial policies of the state for the ensuing fiscal period, as well as an outline of the proposed six-year financial policies where applicable, and (~~(shall)~~) must describe in connection therewith the important features of the budget.

(i) The biennial budget document or documents (~~(shall)~~) must also describe performance indicators that demonstrate measurable progress towards priority results.

(ii) The message (~~(shall)~~) must set forth the reasons for salient changes from the previous fiscal period in expenditure and revenue items and (~~(shall)~~) must explain any major changes in financial policy. Attached to the budget message (~~(shall)~~) must be such supporting schedules, exhibits, and other explanatory material in respect to both current operations and capital improvements as the governor (~~(shall)~~) deems to be useful to the legislature.

(iii) The budget document or documents (~~(shall)~~) must set forth a proposal for expenditures in the ensuing fiscal period, or six-year period where applicable, based upon the estimated revenues and caseloads as approved by the economic and revenue forecast council and caseload forecast council or upon the estimated revenues and caseloads of the office of financial management for those funds, accounts, sources, and programs for which the forecast councils do not prepare an official forecast. Revenues (~~(shall)~~) must be estimated for such fiscal period from the source and at the rates existing by law at the time of submission of the budget document, including the supplemental budgets submitted in the even-numbered years of a biennium. However, the estimated revenues and caseloads for use in the governor's budget document may be adjusted to reflect budgetary revenue transfers and revenue and caseload estimates dependent upon budgetary assumptions of enrollments, workloads, and caseloads. All adjustments to the

approved estimated revenues and caseloads must be set forth in the budget document.

(c) The governor may additionally submit, as an appendix to each supplemental, biennial, or six-year agency budget or to the budget document or documents, a proposal for expenditures in the ensuing fiscal period from revenue sources derived from proposed changes in existing statutes.

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

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

~~((b))~~ (ii) The tax expenditure report prepared under RCW 43.06.400;

(iii) The undesignated fund balance or deficit, by fund;

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

~~((d))~~ (v) Such additional information dealing with revenues and expenditures as the governor shall deem pertinent and useful to the legislature;

~~((e))~~ (vi) Tabulations showing expenditures classified by fund, function, and agency;

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

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

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

~~((2))~~ (e) The budget document or documents (~~(shall)~~) must include detailed estimates of all anticipated revenues applicable to proposed operating or capital expenditures and (~~(shall)~~) must also

include all proposed operating or capital expenditures. The total of beginning undesignated fund balance and estimated revenues less working capital and other reserves (~~(shall)~~) must equal or exceed the total of proposed applicable expenditures.

(f) The budget document or documents (~~(shall)~~) must further include:

~~((a))~~ (i) Interest, amortization and redemption charges on the state debt;

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

~~((c))~~ (iii) Other statutory expenditures;

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

~~((e))~~ (v) Revenues derived from agency operations;

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

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

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

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

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

~~((3))~~ (2) The governor's operating budget document or documents (~~(shall)~~) must reflect the statewide priorities as required by RCW 43.88.090.

~~((4))~~ (3) The governor's operating budget document or documents (~~(shall)~~) must identify activities that are not addressing the statewide priorities.

~~((5))~~ (4)(a) A separate capital budget document or schedule ~~((shall))~~ must be submitted that will contain the following:

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

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

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

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

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

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

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

~~((h))~~ (viii) Estimated total project cost;

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

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

~~((k))~~ (xi) Estimated ensuing biennium costs;

~~((l))~~ (xii) Estimated costs beyond the ensuing biennium;

~~((m))~~ (xiii) Estimated construction start and completion dates;

~~((n))~~ (xiv) Source and type of funds proposed;

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

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

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

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

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

(b) For purposes of this subsection ~~((5))~~ (4), the term "capital project" shall be defined subsequent to the analysis, findings, and recommendations of a joint committee comprised of representatives from the house capital appropriations committee, senate ways and means committee, legislative evaluation and accountability program committee, and office of financial management.

~~((6))~~ (5) No change affecting the comparability of agency or program information relating to expenditures, revenues, workload,

performance and personnel shall be made in the format of any budget document or report presented to the legislature under this section or RCW 43.88.160(1) relative to the format of the budget document or report which was presented to the previous regular session of the legislature during an odd-numbered year without prior legislative concurrence. Prior legislative concurrence (~~((shall))~~) must consist of:

(a) A favorable majority vote on the proposal by the standing committees on ways and means of both houses, if the legislature is in session; or

(b) A favorable majority vote on the proposal by members of the legislative evaluation and accountability program committee, if the legislature is not in session.

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

(1) The citizen commission for performance measurement of tax preferences must develop a schedule to accomplish an orderly review of tax preferences at least once every ten years. In determining the schedule, the commission must consider the order the tax preferences were enacted into law, in addition to other factors including but not limited to grouping preferences for review by type of industry, economic sector, or policy area. The commission (~~((may elect to))~~) must include, as necessary, anywhere in the schedule, a tax preference that has a statutory expiration date. The commission must omit from the schedule tax preferences that are required by constitutional law, (~~((sales and use tax exemptions for machinery and equipment for manufacturing, research and development, or testing, the small business credit for the business and occupation tax,))~~) sales and use tax exemptions for food and prescription drugs, and property tax relief for retired persons(~~((, and property tax valuations based on current use, and may omit any tax preference that the commission determines is a critical part of the structure of the tax system))~~). As an alternative to the process under RCW 43.136.055, the commission, as well as the governor or the state legislature, may recommend to the

joint legislative audit and review committee an expedited review process for any tax preference or group of preferences.

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

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

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

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

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

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

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

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

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

(f) The extent to which terminating the tax preference may have negative effects on the category of taxpayers that currently benefit

from the tax preference, and the extent to which resulting higher taxes may have negative effects on employment and the economy;

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

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

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

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

(k) Consideration of similar tax preferences adopted in other states, and potential public policy benefits that might be gained by incorporating corresponding provisions in Washington;

(l) The extent to which the tax preference promotes a sustainable nonpolluting economy and contributes to protecting the environment and our quality of life;

(m) A ranking of high, medium, or low priority as to the preference meeting the most recent legislative set of prioritized state needs and services; and

(n) The extent to which the tax preference contributes to tax fairness in general and a reduction in the regressive impacts of the current tax system in Washington state.

(2) For each tax preference, the committee must provide a recommendation as to whether the tax preference should be continued without modification, modified, scheduled for sunset review at a

future date, or terminated immediately. The committee (~~may~~) must recommend accountability standards for the future review of a tax preference.

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

(1) The joint legislative audit and review committee (~~shall~~) must report its findings and recommendations for scheduled tax preferences to the citizen commission for performance measurement of tax preferences by (~~August~~) June 30th of each year. The commission may review and comment on the report of the committee. The committee may revise its report based on the comments of the commission. The committee (~~shall~~) must prepare a final report that includes the comments of the commission and submit the final report to the finance committee of the house of representatives and the ways and means committee of the senate (~~by December 30th~~), the department of revenue, and the governor's office by September 30th. The governor and the department of revenue must consider and incorporate the final report in their preparation of their tax expenditure report required under section 5 of this act.

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

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

(3) In conjunction with the governor's tax expenditure report, the legislature must take action on the final report.

(a) Unless reauthorized by the state legislature, any and all tax expenditures reviewed in the final report under this section must expire, regardless of the recommendation of the committee. Reauthorization is limited to a maximum of ten years to coincide with the current audit review process.

(b) No new tax expenditure may be approved by the legislature for more than ten years.

(c) Any new tax expenditure is subject to the same audit and review procedures required for meeting budget priorities as existing tax expenditures or exemptions are required to meet.

(d) The legislature may expire a tax expenditure earlier than its authorized term by either:

(i) A majority vote as provided under Article II, section 22 of the Washington state Constitution; or

(ii) A part of the budget process in the same manner as any other tax expenditure is approved or denied in the state budget by a majority vote of the members of the house of representatives and the senate.

NEW SECTION. Sec. 11. If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

NEW SECTION. Sec. 12. This act may be known and cited as the Washington state taxpayer's fiscal reform act.