

Revenue Forecast

The Economic and Revenue Forecast Council prepares the revenue forecast on a quarterly basis. The 1991-93 biennial budget was first balanced in June 1991 based on the forecast prepared at that time. The 1992 Legislature prepared the revised budget based on the February 1992 forecast.

The June 1991 budget was balanced with a \$5.8 million unrestricted reserve and \$260 million in the budget stabilization account. The September 1991 revenue forecast fell by \$198 million and, coupled with a \$30.5 million drop in the 1989-91 ending balance, reduced estimated resources by \$228.5 million. The November 1991 revenue forecast fell by an additional \$471.6 million leaving the ending balance at minus \$694 million. With an estimated supplemental budget requirement of about \$200 million, the total "budget problem" was approximately \$900 million.

The budget dilemma was resolved by reducing appropriations by \$304 million and increasing resources, primarily from the budget stabilization account (\$160 million) and budget driven revenue (\$114 million).

The Governor's partial veto of the supplemental budget restored a total of \$66.7 million in GF-State appropriations and transfers. The effect of this action reduces the unrestricted ending balance from \$79.2 million to \$12.5 million.

The Governor's veto message indicates, however, that only \$34.3 million of the veto amounts will be expended. The Governor has directed agencies to place the remaining \$32.4 million in reserve for reversion at the end of the biennium, increasing the ending balance from \$12.5 million to \$44.9 million.

ESTIMATED REVENUES & APPROPRIATIONS GENERAL FUND-STATE 1991-1993 BIENNIUM (DOLLARS IN MILLIONS)

RESOURCES

Beginning Balance	\$468.0
February Cash Forecast	14,724.2
Shift Higher Education Tuition to Dedicated Accounts	(211.1)

New Resources	
Budget Stabilization Account	\$160.0
Budget Driven Revenue	113.8
Medicaid Federal Financing	36.6
Other Revenue Legislation	(1.5)

Total Resources	\$15,290.0
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EXPENDITURES

1991-93 Appropriations	\$15,742.4
1992 Supplemental Budget Changes	(304.1)
Shift Higher Education Tuition to Dedicated Accounts	(211.1)
Other Appropriation Legislation	0.5

Total Expenditures	\$15,227.7
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Cash Position Changes	\$16.9
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RESERVES

Unrestricted Reserve	\$79.2
Budget Stabilization Account	\$100.0

Total Reserves	\$179.2
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**1991-93 WASHINGTON STATE OPERATING BUDGET
 APPROPRIATIONS CONTAINED WITHIN OTHER LEGISLATION
 1992 Legislative Session**

(Dollars in Thousands)

Bill Number and Subject	Session Law	Agency	GF-S	Other	Total
ESHB 5121 - Transpo Operating Budget	C 166 L 92	Legislative Transpo Committee	(1)	(123)	(123)
ESHB 5121 - Transpo Operating Budget	C 166 L 92	State Patrol	(1)	3,172	3,172
ESHB 5121 - Transpo Operating Budget	C 166 L 92	Department of Licensing	(1)	4,307	4,307
ESHB 5121 - Transpo Operating Budget	C 166 L 92	Department of Transportation	(1)	10,456	10,456
ESHB 5121 - Transpo Operating Budget	C 166 L 92	County Road Admin Board	(1)	1,418	1,418
ESHB 5121 - Transpo Operating Budget	C 166 L 92	Air Transportation Commission	(1)	356	356
ESHB 5121 - Transpo Operating Budget	C 166 L 92	Department of Agriculture	(1)	200	200
EHB 2812 - Comm Aircraft Mice Trng	C 183 L 92	Dept Trade & Economic Develop		500	500
2ESSB 5121 - Whistleblower	C 118 L 92	Human Rights Commission		15	15
SB 5961 - Amendment to ESHB 2470	C 238 L 92	DSHS - Children & Family Services	(2)	729	1,255
SB 5961 - Amendment to ESHB 2470	C 238 L 92	DSHS - Juvenile Rehabilitation	(2)	52	52
SB 5961 - Amendment to ESHB 2470	C 238 L 92	DSHS - Mental Health	(2)	100	146
SB 5961 - Amendment to ESHB 2470	C 238 L 92	DSHS - Developmental Disabilities	(2)	968	1,542
SB 5961 - Amendment to ESHB 2470	C 238 L 92	DSHS - Long-Term Care Services	(2)	97	145
SB 5961 - Amendment to ESHB 2470	C 238 L 92	DSHS - Income Assistance Grants	(2)	16	34
SB 5961 - Amendment to ESHB 2470	C 238 L 92	DSHS - Alcohol & Substance Abuse	(2)	51	53
SB 5961 - Amendment to ESHB 2470	C 238 L 92	DSHS - Medical Assistance Payments	(2)	172	349
SB 5961 - Amendment to ESHB 2470	C 238 L 92	DSHS - Vocational Rehabilitation	(2)	2	2
SB 5961 - Amendment to ESHB 2470	C 238 L 92	DSHS - Community Services Admin	(2)	2	2
SB 5961 - Amendment to ESHB 2470	C 238 L 92	Community & Technical College System	(2)	1,439	(1,439)
SB 5961 - Amendment to ESHB 2470	C 238 L 92	University of Washington	(2)	1,483	0
SB 5961 - Amendment to ESHB 2470	C 238 L 92	Washington State University	(2)	693	0
SB 5961 - Amendment to ESHB 2470	C 238 L 92	Eastern Washington University	(2)	116	0
SB 5961 - Amendment to ESHB 2470	C 238 L 92	Central Washington University	(2)	63	0
SB 5961 - Amendment to ESHB 2470	C 238 L 92	The Evergreen State College	(2)	32	0

**1991-93 WASHINGTON STATE OPERATING BUDGET
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 1992 Legislative Session**

(Dollars in Thousands)

Bill Number and Subject	Session Law	Agency	GF-S	Other	Total
SB 5961 - Amendment to ESHB 2470	C 238 L 92 (2)	Western Washington University	109	(109)	0
ESSB 6286 - Amendment to ESHB 2470	C 239 L 92 (2)	SPI - General Apportionment	3,775		3,775
ESSB 6286 - Amendment to ESHB 2470	C 239 L 92 (2)	SPI - Pupil Transportation	62		62
ESSB 6286 - Amendment to ESHB 2470	C 239 L 92 (2)	SPI - Handicapped Education	544		544
ESSB 6286 - Amendment to ESHB 2470	C 239 L 92 (2)	SPI - Educational Service Districts	5		5
ESSB 6286 - Amendment to ESHB 2470	C 239 L 92 (2)	SPI - Institutional Education	15		15
ESSB 6286 - Amendment to ESHB 2470	C 239 L 92 (2)	SPI - Highly Capable	6		6
ESSB 6286 - Amendment to ESHB 2470	C 239 L 92 (2)	SPI - Transitional Bilingual	28		28
ESSB 6286 - Amendment to ESHB 2470	C 239 L 92 (2)	SPI - Remediation Assistance	31		31
ESSB 6286 - Amendment to ESHB 2470	C 239 L 92 (2)	SPI - Compensation Adjustments	318		318
ESSB 6286 - Amendment to ESHB 2470	C 239 L 92 (2)	State Employee Compensation Adjust	1,030	701	1,731
ESSB 6286 - Amendment to ESHB 2470	C 239 L 92 (2)	Contributions to Retirement Systems	8,367		8,367
TOTAL OTHER 1992 OPERATING LEGISLATION			20,617	18,146	38,763

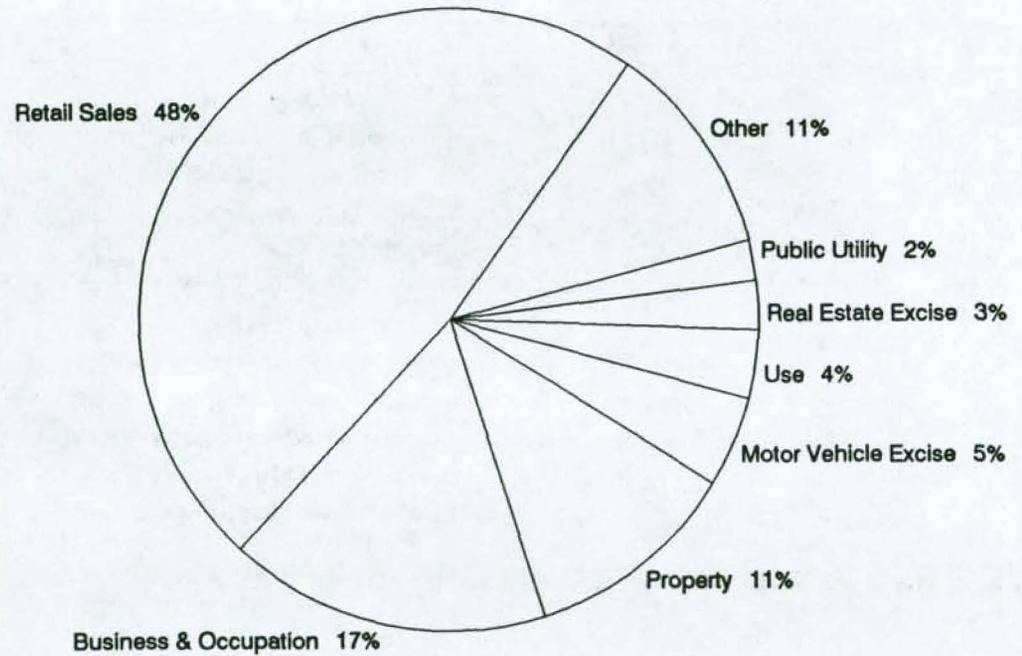
(1) The amounts shown from the Transportation Operating Budget are included in the individual agency recommendation summary reports.

(2) The amounts shown from SB 5961 and ESSB 6286 are included in the individual agency recommendation summary reports.

Washington State Revenue Forecast -- February 1992

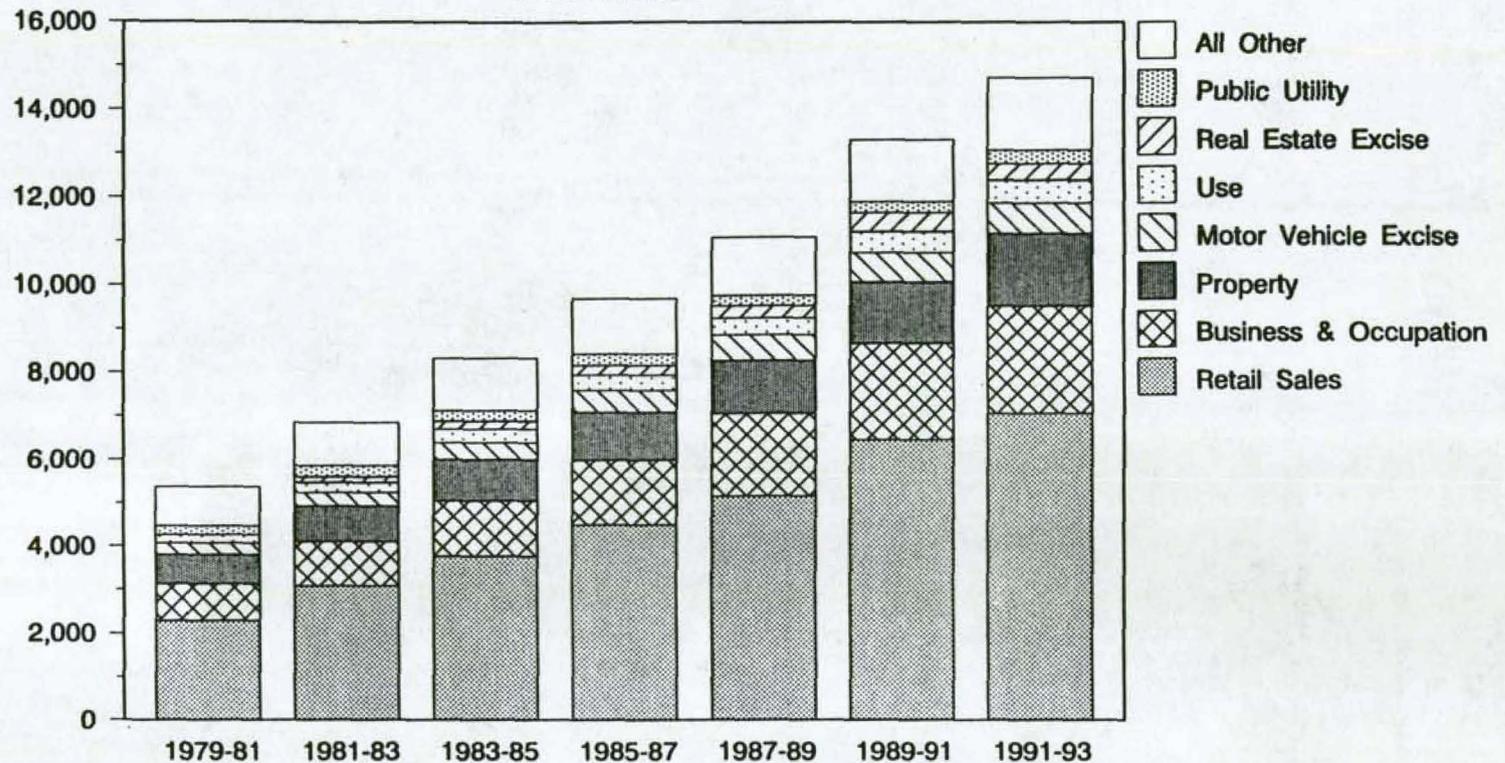
1991-93 Forecast
 General Fund - State
 (Dollars in Millions)

Sources of Revenue	
Retail Sales	7,048.2
Business & Occupation	2,460.2
Property	1,658.9
Motor Vehicle Excise	697.2
Use	523.6
Real Estate Excise	374.8
Public Utility	306.2
All Other	1,655.1
REVISED 1991-93 FORECAST	14,724.2



WASHINGTON STATE GENERAL FUND-STATE REVENUES BY SOURCE

(Dollars in Millions)



	1979-81	1981-83	1983-85	1985-87	1987-89	1989-91	1991-93 Forecast
Retail Sales	2,276.6	3,081.4	3,763.5	4,490.5	5,152.8	6,446.3	7,048.2
Business & Occupation	845.2	1,010.9	1,268.3	1,482.5	1,894.3	2,217.7	2,460.2
Property	677.9	826.2	959.2	1,109.5	1,233.7	1,658.9	1,658.9
Motor Vehicle Excise	269.9	307.8	382.4	497.3	586.2	665.9	697.2
Use	192.2	229.6	314.8	357.8	372.6	481.9	523.6
Real Estate Excise	0.0	132.9	181.0	221.0	280.9	436.8	374.8
Public Utility	196.8	259.4	245.6	266.5	244.9	244.0	306.2
All Other	898.7	988.6	1,199.5	1,269.8	1,318.5	1,415.4	1,655.1
TOTAL	5,357.3	6,836.8	8,314.3	9,694.9	11,083.9	13,307.4	14,724.2

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

WASHINGTON STATE GENERAL FUND – STATE REVENUES BY SOURCE

	Dollars In Millions						Feb 1992 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	6,446.3	7,048.2
Business & Occupation Property	845.2	1,010.9	1,268.3	1,482.5	1,894.3	2,217.7	2,460.2
Motor Vehicle Excise Use	677.9	826.2	959.2	1,109.5	1,233.7	1,399.4	1,658.9
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TOTAL	196.8	259.4	245.6	266.5	244.9	244.0	306.2
	898.7	988.6	1,199.5	1,269.8	1,318.5	1,415.4	1,655.1
TOTAL	5,357.3	6,836.8	8,314.3	9,694.9	11,083.9	13,307.4	14,724.2
Percent Of Total							
Retail Sales	42.5	45.1	45.3	46.3	46.5	48.4	47.9
Business & Occupation Property	15.8	14.8	15.3	15.3	17.1	16.7	16.7
Motor Vehicle Excise Use	12.7	12.1	11.5	11.4	11.1	10.5	11.3
Real Estate Excise	5.0	4.5	4.6	5.1	5.3	5.0	4.7
Public Utility	3.6	3.4	3.8	3.7	3.4	3.6	3.6
All Other	0.0	1.9	2.2	2.3	2.5	3.3	2.5
TOTAL	3.7	3.8	3.0	2.7	2.2	1.8	2.1
	16.8	14.5	14.4	13.1	11.9	10.6	11.2
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Percent Change From Prior Biennium							
Retail Sales		35.4	22.1	19.3	14.7	25.1	9.3
Business & Occupation Property		19.6	25.5	16.9	27.8	17.1	10.9
Motor Vehicle Excise Use		21.9	16.1	15.7	11.2	13.4	18.5
Real Estate Excise		14.0	24.2	30.0	17.9	13.6	4.7
Public Utility		19.5	37.1	13.7	4.1	29.3	8.7
All Other		NA	36.2	22.1	27.1	55.5	(14.2)
TOTAL		31.8	(5.3)	8.5	(8.1)	(0.4)	25.5
		10.0	21.3	5.9	3.8	7.3	16.9
TOTAL		27.6	21.6	16.6	14.3	20.1	10.6

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

MAJOR REVENUE ISSUES

PROPERTY TAX ACTIONS

Property Tax Administration

EHB 2680 (Chapter 206, Laws of 1992) enacts a number of property tax administration recommendations from a Department of Revenue study that was commissioned by the Legislature in 1991 (SHB 1301, Chapter 218, Laws of 1991).

Recommendations relating to property assessment appeals include: Property owners may now appeal valuations directly to the State Board of Tax Appeals when the assessor, owner, and a majority of the county board of equalization agree. An assessor may correct clerical errors on the assessment roll without review by the Board of Equalization. County assessors may also make corrections that involve a revaluation of the property after the certification of the assessment roll under certain conditions.

The Department study also made recommendations on the administration of the senior citizen homeowner property tax relief program. All applicants for the senior citizen and disabled persons property tax relief programs now must provide documents to verify income. An application must be renewed at least once every four years.

Property Tax Relief

HB 2514 (Chapter 187, Laws of 1992) changes the calculation of retirement income for purposes of the senior citizen homeowner property tax exemption. In cases where a person's retirement income is reduced when their spouse dies, annual disposable income is calculated only from the retirement income after the death of the spouse.

SHB 2639 (Chapter 213, Laws of 1992) increases from \$18,000 to \$22,000 the income threshold for determining the nonprofit homes for the aging property tax exemption. The new law also phases in any property tax exemption when a for-profit home for the aging converts to nonprofit status. The Department of Revenue is directed to conduct a study of the property tax exemption for nonprofit homes for the aging.

ESHB 2268 (Chapter 123, Laws of 1992) exempts from the leasehold excise tax all private correctional industry businesses operating at Department of Corrections' facilities.

Open Space Taxation

ESHB 2928 (Chapter 69, Laws of 1992) modifies numerous provisions of the open space property tax law. Property taxes for open space lands are based on the current use of the property, not on the highest and best use.

Two new categories of open space are added: (a) land that preserves visual quality along highways, roads, and street corridors or scenic vistas, and (b) farm and agriculture land that is not currently farmed but has a high potential for returning to commercial agriculture.

Under ESHB 2928, public access can no longer be required as a condition of granting open space classification to wetlands.

The bill eases the transfer of property between the various categories of open space by eliminating the payment of back taxes except for transfers out of open space.

The annual gross income test to qualify for farm and agricultural classification is increased. The current allowance for farm woodlots was expanded to an allowance of up to 20 percent of the farm land for incidental non-agricultural uses, including wetlands.

The bill extends current use assessed values to the land under farm dwellings. This treatment applies only to farms over 20 acres where the dwelling is integral to the farm operation.

EXCISE TAX ACTIONS

Excise Tax Administration

EHB 2680 (Chapter 206, Laws of 1992) makes numerous minor changes to excise tax administration. The statute extending the hotel/motel tax exemption to homeless organizations is changed to clarify that the taxes do not apply to lodging provided for a period of less than 30 days. The due date for use tax payments is changed from the 15th to the 25th of the month. The date for remittance of the state leasehold excise tax was changed from the 15th of the month to the last day of the month. The Department of Revenue is now allowed to exempt business persons with no tax liability from the requirement to file tax returns or pay a registration fee.

HB 2681 (Chapter 169, Laws of 1992) allows the Department of Revenue to make a refund or grant tax credits for overpaid taxes that are discovered when the taxpayer has agreed to let the Department's audit continue after the normal four-year statute of limitations.

In the event of a favorable U.S. Supreme Court decision, HB 2682 (Chapter 48, Laws of 1992) authorizes the Department of Revenue to receive unclaimed intangible property held by out-of-state brokers when the issuer of the intangible property is located in Washington.

HB 2727 (Chapter 154, Laws of 1992) empowers the Department of Revenue to collect unpaid aircraft, watercraft, and travel trailer/camper excise taxes along with penalties and interest from residents who do not properly license these items.

SB 6010 (Chapter 81, Laws of 1992) exempts church day care facilities from the state business and occupation tax.

Cellular Telephone Tax Study

SHB 2672 (Chapter 218, Laws of 1992) directs the Department of Revenue to study and define cellular communications and recommend to the Legislature how this rapidly changing and expanding technology should be taxed. The department is to form an advisory committee to assist in the study. The committee is to have balanced representation from government and industry. The department is to report interim findings to the Legislature by December 1, 1992, with a final report due December 1, 1993.

Hotel/Motel Tax

SB 6452 (Chapter 202, Laws of 1992) allows hotel/motel tax revenue to be used for funding special events or festivals and promotional infrastructures (including ocean beach boardwalks) in certain cities and counties bordering the Pacific Ocean.

HB 2961 (Chapter 156, Laws of 1992) authorizes Thurston County to use the tax receipts left over from a special three percent hotel/motel tax to promote tourism, arts or cultural activities, and historical activities or sites. The 1988 Legislature authorized Thurston County to impose this special tax for constructing and operating an Olympic Academy. In 1990, the Thurston County Superior Court declared the tax unconstitutional, and the county subsequently decided not to construct the Olympic Academy. Approximately \$210,000 remains of the tax collected between imposition and invalidation of the tax.

Rental Car Taxation

In response to the difficulties experienced in collecting motor vehicle excise tax (MVET) from rental car companies, the Legislature enacted ESHB 2964 (Chapter 194, Laws of 1992), which imposes an additional 5.9 percent retail sales tax on car rentals in lieu of the MVET. Proceeds from the new tax will be distributed in the same manner as revenues collected under the MVET. Local governments may levy a similar sales and use tax on rental cars in place of the existing local-option MVET on rental cars. In addition, any county may impose an additional 1.0 percent sales and use tax on rental cars to be used only for acquiring, constructing, maintaining, or operating public sports stadium facilities or youth or amateur sport activities or facilities.

Environmental Tax Issues

ESHB 2389 (Chapter 73, Laws of 1992) cleans up provisions of the oil spill legislation that was passed in 1991. Several incorrect statutory cross-references are corrected, duplicative provisions are removed, and grammar is improved in statutes relating to oil spill prevention and response. The bill also plugs a potential loophole in the existing tax of five cents per barrel of oil by imposing the tax on the person who owns the oil after it is received at the marine terminal rather than the person who owns the oil immediately prior to its transfer to the marine terminal operation. A tax credit is created for oil not used as a fuel.

SHB 2635 (Chapter 175, Laws of 1992) revises the distribution of litter tax revenues. For fiscal year 1993, proceeds from the litter tax are to be used to control litter, to encourage recycling, to enforce compliance with the litter tax, and for market development. After fiscal year 1993, 40 to 50 percent of revenues are to be used for youth litter control programs.

Remaining revenues are to be used for recycling, encouraging compliance with the litter tax, market development for recycling, and public education and promotion of litter control and recycling programs. In addition, the Department of Revenue is allowed to establish rules allowing businesses to pay the tax based on the ratio of the taxable activity to total sales rather than to require separate accounting.

IMR Federal Financing

SHB 2967 (Chapter 80, Laws of 1992) creates a new business and occupation tax on intermediate care facilities for the mentally retarded (IMR's). These include five state-operated developmental disabilities institutions and twenty-four private facilities. The tax is equal to 15 percent of the facilities' gross income from inpatient services. The cost of the tax to the IMR's will be reimbursed in full through their state/federal Medicaid rate. (Please also see the Department of Social and Health Services section of the notes.)

Court Fees

Three bills were enacted that increases court fees. SHB 2284 (Chapter 62, Laws of 1992) raises the fee for filing an action in District Court from \$25 up to \$31. District court fees for performing other services are also established.

E2SHB 1378 (Chapter 54, Laws of 1992) increases filing fees for certain Superior Court proceedings. The current split of these revenues, 68 percent to the counties and 32 percent to the Public Safety and Education Account (PSEA), is changed to 54 percent to the counties and 46 percent to PSEA. The amounts deposited into the county or regional law library fund from filing fees are also increased.

In addition, E2SHB 1378 adds legal representation of indigent persons in civil cases to the list of activities eligible for funding from the PSEA.

The Supreme Court and Court of Appeals docket fees are increased from \$125 to \$250 by SHB 2887 (Chapter 140, Laws of 1992). The Court of Appeals petition for review fee is increased by \$100, for a total fee of \$200.

State Patrol Crime Laboratory

A State Patrol Crime Laboratory analysis fee of \$100 is imposed by SSB 6055 (Chapter 129, Laws of 1992) on adults convicted of a crime and juvenile offenders, in those cases in which an analysis is performed. The fee is to be used only for crime laboratories.