The House was called to order at 10:00 a.m. by the Speaker (Representative Moeller presiding). The Clerk called the roll and a quorum was present.

The flags were escorted to the rostrum by a Sergeant at Arms Color Guard, Pages Matthew Moe and Natalie Schiermeister. The Speaker (Representative Moeller presiding) led the Chamber in the Pledge of Allegiance. The prayer was offered by Pastor Andy Willis, St. Christopher's Community Church, Olympia, Washington.

Reading of the Journal of the previous day was dispensed with and it was ordered to stand approved.

There being no objection, the House advanced to the fourth order of business.

INTRODUCTION & FIRST READING


AN ACT Relating to funding K-3 class size reductions by narrowing and repealing certain tax exemptions; amending RCW 82.04.4292 and 83.100.230; adding a new section to chapter 82.32 RCW; creating a new section; repealing RCW 82.08.0273; and providing an effective date.

Referred to Committee on Ways & Means.

ESSB 5844 by Senate Committee on Ways & Means (originally sponsored by Senators Rockefeller, Zarelli and Regala)

Concerning the tax preference review process.

The bill was read the second time.

Representative Reykdal moved the adoption of amendment (644).

On page 1, after line 3, insert the following:

"Sec 1. RCW 43.136.011 and 2006 c 197 s 1 are each amended to read as follows:

"The legislature recognizes that tax preferences are enacted to meet objectives which are determined to be in the public interest. However, some tax preferences may not be efficient or equitable tools for the achievement of current public policy objectives. Given the changing nature of the economy and tax structures of other states, the legislature finds that periodic performance audits of tax preferences are needed to determine if their continued existence will serve the public interest. The legislature further finds that tax preferences that are enacted for economic development purposes must demonstrate growth in full-time family wage jobs with health and retirement benefits. Given that an opportunity cost exists with each economic choice, it is the intent of the legislature that the overall impact of economic development focused tax preferences benefit the state's economy."

Renumber the remaining sections consecutively and correct any internal references accordingly and correct the title.

On page 3, line 19, after "(j)" insert: "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)"

Representative Reykdal spoke in favor of the adoption of the amendment.

SECOND READING

SENATE BILL NO. 5044, by Senators Rockefeller, Zarelli and Regala

Concerning the tax preference review process.

The bill was read the second time.

Representative Reykdal moved the adoption of amendment (644).

On page 1, after line 3, insert the following:

"Sec 1. RCW 43.136.011 and 2006 c 197 s 1 are each amended to read as follows:

"The legislature recognizes that tax preferences are enacted to meet objectives which are determined to be in the public interest. However, some tax preferences may not be efficient or equitable tools for the achievement of current public policy objectives. Given the changing nature of the economy and tax structures of other states, the legislature finds that periodic performance audits of tax preferences are needed to determine if their continued existence will serve the public interest. The legislature further finds that tax preferences that are enacted for economic development purposes must demonstrate growth in full-time family wage jobs with health and retirement benefits. Given that an opportunity cost exists with each economic choice, it is the intent of the legislature that the overall impact of economic development focused tax preferences benefit the state's economy."

Renumber the remaining sections consecutively and correct any internal references accordingly and correct the title.

On page 3, line 19, after "(j)" insert: "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)"

Representative Reykdal spoke in favor of the adoption of the amendment.
Representative Orcutt spoke against the adoption of the amendment.

Division was demanded and the demand was sustained. The Speaker (Representative Moeller presiding) divided the House. The result was 54 - YEAS; 43 - NAYS.

Amendment (644) was adopted.

There being no objection, the rules were suspended, the second reading considered the third and the bill, as amended by the House, was placed on final passage.

The Speaker (Representative Moeller presiding) stated the question before the House to be the final passage of Senate Bill No. 5044, as amended by the House.

ROLL CALL

The Clerk called the roll on the final passage of Senate Bill No. 5044, as amended by the House, and the bill passed the House by the following vote: Yeas, 95; Nays, 2; Absent, 0; Excused, 0.


Voting nay: Representatives Chandler and Orcutt.

SENATE BILL NO. 5278, as amended by the House, having received the necessary constitutional majority, was declared passed.

HOUSE BILL NO. 2026, by Representatives Sells and Reykdal

Creating the industrial insurance rainy day account.

The bill was read the second time.

There being no objection, Substitute House Bill No. 2026 was substituted for House Bill No. 2026 and the substitute bill was placed on the second reading calendar.

SUBSTITUTE HOUSE BILL NO. 2026 was read the second time.

Representative Sells moved the adoption of amendment (648).

Strike everything after the enacting clause and insert the following:

NEW SECTION. Sec. 1. A new section is added to chapter 51.44 RCW as follows:

The legislature finds that stability in industrial insurance premium rates benefits both employers and workers. Further, the legislature finds that economic and other events may cause both benefit costs and premiums collected to change in unanticipated ways. Therefore, the legislature intends that rather than return surplus funds to employers and workers in the form of rate holidays, dividends, and other returns, surpluses should be deposited into a rainy day account to be used in lieu of a premium rate increase. The legislature further intends that funds deposited into the rainy day account be held in trust for the employers and workers who paid them in the form of industrial insurance premiums and may not be expended for purposes other than the benefits required by this title and the administration of those benefits.

Sec. 2. RCW 51.16.035 and 2005 c 410 s 1 are each amended to read as follows:

(1) The department shall classify all occupations or industries in accordance with their degree of hazard and fix therefor basic rates of premium which shall be:

(a) The lowest necessary to maintain actuarial solvency of the accident and medical aid funds in accordance with recognized insurance principles; and

(b) Designed to attempt to limit fluctuations in premium rates.

(2)(a)(i) Before proposing premium rates, the director shall determine whether the combined assets in the accident fund and medical aid fund are more than ten percent greater than funded liabilities.

(ii) If the director finds that the combined assets in the accident
fund and medical aid fund are more than ten percent greater than funded liabilities, the director, subject to (a)(iii) of this subsection, must notify the treasurer of the excess and the treasurer must transfer the amount of the excess to the industrial insurance rainy day account created in section 4 of this act. The director must determine and direct the treasurer whether to transfer the excess from the accident fund or medical aid fund, or both.

(iii) The director has discretion to transfer to the industrial insurance rainy day account amounts that are more than thirty percent greater than funded liabilities. No transfer may be made under this subsection (2) if the director determines that a transfer would impair the ability of the department to meet the obligations of this title.

(b) If the director determines to increase average rates for the accident fund or medical aid fund, the amount of the increase must first be funded from the industrial insurance rainy day account created in section 4 of this act. The director must notify the state treasurer and the state treasurer must transfer the amount required to fund the rate increase from the accident fund or medical aid fund, or both, as appropriate. The amount so transferred may not exceed the balance in the industrial insurance rainy day account that is attributable to the affected fund.

(c) The director must consult with the workers' compensation advisory committee in administering this subsection.

(3) The department shall formulate and adopt rules governing the method of premium calculation and collection and providing for a rating system consistent with recognized principles of workers' compensation insurance which shall be designed to stimulate and encourage accident prevention and to facilitate collection. The department may annually, or at such other times as it deems necessary to achieve the objectives under this section, readjust rates in accordance with the rating system to become effective on such dates as the department may designate. However, the department may not distribute premium dividends, other than refunds under the retrospective rating plan pursuant to chapter 51.18 RCW, and may not reduce average rates.

(3)(a) After the first report is issued by the state auditor under RCW 51.44.115, the workers' compensation advisory committee shall review the report and, as the committee deems appropriate, may make recommendations to the department concerning:

(i) The level or levels of a contingency reserve that are appropriate to maintain actuarial solvency of the accident and medical aid funds, limit premium rate fluctuations, and account for economic conditions; and

(ii) When surplus funds exist in the trust funds, the circumstances under which the department should give premium dividends, or similar measures, or temporarily reduce rates below the rates fixed under subsection (1) of this section, including any recommendations regarding notifications that should be given before taking the action.

(b) Following subsequent reports issued by the state auditor under RCW 51.44.115, the workers' compensation advisory committee may, as it deems appropriate, update its recommendations to the department on the matters covered under (a) of this subsection.

(4) In providing a retrospective rating plan pursuant to RCW 51.18.010, the department may consider each individual retrospective rating group as a single employing entity for purposes of dividends or premium discounts.

NEW SECTION. Sec. 3. A new section is added to chapter 51.44 RCW to read as follows:

The decisions of the director under RCW 51.16.035 regarding transfers to and from the industrial insurance rainy day account created in section 4 of this act do not constitute "agency action" or "rules" under RCW 34.05.010 and are not reviewable by any court or tribunal, but must be announced as part of the rule-making process for setting premium rates and must be part of the department's rule-making file under chapter 34.05 RCW.

NEW SECTION. Sec. 4. A new section is added to chapter 51.44 RCW to read as follows:

The industrial insurance rainy day account is created in the state treasury as an industrial insurance trust fund. Revenues to the account consist of transfers made pursuant to RCW 51.16.035(2). Moneys in the account may be used solely for transfers into the accident fund or medical aid fund or both in order to avoid premium increases in those funds under RCW 51.16.035 and retain their status as moneys held in trust for purposes of the industrial insurance program. The treasurer must separately account for any transfers to and from the accident fund and the medical aid fund.

Sec. 5. RCW 51.44.100 and 1990 c 80 s 1 are each amended to read as follows:

Whenever, in the judgment of the state investment board, there shall be in the accident fund, medical aid fund, reserve fund, industrial insurance rainy day account, or the supplemental pension fund, funds in excess of that amount deemed by the state investment board to be sufficient to meet the current expenditures properly payable therefrom, the state investment board may invest and reinvest such excess funds in the manner prescribed by RCW 43.84.150, and not otherwise.

The state investment board may give consideration to the investment of excess funds in federally insured student loans made to persons in vocational training or retraining or reeducation programs.

The state investment board may make such investments by purchasing from savings and loan associations, commercial banks, mutual savings banks, credit unions and other institutions authorized to be lenders under the federally insured student loan act, organized under federal or state law and operating in this state loans made by such institutions to residents of the state of Washington particularly for the purpose of vocational training or reeducation: PROVIDED, That the state investment board shall purchase only that portion of any loan which is guaranteed or insured by the United States of America, or by any agency or instrumentality of the United States of America: PROVIDED FURTHER, That the state investment board is authorized to enter into contracts with such savings and loan associations, commercial banks, mutual savings banks, credit unions, and other institutions authorized to be lenders under the federally insured student loan act to service loans purchased pursuant to this section at an agreed upon contract price.

Sec. 6. RCW 43.84.092 and 2010 1st sp.s. c 30 s 20, 2010 1st sp.s. c 9 s 7, 2010 c 248 s 6, 2010 c 222 s 5, 2010 c 162 s 6, and 2010 c 145 s 11 are each reenacted and amended to read as follows:

1. All earnings of investments of surplus balances in the state treasury shall be deposited to the treasury income account, which account is hereby established in the state treasury.

2. The treasury income account shall be utilized to pay or receive funds associated with federal programs as required by the federal cash management improvement act of 1990. The treasury income account is subject in all respects to chapter 43.88 RCW, but not require appropriation. The office of financial management shall determine the amounts due to or from the federal government pursuant to the cash management improvement act. The office of financial management may direct transfers of funds between accounts as deemed necessary to implement the provisions of the cash management improvement act, and this subsection. Refunds or allocations shall occur prior to the distributions of earnings set forth in subsection (4) of this section.

3. Except for the provisions of RCW 43.84.160, the treasury income account may be utilized for the payment of purchased banking services on behalf of treasury funds including, but not limited to, depository, safekeeping, and disbursement functions for the state
The treasurer shall distribute the earnings credited to the treasury income account. The state treasurer shall credit the general fund with all the earnings credited to the treasury income account except:

(a) The following accounts and funds shall receive their proportionate share of earnings based upon each account's and fund's average daily balance for the period: The aeronautics account, the aircraft search and rescue account, the budget stabilization account, the capitol building construction account, the Cedar River channel construction and operation account, the Central Washington University capital projects account, the charitable, educational, penal and reformatory institutions account, the cleanup settlement account, the Columbia river basin water supply development account, the common school construction fund, the county arterial preservation account, the county criminal justice assistance and reformatory institutions account, the county sales and use tax equalization account, the deferred compensation administrative account, the deferred compensation principal account, the department of licensing services account, the department of retirement systems expense account, the developmental disabilities community trust account, the drinking water assistance account, the drinking water assistance administrative account, the drinking water assistance repayment account, the Eastern Washington University capital projects account, the education construction fund, the education legacy trust account, the election account, the energy freedom account, the energy recovery act account, the essential rail assistance account, the Evergreen State College capital projects account, the federal forest revolving account, the ferry bond retirement fund, the freight congestion relief account, the freight mobility investment account, the freight mobility multimodal account, the grade crossing protective fund, the public health services account, the health system capacity account, the high capacity transportation account, the state higher education construction account, the higher education construction account, the highway bond retirement fund, the highway infrastructure account, the highway safety account, the high occupancy toll lanes operations account, the hospital safety net assessment fund, the industrial insurance rainy day account, the industrial insurance premium refund account, the judges' retirement account, the judicial retirement administrative account, the judicial retirement principal account, the local leasehold excise tax account, the local real estate excise tax account, the local sales and use tax account, the marine resources stewardship trust account, the medical aid account, the mobile home park relocation fund, the motor vehicle fund, the motorcycle safety education account, the multiagency permitting team account, the multimodal transportation account, the municipal criminal justice assistance account, the municipal sales and use tax equalization account, the natural resources deposit account, the oyster reserve land account, the pension funding stabilization account, the perpetual surveillance and maintenance account, the public employees' retirement system plan 1 account, the public employees' retirement system combined plan 2 and plan 3 account, the public facilities construction loan revolving account beginning July 1, 2004, the public health supplemental account, the public transportation systems account, the public works assistance account, the Puget Sound capital construction account, the Puget Sound ferry operations account, the Puyallup tribal settlement account, the real estate appraiser commission account, the recreational vehicle account, the regional mobility grant program account, the resource management cost account, the rural arterial trust account, the rural Washington loan fund, the site closure account, the small city pavement and sidewalk account, the special category C account, the special wildlife account, the state employees' insurance account, the state employees' insurance reserve account, the state investment board expense account, the state investment board commingled trust fund accounts, the state patrol highway account, the state route number 520 civil penalties account, the state route number 520 corridor account, the supplemental pension account, the Tacoma Narrows toll bridge account, the teachers' retirement system plan 1 account, the teachers' retirement system combined plan 2 and plan 3 account, the tobacco prevention and control account, the tobacco settlement account, the transportation 2003 account (nickel account), the transportation equipment fund, the transportation fund, the transportation improvement account, the transportation improvement board bond retirement account, the transportation infrastructure account, the transportation partnership account, the traumatic brain injury account, the tuition recovery trust fund, the University of Washington bond retirement fund, the University of Washington building account, the urban arterial trust account, the volunteer firefighters' and reserve officers' relief and pension principal fund, the volunteer firefighters' and reserve officers' administrative fund, the Washington judicial retirement system account, the Washington law enforcement officers' and firefighters' system plan 1 retirement account, the Washington law enforcement officers' and firefighters' system plan 2 retirement account, the Washington public safety employees' plan 2 retirement account, the Washington school employees' retirement system combined plan 2 and 3 account, the Washington state health insurance pool account, the Washington state patrol retirement account, the Washington State University building account, the Washington State University bond retirement fund, the water pollution control revolving fund, and the Western Washington University capital projects account. Earnings derived from investing balances of the agricultural permanent fund, the normal school permanent fund, the permanent common school fund, the scientific permanent fund, and the state university permanent fund shall be allocated to their respective beneficiary accounts.

(b) Any state agency that has independent authority over accounts or funds not statutorily required to be held in the state treasury that deposits funds into a fund or account in the state treasury pursuant to an agreement with the office of the state treasurer shall receive its proportionate share of earnings based upon each account's or fund's average daily balance for the period.

(5) In conformance with Article II, section 37 of the state Constitution, no treasury accounts or funds shall be allocated earnings without the specific affirmative directive of this section.

Correct the title.

Representatives Sells and Condotta spoke in favor of the adoption of the amendment.

Amendment (648) was adopted.

The bill was ordered engrossed.

There being no objection, the rules were suspended, the second reading considered the third and the bill was placed on final passage.

Representatives Sells, Green, Reykdal and Springer spoke in favor of the passage of the bill.

Representatives Condotta, Chandler, Shea, Nealey, Smith, Wilcox, Parker, Angel, Orcutt, Parker (again), DeBolt and Fagan spoke against the passage of the bill.

The Speaker (Representative Moeller presiding) stated the question before the House to be the final passage of Substitute House Bill No. 2026.
ROLL CALL

The Clerk called the roll on the final passage of Substitute House Bill No. 2026, and the bill passed the House by the following vote: Yeas, 50; Nays, 47; Absent, 0; Excused, 0.


SUBSTITUTE HOUSE BILL NO. 2026, having received the necessary constitutional majority, was declared passed.

SENATE JOINT MEMORIAL NO. 8008, by Senators Brown, Hewitt, Kohl-Welles, Holmquist Newbry, Conway, Parlette, Fraser, Kilmer, White and Hatfield

Requesting that the United States Department of Labor provide Washington with unemployment tax relief equal to any benefit provided to other states.

The bill was read the second time.

Representative Shea moved the adoption of amendment (577).

On page 2, beginning on line 14, after "Labor" strike all material through "account" on line 18 and insert "provide federal unemployment tax relief to Washington state unemployment tax paying employers, and a financial benefit to the state's unemployment tax relief to Washington state unemployment tax account".

Representatives Shea and Sells spoke in favor of the adoption of the amendment.

Amendment (577) was adopted.

There being no objection, the rules were suspended, the second reading considered the third and the bill, as amended by the House, was placed on final passage.

Representatives Sells and Shea spoke in favor of the passage of the bill.

The Speaker (Representative Moeller presiding) stated the question before the House to be the final passage of Senate Joint Memorial No. 8008, as amended by the House.

ROLL CALL

The Clerk called the roll on the final passage of Senate Joint Memorial No. 8008, as amended by the House, and the bill passed the House by the following vote: Yeas, 97; Nays, 0; Absent, 0; Excused, 0.


SENATE JOINT MEMORIAL NO. 8008, as amended by the House, having received the necessary constitutional majority, was declared passed.

ENGROSSED SUBSTITUTE SENATE BILL NO. 5457, by Senate Committee on Transportation (originally sponsored by Senators White, Shin, Murray, Kohl-Welles, Harper, Nelson, Keiser, Prentice, Kline and McAuliffe)

Providing a congestion reduction charge to fund the operational and capital needs of transit agencies.

The bill was read the second time.

There being no objection, the committee amendment by the Committee on Transportation was not adopted. (For Committee amendment, see Journal, Day 80, March 30, 2011).

Amendments (554) and (549) to the committee amendment were ruled out of order being drafted to the committee amendment.

Representative Carlyle moved the adoption of amendment (637).

On page 2, line 19, after "a" strike "two-thirds"

Representatives Carlyle, Morris, Liias, Morris (again), Upthegrove, Dunsehee and Goodman spoke in favor of the adoption of the amendment.

Representatives Armstrong, Rodne, Orcutt, Shea, Overstreet, Schmick, Hargrove, Johnson, Ahern, Orcutt (again), Hinkle and Shea (again) spoke against the adoption of the amendment.

A roll call vote was demanded and the demand was sustained.

ROLL CALL

The Clerk called the roll on the adoption of amendment (637) and the amendment was adopted by the following vote: Yeas, 51; Nays, 46; Absent, 0; Excused, 0.


Amendment (637) was adopted.

There being no objection, the rules were suspended, the second reading considered the third and the bill, as amended by the House, was placed on final passage.

Representatives Liias, Frockt and Rolfes spoke in favor of the passage of the bill.

Representatives Hinkle and Armstrong spoke against the passage of the bill.

The Speaker (Representative Moeller presiding) stated the question before the House to be the final passage of Engrossed Substitute Senate Bill No. 5457, as amended by the House.

ROLL CALL

The Clerk called the roll on the final passage of Engrossed Substitute Senate Bill No. 5457, as amended by the House, and the bill passed the House by the following vote:  Yeas, 51; Nays, 46; Absent, 0; Excused, 0.


ENGROSSED SUBSTITUTE SENATE BILL NO. 5457, as amended by the House, having received the necessary constitutional majority, was declared passed.

RECONSIDERATION

There being no objection, the House immediately reconsidered the vote by which Senate Bill 5044 passed the House.

ROLL CALL

The Clerk called the roll on the final passage of Senate Bill No. 5044, as amended by the House, on reconsideration, and the bill passed the House by the following vote: Yeas, 56; Nays, 41; Absent, 0; Excused, 0.


SENATE BILL NO. 5044, as amended by the House, on reconsideration, having received the necessary constitutional majority, was declared passed.

There being no objection, the House advanced to the eleventh order of business.

There being no objection, the House adjourned until 10:00 a.m., April 13, 2011, the 94th Day of the Regular Session.

FRANK CHOPP, Speaker

BARBARA BAKER, Chief Clerk
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