Revenue Forecast

Revenue forecasts are prepared by the Economic and Revenue Forecast Council on a quarterly basis. The revenue forecast on which the Governor's budget was based was the November 1990 forecast. The June 1991 revenue forecast was used for the legislative budget. The June 1991 revenue forecast is contained in the following balance sheets.

An accounting change involving the accrual of business and occupation tax and sales and use tax was made in March 1991. This change had the effect of increasing the beginning reserve for the 1989–91 biennium by about $100 million.

The Governor vetoed SB 5560, which transferred cigarette tax administration from the Department of Revenue to the Liquor Control Board. The balance sheet for 1991–93 includes $3.8 million in revenue that was anticipated from this legislation.

1989–91
Estimated Revenues and Appropriations
General Fund–State
($ in millions)

Revenues

Unrestricted Beginning Reserve	$555.1
March Revenue Forecast	$13,329.1
June Revenue Forecast Change	$6.5
Total Revenues	**$13,890.7**

Appropriations

1989–91 Estimated Expenditures	$13,200.0
1990 Budget Stabilization Account	$200.0
Unspecified Reversions	($7,900.0)
Total Appropriations	**$5,500.0**
Unrestricted Reserve, 6/30/91	**$498.5**
Budget Stabilization Account	$260.0

1991–93
Estimated Revenues & Appropriations
General Fund–State
($ in millions)

Revenues

Unrestricted Beginning Reserve	$498.5
June Revenue Forecast	$14,972.2
Total Revenues	**$15,470.7**
Adjustments to Revenue	
Revenue Legislation	$167.9
Budget Driven Revenue	$109.8
Total Resources	**$15,748.4**

Appropriations

1991–93 Appropriations Act	$15,666.8
Appropriation Legislation	
Medicaid Tax	$75.7
Other	$0.1
Total Appropriations	**$15,742.6**
Unrestricted Reserves	**$5.8**
Budget Stabilization Account	$260.0

1991–93 WASHINGTON STATE OPERATING BUDGET
APPROPRIATIONS CONTAINED WITHIN OTHER LEGISLATION

(Dollars in Thousands)

Bill Number and Subject	Session Law		Agency	GF–S	Other	Total
ESHB 1231 – Transpo Operating Budget	C 15 L 91 E1	(1)	Legislative Transpo Committee		3,978	3,978
ESHB 1231 – Transpo Operating Budget	C 15 L 91 E1	(1)	LEAP Committee		389	389
ESHB 1231 – Transpo Operating Budget	C 15 L 91 E1	(1)	State Energy Office		953	953
ESHB 1231 – Transpo Operating Budget	C 15 L 91 E1	(1)	Office of Financial Management		112	112
ESHB 1231 – Transpo Operating Budget	C 15 L 91 E1	(1)	Board of Pilotage Commissioners		185	185
ESHB 1231 – Transpo Operating Budget	C 15 L 91 E1	(1)	State Patrol		189,647	189,647
ESHB 1231 – Transpo Operating Budget	C 15 L 91 E1	(1)	Traffic Safety Commission		6,185	6,185
ESHB 1231 – Transpo Operating Budget	C 15 L 91 E1	(1)	Department of Licensing		120,893	120,893
ESHB 1231 – Transpo Operating Budget	C 15 L 91 E1	(1)	Department of Transportation		722,997	722,997
ESHB 1231 – Transpo Operating Budget	C 15 L 91 E1	(1)	County Road Admin Board		61,030	61,030
ESHB 1231 – Transpo Operating Budget	C 15 L 91 E1	(1)	Transportation Improvement Board		155,848	155,848
ESHB 1231 – Transpo Operating Budget	C 15 L 91 E1	(1)	Marine Employees' Commission		334	334
ESHB 1231 – Transpo Operating Budget	C 15 L 91 E1	(1)	Transportation Commission		1,500	1,500
ESHB 1231 – Transpo Operating Budget	C 15 L 91 E1	(1)	Air Transportation Commission		553	553
ESHB 1231 – Transpo Operating Budget	C 15 L 91 E1	(1)	Department of Agriculture		209	209
SHB 1304 – Recycling	C 11 L 91		Parks & Recreation Commission		45	45
SHB 1452 – High Speed Transpo System	C 231 L 91		Department of Transportation		500	500
HB 2237 – Medically Needy	C 9 L 91 E1		DSHS: Medical Assistance	75,738	90,859	166,597
SSB 5008 – Pacific NW Econ Region	C 251 L 91		University of Washington	50		50
SB 5651 – Scenic River System	C 206 L 91		Parks & Recreation Commission	30		30
ESB 5801 – State Route 19	C 342 L 91		Department of Transportation		2,500	2,500
ESB 5801 – State Route 19	C 342 L 91		Transportation Improvement Board		750	750
TOTAL OTHER OPERATING LEGISLATION				75,818	1,359,467	1,435,285

(1) The amounts shown from the Transportation Operating Budget are included in the individual agency recommendation summary reports.

1991 SUPPLEMENTAL OPERATING BUDGET
APPROPRIATIONS CONTAINED WITHIN OTHER LEGISLATION

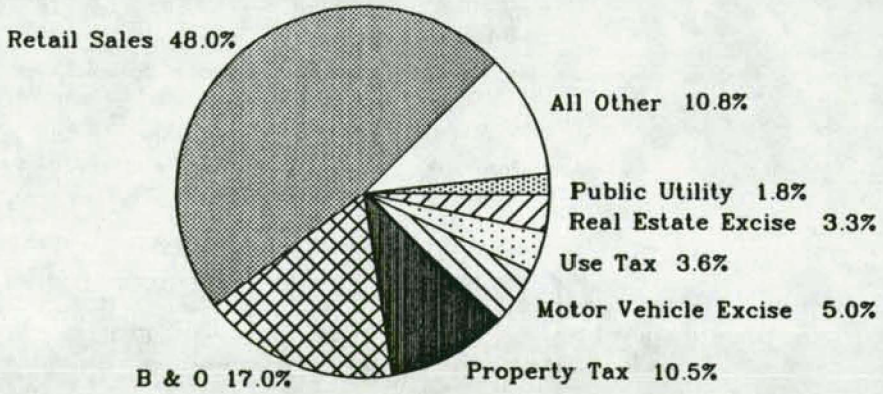
(Dollars in Thousands)

Bill Number and Subject	Session Law		Agency	GF-S	Other	Total
SSB 5106 – Transpo Operating Budget	C 22 L 91	(1)	Department of Transportation		11,447	11,447
SB 5982 – School Food Programs	C 36 L 91		SPI: School Food Services	2,000		2,000
TOTAL OTHER OPERATING LEGISLATION				2,000	11,447	13,447

(1) The amounts shown from the Transportation Operating Budget are included in the individual agency recommendation summary reports.

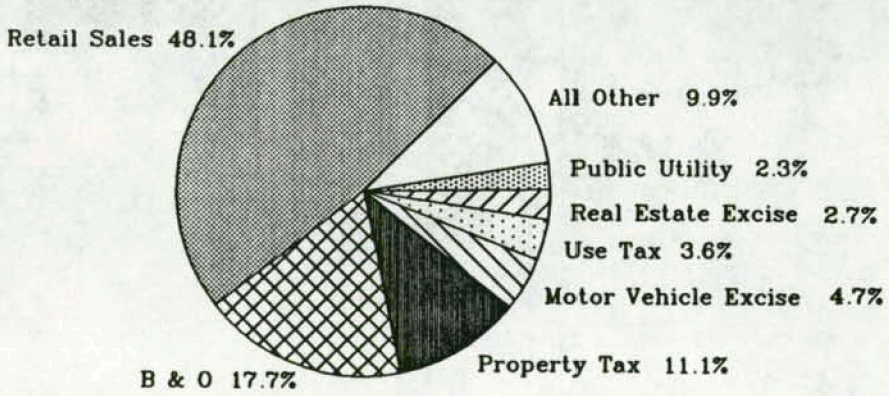
WASHINGTON STATE REVENUE FORECAST - JUNE 1991
1989-91 ESTIMATE VS. 1991-93 FORECAST
GENERAL FUND-STATE REVENUE
(DOLLARS IN MILLIONS)

Retail Sales	6,402.2
B & O	2,265.6
Property Tax	1,405.5
Motor Vehicle Excise	663.6
Use Tax	486.2
Real Estate Excise	435.8
Public Utility	241.1
All Other	1,435.7
1989-91 Estimate	**13,335.7**



1989-91

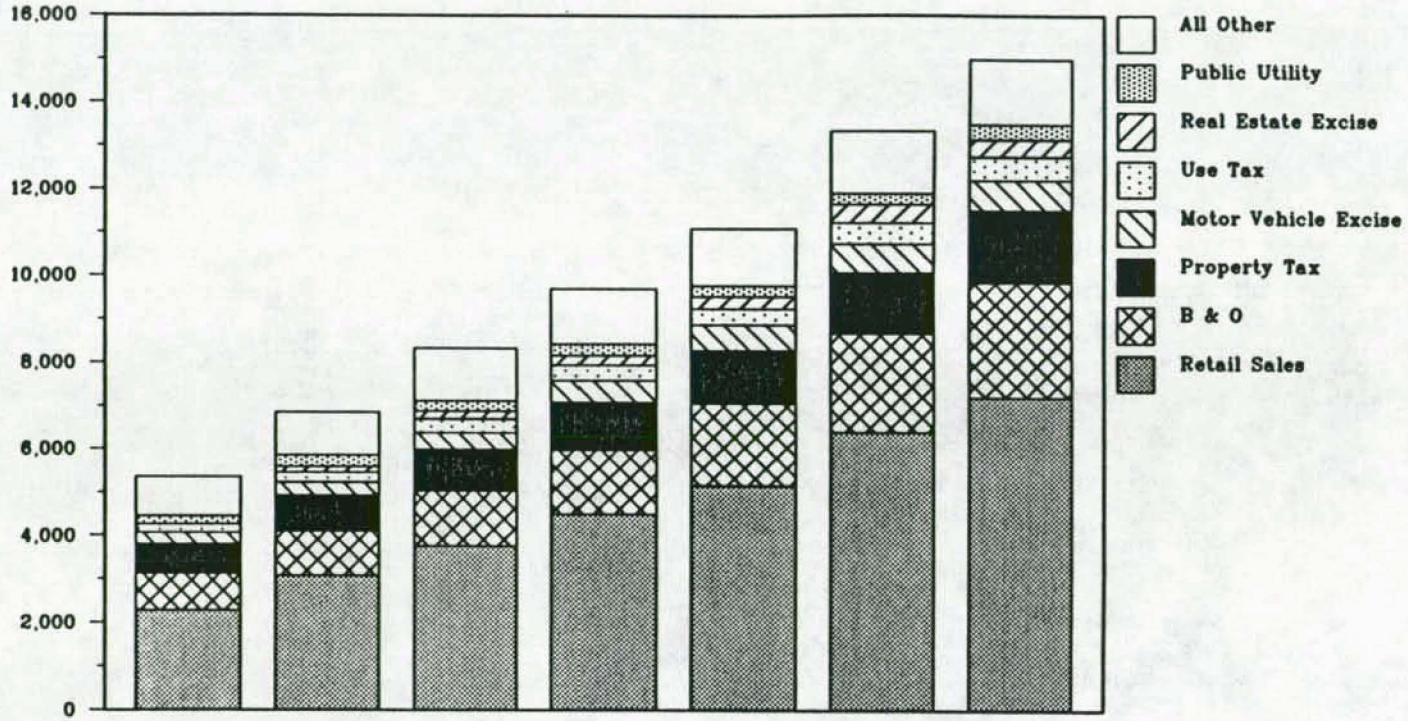
Retail Sales	7,197.6
B & O	2,649.4
Property Tax	1,657.1
Motor Vehicle Excise	701.3
Use Tax	533.9
Real Estate Excise	398.9
Public Utility	346.3
All Other	1,487.7
1991-93 Forecast	**14,972.2**



1991-93

Note: Data incorporates budget format changes for the 1991-93 biennium.

WASHINGTON STATE
GENERAL FUND–STATE REVENUES BY SOURCE
(DOLLARS IN MILLIONS)



	1979–81	1981–83	1983–85	1985–87	1987–89	1989–91 Estimate	1991–93 Forecast
Retail Sales	2,276.6	3,081.4	3,763.5	4,490.5	5,152.8	6,402.2	7,197.6
B & O	845.2	1,010.9	1,268.3	1,482.5	1,894.3	2,265.6	2,649.4
Property Tax	677.9	826.2	959.2	1,109.5	1,233.7	1,405.5	1,657.1
Motor Vehicle Excise	269.9	307.8	382.4	497.3	586.2	663.6	701.3
Use Tax	192.2	229.6	314.8	357.8	372.6	486.2	533.9
Real Estate Excise	0.0	132.9	181.0	221.0	280.9	435.8	398.9
Public Utility	196.8	259.4	245.6	266.5	244.9	241.1	346.3
All Other	898.7	988.6	1,199.5	1,269.8	1,318.5	1,435.7	1,487.7
Total	5,357.3	6,836.8	8,314.3	9,694.9	11,083.9	13,335.7	14,972.2

Note: Data incorporates budget format changes for the 1991–93 biennium.

WASHINGTON STATE
GENERAL FUND–STATE REVENUES BY SOURCE

DOLLARS IN MILLIONS

						JUNE 1991 FORECAST	
	1979-81	1981-83	1983-85	1985-87	1987-89	1989-91	1991-93
RETAIL SALES	2,276.6	3,081.4	3,763.5	4,490.5	5,152.8	6,402.2	7,197.6
B & O	845.2	1,010.9	1,268.3	1,482.5	1,894.3	2,265.6	2,649.4
PROPERTY TAX	677.9	826.2	959.2	1,109.5	1,233.7	1,405.5	1,657.1
MOTOR VEHICLE EXCISE	269.9	307.8	382.4	497.3	586.2	663.6	701.3
USE TAX	192.2	229.6	314.8	357.8	372.6	486.2	533.9
REAL ESTATE EXCISE	0.0	132.9	181.0	221.0	280.9	435.8	398.9
PUBLIC UTILITY	196.8	259.4	245.6	266.5	244.9	241.1	346.3
ALL OTHER	898.7	988.6	1,199.5	1,269.8	1,318.5	1,435.7	1,487.7
TOTAL REVENUE AVAILABLE	5,357.3	6,836.8	8,314.3	9,694.9	11,083.9	13,335.7	14,972.2
	PERCENT OF REVENUE AVAILABLE						
RETAIL SALES	42.50	45.07	45.27	46.32	46.49	48.01	48.07
B & O	15.78	14.79	15.25	15.29	17.09	16.99	17.70
PROPERTY TAX	12.65	12.08	11.54	11.44	11.13	10.54	11.07
MOTOR VEHICLE EXCISE	5.04	4.50	4.60	5.13	5.29	4.98	4.68
USE TAX	3.59	3.36	3.79	3.69	3.36	3.65	3.57
REAL ESTATE EXCISE	0.00	1.94	2.18	2.28	2.53	3.27	2.66
PUBLIC UTILITY	3.67	3.79	2.95	2.75	2.21	1.81	2.31
ALL OTHER	16.78	14.46	14.43	13.10	11.90	10.77	9.94
TOTAL REVENUE AVAILABLE	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	PERCENT CHANGE FROM PRIOR BIENNIUM						
RETAIL SALES		35.35	22.14	19.32	14.75	24.25	12.42
B & O		19.60	25.46	16.89	27.78	19.60	16.94
PROPERTY TAX		21.88	16.10	15.67	11.19	13.93	17.90
MOTOR VEHICLE EXCISE		14.04	24.24	30.05	17.88	13.20	5.68
USE TAX		19.46	37.11	13.66	4.14	30.49	9.81
REAL ESTATE EXCISE		NA	36.19	22.10	27.10	55.14	(8.47)
PUBLIC UTILITY		31.81	(5.32)	8.51	(8.11)	(1.55)	43.63
ALL OTHER		10.00	21.33	5.86	3.84	8.89	3.62
TOTAL REVENUE AVAILABLE		27.62	21.61	16.61	14.33	20.32	12.27

Note: Data incorporates budget format changes effective for the 1991-93 biennium.

MAJOR REVENUE ISSUES

PROPERTY TAX

Property Tax Relief

Concern over the impact of higher property tax assessments caused numerous bills to be introduced this session. Very early in the session both the House and the Senate passed measures to deal with the problem. The Senate passed a bill allowing counties to use the 1989 assessed value of real property instead of the 1990 assessed value for the calculation of 1991 tax bills. The Senate also expanded the qualifying income thresholds for the senior citizen property tax exemption program from $18,000 to $26,000.

The House passed a package of bills that provided temporary property tax relief for homeowners with incomes below $30,000, a permanent relief program for homeowners of all ages with incomes below $18,000, an expansion from $18,000 to $30,000 for the qualifying income threshold for the senior citizen tax deferral program, an expansion from $18,000 to $22,000 for the qualifying income threshold for the senior citizen tax exemption program, administrative improvements in the property tax, including required annual revaluations, and four-year averaging of large increases in assessed valuations.

The Senate and House agreed to expand the qualifying income threshold to $26,000 for the senior citizen exemption program (Chapter 203, Laws of 1991, SSB 5110) and to $30,000 for the deferral program (Chapter 213, Laws of 1991, HB 1299). In addition, the qualification age was reduced by one year.

The phase-in of property tax for homes for the aging was lengthened by one year (Chapter 24, Laws of 1991 First Extraordinary Session, HB 2242).

Computer Software

Chapter 255, Laws of 1990 (SSB 6859) directed the Department of Revenue to coordinate a study of the property taxation of computer software. Included in the study team were representatives of government and business. The study recommendations were adopted by the Legislature in Chapter 29, Laws of 1991 First Extraordinary Session (HB 1376). The measure specifies that: embedded software should be taxed; custom software should be exempt; master copies of software should be exempt; the user of software should be taxed rather than the licensor; and canned software should be taxed but depreciated over a two-year period.

Emergency Medical Services

Chapter 175, Laws of 1991 (SHB 1635) allows an additional property tax levy of 25 cents per $1,000 of assessed value, for a total of 50 cents per $1,000 of assessed value, to be imposed by local government for emergency medical services.

Desert Shield/Storm Participants

The Legislature exempted participants in Operation Desert Shield or Desert Storm from interest and penalties on the late payment of property taxes on their personal residences until December 31, 1991 (Chapter 52, Laws of 1991, SSB 5928).

Taxpayer Bill of Rights

Chapter 142, Laws of 1991 (SHB 1401) enacts the Washington Taxpayer Bill of Rights. Taxpayer rights include the right to: clear and current tax instructions; reliance on specific official written advice; written explanation of the basis for a tax deficiency assessment; and protection from public inquiry regarding financial and business information.

Taxpayer responsibilities include requirements to: register with the Department of Revenue; understand tax reporting obligations; keep complete and accurate records of their business activities; file accurate returns and pay taxes in a timely manner.

The Department of Revenue must appoint a taxpayer rights advocate to increase taxpayer understanding, and to ensure that taxpayers use the policies, processes, and procedures available to them in resolving their problems. The Department of Revenue must also

maintain a taxpayer services program to provide information and education to the public through direct communication, tax workshops, and publications.

The interest rate on late taxes and refunds is tied to market interest rates, and the limit on penalties for businesses who fail to file returns was raised from 25 percent to 35 percent. In addition, a new negligence penalty of 10 percent will be applied to those taxpayers who receive written instructions for future reporting of taxes and ignore the instructions.

EXCISE TAX ACTIONS

Hotel/Motel Tax

Three bills were enacted that dealt with hotel/motel taxes. Chapter 336, Laws of 1991 (HB 2093) altered the distribution of the basic 2% tax in King County among the Kingdome, arts organizations, stadium capital improvement projects, acquisition of open space lands, youth sports activities, and tourism promotion. Chapter 331, Laws of 1991 (SSB 5301) allows the cities of Ocean Shores and Long Beach, and the counties of Grays Harbor and Pacific to levy a special 3 percent hotel/motel tax. Chapter 357, Laws of 1991 (SHB 1993) expands the authorized uses of hotel/motel revenues in counties within a national scenic area and certain cities located on one of the San Juan islands.

Horse Racing

The pari-mutuel tax on horse racing wagers was reduced by Chapter 270, Laws of 1991 (ESHB 1120). In addition, the Washington Thoroughbred Racing Fund was established to benefit and support continuation of thoroughbred racing while a new track is constructed to replace Longacres. The fund may also be used to support construction of a new race track facility and programs enhancing the general welfare, safety, and advancement of the Washington thoroughbred industry.

Nonprofit Organizations

Chapter 13, Laws of 1991 (EHB 1450) allows nonprofit corporations that test for public safety to receive a B&O tax credit for services provided without charge to the state.

Chapter 51, Laws of 1991 (SHB 2187) exempts public benefit nonprofit organizations from paying B&O tax and from collecting sales taxes on amounts received from fundraising auctions if the organization does not conduct more than one auction per year and the auction does not last more than two days.

The no tax threshold for charitable or nonprofit organization's raffles was expanded from $5,000 per year to $10,000 per year (Chapter 161, Laws of 1991, SHB 1931).

Miscellaneous Changes

Technical improvements were made to the soda pop tax (Chapter 80, Laws of 1991, SHB 2137) and the application of the business and occupation tax to insurance salespersons (Chapter 275, Laws of 1991, SHB 2132). The sales tax exemption for medically prescribed oxygen was expanded to include the purchase or rental of oxygen concentrators, oxygen enrichers, liquid oxygen, and gaseous, bottled oxygen systems (Chapter 250, Laws of 1991, SHB 1317).

A 50 cent per month county and 20 cent per month state telephone line excise tax was authorized to finance enhanced 911 services (Chapter 329, Laws of 1991, SHB 1938).

Chapter 207, Laws of 1991 (HB 2057) authorized the governing board of a public facilities district (Spokane County) to submit a sales and use tax authorizing proposition to the voters for majority approval. Moneys from the tax shall be used for sports or entertainment facilities. The rate of the tax is set at one-tenth of one percent.

The Legislature adopted an excise tax on transfers of corporate ownership that are comparable to a sale of real property. The rate of tax is equal to the state real estate excise tax rate (Chapter 22, Laws of 1991 First Extraordinary Session, EHB 1831).

A temporary tax (until July 30, 1993) on state medicaid payments to hospitals was established by Chapter 9, Laws of 1991 First Extraordinary Session (HB 2237). This tax was part of a program to increase medicaid payments to hospitals (see Department of Social and Health Services section).

A variable tax of up to 5 cents per barrel on the off-loading of petroleum products was enacted to fund oil spill clean ups in Chapter 200, Laws of 1991 (SHB 1027) (see National Resources section).

Fee Revenue

The Governor's budget recommended the enactment of fees for various services provided by the state. Fees in the following areas were increased or created: water discharge fees, Chapter 307, Laws of 1991 (SHB 1649); nonprofit corporation filing fees, Chapter 223, Laws of 1991 (HB 1853); hunting and fishing fees, Chapter 7, Laws of 1991 First Extraordinary Session (HB 2235); air pollution fees on automobiles, woodstoves, industrial polluters, and timber and agricultural burning, Chapter 199, Laws of 1991 (SHB 1028); fees for the manufacture, importation, sale and display of fireworks, Chapter 135, Laws of 1991 (SHB 1852); nursing home certification fees, Chapter 8, Laws of 1991 First Extraordinary Session (HB 1890); public water system operator fees, Chapter 304, Laws of 1991 (SHB 1709); and a boat trailer license surcharge, Chapter 302, Laws of 1991 (SHB 1389).

Accrual Accounting

Following the move to Generally Accepted Accounting Principles (GAAP) in 1987, expenditures have been "accrued" in budget accounting practices. However, certain revenues have not been "accrued". These accrued revenues are taxes owed to the state before the end of the biennium but not paid in cash until the following month. Because more expenditures than revenues have been accrued, the fund balance used for biennial budgeting purposes is less than the actual cash available. The Economic and Revenue Forecast Council is now fully accruing revenue within the standards of the Governmental Accounting Standards Board. This action increased the revenue available for appropriation by $100 million.

Shift in Interest Earnings

The Treasurer's office manages over 300 funds and accounts. The disposition of interest income earned by these funds and accounts varies considerably. The majority of accounts retain 80 percent of their interest earnings and pay 20 percent to the General Fund-State. Some of the remaining accounts keep all of their interest earnings, while the rest retain no interest earnings.

The distribution of interest earnings was changed by Chapter 13, Laws of 1991 First Extraordinary Session (SHB 1058) so that interest earnings from the majority of funds and accounts are deposited in the General Fund-State. Generally, the only accounts to retain their interest earnings are those accounts the revenues of which are: (a) required by contract to be spent for a specific purpose; (b) derived from trust lands originally granted at statehood; (c) collected by the state and are then distributed to local governments; (d) derived from state employee contributions to retirement and workers' compensation programs; and (e) related to transportation projects.

This bill added an estimated $62 million in revenue to the general fund.