

Session Update

This week marked another important cutoff point in the legislative process, as all policy bills needed to move out of policy committees by 3/29 to remain alive for the remainder of this session. Fiscal cutoff now follows shortly after on 4/4, the date by which fiscal bills must pass out of fiscal committees unless they are necessary to implement the budget. The final day of the regular session is on 4/23, but lawmakers are not expected to have completed their budget negotiations by then, making at least one special session necessary. And many are anticipating that the Legislature will wait until the next revenue forecast before finalizing their budget. The next forecast is on 6/20.

Revenue Legislation:

The House budget assumes passage of three revenue bills. The omnibus bill has been scheduled for a hearing on 4/3, and is anticipated to be passed out of the committee on 4/4.

- HB 1904—would raise \$18.9 million by imposing B&O tax on the sale of personal information;
- HB 1764—would raise \$128.3 million by replacing the one-percent property tax revenue limit with a limit tied to cost drivers
- HB 2186 – an omnibus revenue bill that would raise \$2.848 billion, including:
 - **Capital Gains at 7%** (\$715M 2017-19);
 - **B&O Surcharge of 20% on selected industries** (\$1.197B 2017-19):
 - Extractors; manufacturers; retailer; real estate brokers; digital products; non-profit engaging in R&D; insurance or title insurance; non hospitals; inspecting labeling canned salmon; radioactive waste cleanup; wholesaling, printers and publishers; radio television broadcasters; cold storage; extractors and processors for hirer; contests of chance; services; custom software; first mortgage interest; internet access; professional employer organizations; daycare for less than 24 hrs; chemical dependency in patient treatment; royalties; grocery distribution coops; and after 2024 newspaper publishers.
 - Also includes an exemption from B&O tax liability for taxpayers under \$250,000, and increases the small business credit for those with taxable revenue between \$250,000 and \$500,000.
 - **Graduated increase on real estate excise tax rate** (\$419M 2017-19):
 - .75% for resell value less 250K;
 - 1.28% for resell value greater 250K - \$1 M;
 - 2% for resell value between \$1M - \$5M;
 - 2.5% for resell value greater than \$5M.
 - **Market Place Fairness (remote sales tax)** (\$340M 2017-19);
 - **Tax Preferences** (\$137.1M 2017-19):
 - **REET on foreclosures;**
 - **Eliminate sales tax exemption on bottled water;**
 - **Repeals tax preference for Wholesaling prescription drugs;**
 - **Narrows Use Tax exemption for extracted fuel;**
 - **Eliminates Tax Preference for International Investment Management Services;**
 - **Replaces Out-of-State Sales Tax Exemption with Refund;**
 - **Tax compliance** (\$22.4M 2017-19):
 - **Extends liability to individuals with LLCs, trusts & Corporations;**

- Reduce Interest on refunds;

As a reminder, here is a high-level comparison of the Governor, House and Senate Budget is below:

Budget Comparisons (in Millions) (NGF-S + Opp'y) 2017-19 Biennium				
	Governor	Senate	House	Notes:
Spending	\$46,440	\$43,062	\$44,861.0	
Increased spending over 2015-17	\$8,550.7	\$4,608.0	\$6,407.0	
New Taxes	\$4,391.0	\$1,521.0	\$2,995.0	Governor's budget includes: a Carbon Tax (1,069.1 B); B&O Service (\$2.276B); Capital Gains (\$821M); 5 tax preferences (\$308.3m). Senate proposes a net local effort levy of \$1.55/1000 of assessed value. See summary below for details of House revenue package.
Fund Transfers	\$349.7	\$196.5	\$58.4	Governor proposed to shift \$253 m from the public works assistant account. Senate proposed a permanent shift from the public works assistance account of \$127.4 m
K-12 Education Funding increases	\$3,851.0	\$1,792.0	\$1,874.9	Governor's funding level includes 11351 and 1732. House funds increased state funding for salary allocations through assumption of HB 2185.
I-1351	\$330.0	Senate Repeals	House Suspends	
I-732 (Teacher COLAs)	\$379.0	Senate Repeals	\$349.8	
Budget Stabilization Account Transfers	\$407.0	\$700.0		Senate transfers \$700 for Pers 1 shortfall. House transfers extraordinary revenue from BSA to GF-S.
Salary Increases (incl. collective bargaining & health benefits)	\$732.0	\$186.7	\$682.0	Governor provided 2% July 1, 2017; 2% July 1 2018; and 2% January 1 2019. Incl. Senate rejects all non transportation collective bargaining agreements except WSP and DOC, provides \$1000 salary increase to all other state employees. House funds state Ee CBAs, as well as family home care providers, adult family home and home care worker CBAs.
STEM enrollment		\$27	\$8	Senate provides 1800 new stem and high demand higher education slots. The House funded \$6M for computer science at UW, and \$2M in K-12 computer science expansion.
Tuition Freeze	\$205	None	\$56.3	Governor Freezes Tuition. House freezes.
Ending Fund Balance (incl. BSA)	\$1,987.0	\$2,068.0	\$2,350.0	