

VETO MESSAGE ON SB 5968-S

May 28, 1993

To the Honorable President and Members,
The Senate of the State of Washington
Ladies and Gentlemen:

I am returning herewith, without my approval as to sections 121(2); 125(1), (2); 202(7); 204(2)(d); 205(4)(a)(iii), (4)(b)(lines 12-17), (4)(b)(iii), (4)(b)(iv); 207(2); (3); 209(10); 217(1), (3), (4), (7), (8), (9); 226 lines 22-24; 229(16); 305(1); 308(1), (2), (4), (9); 501(1)(d); 707 line 14; 904; and 905(1) of Substitute Senate Bill No. 5968, entitled:

"AN ACT Relating to fiscal matters;"

My reasons for vetoing these sections are as follows:

Section 121(2), page 7, Performance Audits, (State Auditor)

Sections 121(2) provides \$200,000 in appropriation authority from the Audit Services Revolving Account for the State Auditor to cover the costs of that agency's involvement in the three performance audits required in Section 904. Since I am also vetoing Section 904, I will ask the State Auditor to place these funds in reserve in recognition of this veto.

Section 125(1), page 9, Report on Implementation of Reductions (Office of Financial Management)

This subsection requires the Office of Financial Management to compile agency reports relating to implementation of budget reductions and efficiencies, and to submit those reports to the Legislature by December 1, 1993. Although I understand the Legislature's interest in these issues, the proviso as written is vague as to the intent and content of these reports. The existing allotment process represents the agencies' spending plan under the new budget and will be available long before the December deadline. I am willing to work with the Legislature to see that their interest for budget implementation formation is met, but I'm reluctant to impose a significant workload on agencies without more specific objectives.

Section 125(2), page 9, Administrative Cost Reporting System (Office of Financial Management)

Subsection 125(2) requires OFM to develop and implement a state-wide reporting system in support of the administrative detail required in section 904 (Performance Audits). Since I am vetoing section 904, the specific reason for this reporting system requirement in OFM is eliminated.

I do, however, share the Legislature's interest in uniform accounting practices and a more consistent approach to the reporting of administrative costs. I will instruct the Office of Financial Management to review our existing reporting structure and to work with legislative staff on possible improvements.

Section 202(7), page 19, Child Care Rates (Children and Family Services, Department of Social and Health Services)

This subsection requires the Department of Social and Health Services to reimburse child care providers at the 75th percentile of the 1992 market rate on a phased-in basis beginning on December 1, 1993. I am vetoing this subsection because there is a technical error in the proviso language. It should read "at the 75th percentile or the provider's usual rate, whichever is lower...."

I am directing the Department of Social and Health Services to comply with the intent of the proviso to implement changes in child care rates beginning December 1, 1993.

Section 204(2)(d), page 23, Stop-Loss Arrangement (Mental Health, Department of Social and Health Services)

This subsection directs the Department of Social and Health Services to establish contractual relationships with the Regional Support Networks that protect against increased admissions to state hospitals of clients who are eligible for services from other programs in the agency. If the client population exceeds 110 percent of the 1991-93 average level, these other programs must bear the cost of care. I recognize the issue of dually diagnosed clients is troublesome and must be addressed; however, these programs have not been funded at levels sufficient to meet the stop-loss requirement without reducing services to current clients. I am vetoing this subsection, but I am directing DSHS to strengthen the existing collaborative agreements with the Regional Support Networks to ensure the client census is maintained at less than 110 percent of the average utilization during Fiscal Year 1993.

Section 205(4)(a)(iii) page 24, Client Assessments (Developmental Disabilities, Department of Social and Health Services)

This subsection requires the Department of Social and Health Services to assess each Residential Habilitation Center client to determine the level of support necessary to meet the client's needs. There are insufficient time and resources to complete this requirement, and it is unnecessarily duplicative of existing assessment tools. I am vetoing this subsection, but I am directing the Department to complete an independent assessment for each individual who is being moved into the community.

Section 205(4)(b)(lines 12-17), (4)(b)(iii), and (4)(b)(iv), page 25, Community Residential Services Reconfiguration (Division of Developmental Disabilities, Department of Social and Health Services)

This subsection requires the Department of Social and Health Services to reduce the per capita costs of community residential services programs by 6.7 percent during the last 18 months of the 1993-95 Biennium below the amount expended during the last quarter of the current biennium. While I acknowledge these savings must be achieved, subsection (b) and sub-subsections (b)(iii) and (b)(iv) are overly cumbersome, limit the Department's flexibility to manage its resources, and do not provide sufficient time to accomplish their purpose. I am vetoing lines 12 through 17 and 25 through 32, but in order to ensure these savings are maintained consistent with legislative intent, I am directing the Department to explore other means to achieve this reduction, such as implementing the reduction on an earlier date.

Section 207(2), page 27, State Supplementary Income Payments (Income Assistance, Department of Social and Health Services)

This subsection would reduce state supplementary payments to 80,000 blind, disabled, and elderly Washington residents. The current fiscal situation has forced us to make very difficult choices, many of which directly affect people who rely on state services. Nonetheless, I cannot in good conscience approve a

measure to reduce state support for these individuals, who are truly our most vulnerable residents. Furthermore, it would be extremely difficult to administer these payments in such a way as to maintain the current spending level while the caseload increases without jeopardizing all federal Title XIX funds. I have therefore directed the Department of Social and Health Services to allocate these funds in accordance with current policy.

Section 207(3), page 27, Public Assistance (Income Assistance, Department of Social and Health Services)

This section would require that the Department of Social and Health Services eliminate the "100-hour rule" for two-parent families receiving aid to families with dependent children. Since this rule acts as a disincentive for families to work, I fully support the intent of this subsection. However, funds for the implementation of this rule change are not included in the budget. Therefore, I am vetoing this subsection and directing the Department to pursue a federal waiver of this rule. I intend to recommend funding in the 1994 legislative session to eliminate the "100-hour rule."

Section 209(10), page 30, Chiropractic Services (Medical Assistance, Department of Social and Health Services)

This proviso earmarks \$3,372,000 General Fund-State to provide chiropractic services for Medical Assistance clients. I am vetoing this subsection because no additional funding has been provided for these services. The Department of Social and Health Services cannot reinstate these services within appropriated funding.

Section 217(1), (3), (4), (8), and (9), page 34-36, General-Fund State Appropriations (Department of Community Development)

Subsections 1, 3, 4, 8, and 9 restrict use of 38 percent of the Department's General Fund-state budget. The language for each of these subsections was intended to allow the Department Flexibility to manage the nonspecific General Fund-State budget reductions. However, conflicting legal interpretations of the language make a veto necessary to ensure the needed flexibility. I am directing the Department to honor the purpose of the proviso language for each subsection by allocating the nonspecific reductions as uniformly as possible. Therefore, I am directing the Department to provide substantially similar funding levels for emergency food assistance, food stamp outreach, the Seattle Children's Museum, emergency medical support for Mt. St. Helens' National Monument, emergency shelter assistance, and growth management grants.

Sections 217(7), page 36, Federal and Private Grant Assistance (Department of Community Development)

Subsection 7 requires the Department to use existing staff resources to research the availability of economic development grants. In addition the Department is required to assist state and local organizations to research the availability of these grants. The economic development budget at the Department has been reduced by 20 percent. At the same time, the expectation is for the economic development program to provide essentially the current service level to federal timber dependent communities, to implement the requirements of House Bill 1493 pertaining to women and minority owned businesses, and to maintain a statewide program.

Although the Community Finance staff attempt to maximize the use of all resources for economic development, the proviso places an undue burden on the existing resources and sets up expectations that will be difficult to meet. Although I am vetoing this proviso, the Department is directed, within available resources, to provide assistance as required by this proviso.

Section 226, lines 22-24, page 43, (Department of Corrections)

This proviso requires the Department to address the mental health needs of inmates within existing resources. I believe this is an unrealistic expectation. My budget recommendation would have provided \$2,900,000 to begin the expansion of mental health services for offenders. There are an estimated 1,100 mentally ill offenders in Washington's prison system. These offenders generally receive longer sentences, serve more of their total sentence, receive more infractions, and are housed under a higher security level than the rest of the inmate population and are therefore much more expensive to house. If we wish to slow the growth in our prison costs, we must invest the required funding for this program. In vetoing this proviso I am urging the Legislature to recognize these needs with actual funding in future sessions.

Section 229(16), page 45, (Employment Security Department)

This proviso earmarks \$2,000,000 (Employment and Training Trust Fund) for operation of 13 job service centers located in community and technical college campuses. I am vetoing this subsection to maximize the Employment Security Department's flexibility to use its resources to provide a broad range of services across the state and meet the legislative intent contained in Engrossed Substitute House Bill 1988. I will ask that seven co-located Job Service Centers be established in the 1993-95 Biennium.

Section 305(1), page 50, Puget Sound Water Quality Management Plan (State Parks and Recreation Commission)

A technical error was made in the proviso language in this section. The Legislature has provided funding to the State Parks and Recreation Commission for its Plan-related activities out of the Aquatic Lands Enhancement Account (ALEA). This section incorrectly provisos General Fund-State moneys for this purpose. Although I am vetoing this proviso, the \$189,000 in ALEA funds must be spent for Plan activities.

Section 308(1), (2), and (4), page 52, European Trade Office, Washington Technology Center, and the Clean Washington Center (Department of Trade and Economic Development)

I strongly believe that these programs are valuable, productive elements of the state's economic development program. However, the budget for the Department passed by the Legislature will force a reevaluation of all economic development programs and a reprioritization of currently available funding. The programs specified in this section represent approximately one-third of the Department's total budget. I have vetoed these sections not because I believe the programs specified herein should necessarily suffer further budget reductions, but because I believe that they should not be protected or excluded from the comprehensive program and budget evaluation which the Department must conduct. I am directing the Department to honor the purpose of the proviso language for the European Trade Office, the Clean Washington

Center, and the Washington Technology Center within this context.

Section 308(9), page 53, Engrossed Substitute House Bill 1493 -- Minority and Women-Owned Businesses (Department of Trade and Economic Development)

The Legislature intended to fund the programs established in Engrossed Substitute House Bill 1493 using federal dollars transferred from the Washington Economic Development Finance Authority (WEDFA) account. The transfer from WEDFA to the General Fund-Federal account was not included in the appropriation bill and the proviso language in this section incorrectly specifies General Fund-State to implement ESHB 1493. I will seek a supplemental budget change to correct this error and make the federal funds available for these programs.

Section 501(1)(d), page 63, Demonstration Project (Superintendent of Public Instruction)

I am vetoing this proviso because it would require the Superintendent of Public Instruction to spend federal Chapter 2 funds in a manner inconsistent with federal government rules and statutes by supplanting state funds that previously funded special education demonstration projects. The Superintendent of Public Instruction has indicated that other available funds have been identified to meet the needs of the special services demonstration projects this proviso was intended to satisfy.

Section 707, page 97, line 14, Basic Data Account Transfer to the Tort Claims Revolving Fund

A transfer of \$16,000 is made from the Basic Data Account into the Tort Claims Revolving Fund. The inclusion of the Basic Data Account in the funds that will be transferred into the Tort Claims Revolving Fund was an error. The transfer should have been from the Lottery Administration Account. Transfer from the correct fund will need to be made in the 1994 supplemental budget.

Section 904, page 113, Performance Audits.

On May 15, 1993, I signed into law the Accountability in Government Act of 1993 (Engrossed Substitute House Bill 1372). That new law starts Washington down the road toward performance-based government. It requires agencies to identify measurable, outcome-based objectives for each major program. It also directs the Office of Financial Management to prepare a plan for determining how well agencies are meeting those objectives. I strongly support performance-based government; my office worked directly with the Legislature in the development of this legislation. OFM will involve the Legislature and executive agencies in implementing ESHB 1372.

Section 904 is directly tied to ESHB 1372. But the work required by the bill must be completed before the three audits mandated by Section 904 can be carried out. OFM and state agencies need time to develop reliable program objectives and the plan to apply those objectives to tangible products, like performance audits, as envisioned in ESHB 1372. The audit requirements of Section 904 are, therefore, premature. For this reason, I have vetoed Section 904.

Section 905(1), page 114, Lease/Purchase Financing Agreements

Section 905(1) would require that the Office of Financial Management review all agency requests for the acquisition of

equipment by lease/purchase financing agreements to ensure that 1) the method of acquisition offers a significant financial advantage to the state, and 2) the term of the installment contract does not exceed the useful life of the item being purchased. I am vetoing this subsection because under current procedures, the Office of State Treasurer (OST) reviews all agency requests for lease/purchase to ensure that the purchases meet these criteria. I will direct OFM to work with the OST and to manage the allocation of the \$35 million limit on lease/purchases from the General Fund, as was done during the 1991-93 Biennium.

Although this concludes my list of vetoes, I want to register concerns with two sections that I have signed with reservation:

Section 715 directs payment of an industrial insurance death benefit. While I am in sympathy with the facts of this particular case, I am strongly opposed to using the relief process as a way to pay denied industrial insurance claims. I hope that in the future the legislature will not use the sundry claims process to reserve final decisions of this type, but rather will address the underlying question of whether changes in industrial insurance laws and appeals procedures are needed.

Section 924 eliminates the General Fund-State transfer to the Water Quality Account for the 1993-95 Biennium. I believe clean water is vitally important. I also believe it is important to have a stable level of state funding that will enable local governments to dedicate sizable portions of their own resources to clean water efforts and to achieve mandated state and federal water quality requirements. I have signed this section because of the impact that vetoing it would have on the fund balance for the state General Fund and because removal of the General Fund transfer is for the 1993-95 Biennium only.

With the exceptions of sections 121(2); 125(1), (2); 202(7); 204(2)(d); 205(4)(a)(iii), (4)(b)(lines 12-17), (4)(b)(iii), (4)(b)(iv); 207(2), (3); 209(10); 217(1), (3), (4), (7), (8), (9), 226 lines 22-24; 229(16); 305(1), 308(1), (2), (4), (9), 501(1)(d); 707 line 14; 904; and 905(1), Substitute Senate Bill No. 5968 is approved.

Respectfully submitted,
Mike Lowry
Governor