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**ENGROSSED SUBSTITUTE HOUSE BILL 1203**

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**State of Washington 68th Legislature 2023 Regular Session**

**By** House Appropriations (originally sponsored by Representatives Ormsby and Macri; by request of Office of Financial Management)

AN ACT Relating to improving the fiscal process by updating accounts administered by the office of financial management, creating new accounts including one for the opioid litigation settlement and one for the receipt of federal funds, and reenacting accounts created in the supplemental budget bill; amending RCW 43.41.450, 41.06.280, 41.06.285, 43.84.092, and 43.84.092; reenacting RCW 43.79.567 and 43.330.365; adding new sections to chapter 43.79 RCW; adding a new section to chapter 38.52 RCW; providing effective dates; providing an expiration date; and declaring an emergency.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

**Sec.**  RCW 43.41.450 and 2022 c 297 s 953 are each amended to read as follows:

The office of financial management central service account is created in the state treasury. The account is to be used by the office as a revolving fund for the payment of salaries, wages, and other costs required for the operation and maintenance of statewide budgeting, accounting, forecasting, and functions and activities in the office. All receipts from agency fees and charges for services collected from public agencies must be deposited into the account. The director shall fix the terms and charges to agencies based on each agency's share of the office statewide cost allocation plan for federal funds. Moneys in the account may be spent only after appropriation. During the ((~~2017-2019 and~~)) 2021-2023 fiscal ((~~biennia~~)) biennium, the account may be used as a revolving fund for the payment of salaries, wages, and other costs related to policy activities in the office. ((~~The legislature intends to continue the use of the revolving fund for policy activities during the 2019-2021 biennium.~~))

**Sec.**  RCW 41.06.280 and 2022 c 157 s 12 are each amended to read as follows:

(1) ((~~There is hereby~~)) The personnel service fund is created ((~~a fund within~~)) in the state treasury, ((~~designated as the "personnel service fund,"~~)) to be used by the office of financial management as a revolving fund for the payment of salaries, wages, and operations required for the administration of the provisions of this chapter, applicable provisions of chapter 41.04 RCW, and chapter 41.60 RCW. An amount not to exceed one and one-half percent of the salaries and wages for all positions ((~~in the classified service~~)) in each of the agencies subject to this chapter, except the institutions of higher education, shall be charged to the operations appropriations of each agency and credited to the personnel service fund as the allotments are approved pursuant to chapter 43.88 RCW. Subject to the above limitations, the amount shall be charged against the allotments pro rata, at a rate to be fixed by the director from time to time which, together with income derived from services rendered under RCW 41.06.080, will provide the office of financial management with funds to meet its anticipated expenditures during the allotment period, including the training requirements in RCW 41.06.500 and 41.06.530. ((~~All revenues, net of expenditures, previously derived from services provided by the department of enterprise services under RCW 41.06.080 must be transferred to the enterprise services account.~~))

(2) The director shall fix the terms and charges for services rendered by the office of financial management pursuant to RCW 41.06.080, which amounts shall be credited to the personnel service fund and charged against the proper fund or appropriation of the recipient of such services no longer than on a ((~~monthly~~)) quarterly basis. Payment for services so rendered under RCW 41.06.080 shall be made ((~~on a monthly basis~~)) according to the state administrative and account manual (SAAM) section 85.32.50 (timing of payment) to the state treasurer and deposited in the personnel service fund.

(3) ((~~Moneys from the personnel service fund shall be disbursed by the state treasurer by warrants on vouchers duly authorized by the office of financial management.~~

~~(4)~~)) The office of financial management may use the personnel service fund to administer an employee transit pass program and other employment benefits. The office of financial management must bill state agencies for the total cost of administering the program and payments received from agencies must be deposited in the personnel service fund.

**Sec.**  RCW 41.06.285 and 2011 1st sp.s. c 43 s 420 are each amended to read as follows:

((~~(1) There is hereby created a~~)) The higher education personnel service fund ((~~within~~)) is created in the state treasury, ((~~designated as the "higher education personnel service fund,"~~)) to be used by the office of financial management as a revolving fund for the payment of salaries, wages, and operations required for the administration of the provisions of this chapter ((~~41.06 RCW~~)) and applicable provisions of chapters 41.04 and 41.60 RCW. ((~~Subject to the requirements of subsection (2) of this section, an~~)) An amount not to exceed one-half of one percent of the salaries and wages for all positions in the classified service shall be contributed from the operations appropriations of each institution and the state board for community and technical colleges and credited to the higher education personnel service fund as such allotments are approved pursuant to chapter 43.88 RCW. Subject to the above limitations, such amount shall be charged against the allotments pro rata, at a rate to be fixed by the director of financial management from time to time, which will provide the office of financial management with funds to meet its anticipated expenditures during the allotment period.

((~~(2) If employees of institutions of higher education cease to be classified under this chapter pursuant to an agreement authorized by RCW 41.56.201, each institution of higher education and the state board for community and technical colleges shall continue, for six months after the effective date of the agreement, to make contributions to the higher education personnel service fund based on employee salaries and wages that includes the employees under the agreement. At the expiration of the six-month period, the director of financial management shall make across-the-board reductions in allotments of the higher education personnel service fund for the remainder of the biennium so that the charge to the institutions of higher education and state board for community and technical colleges based on the salaries and wages of the remaining employees of institutions of higher education and related boards classified under this chapter does not increase during the biennium, unless an increase is authorized by the legislature.~~

~~(3) Moneys from the higher education personnel service fund shall be disbursed by the state treasurer by warrants on vouchers duly authorized by the office of financial management.~~))

NEW SECTION. **Sec.**  A new section is added to chapter 43.79 RCW to read as follows:

(1) The GOV central service account is created in the state treasury. The purpose of the account is to fund the office of the governor and the office of equity as a revolving fund for the payment of salaries, wages, and other costs required for the operation and maintenance of statewide policy and equity functions, and the activities in the office of equity and office of the governor. All receipts from agency fees and charges for services collected from public agencies must be deposited into the account. Moneys in the account may be spent only after appropriation.

(2) The director of financial management shall fix the terms and charges to agencies based on each agency's share of the office of equity and office of the governor statewide cost allocation plans for federal funds.

NEW SECTION. **Sec.**  A new section is added to chapter 43.79 RCW to read as follows:

(1) The opioid abatement settlement account is created in the state treasury. All settlement receipts and moneys that are designated to be used by the state of Washington to abate the opioid epidemic for state use must be deposited into the account. Money in the account may be spent only after appropriation. Expenditures from the account may only be used for future opioid remediation as provided in the applicable settlement. For purposes of this account, "opioid remediation" means the care, treatment, and other programs and expenditures, designed to: (a) Address the use and abuse of opioid products; (b) treat or mitigate opioid use or related disorders; or (c) mitigate other alleged effects of, including those injured as a result of, the opioid epidemic.

(2) All money remaining in the state opioid settlement account established under RCW 43.88.195 must be transferred to the opioid abatement settlement account created in this section.

NEW SECTION. **Sec.**  A new section is added to chapter 38.52 RCW to read as follows:

(1) The state hazard mitigation revolving loan account is created in the state treasury. The purpose of the account is to allow the state to use any federal funds that become available to states from congress to fund a state revolving fund loan program as part of the safeguarding tomorrow through ongoing risk mitigation act. Moneys in the account may be spent only after appropriation. Moneys in the account may only be used, consistent with federal law, to administer the safeguarding tomorrow through ongoing risk mitigation act program, including loans to local and tribal governments for:

(a) Carrying out projects designed to mitigate the impact of natural hazards;

(b) Zoning and land use planning changes focused on low-impact development and community resiliency;

(c) Establishing and carrying out building code enforcement for the protection of the health, safety, and general welfare of the building's users against disasters and natural hazards; and

(d) Providing technical assistance.

(2) Moneys may also be used for administration and oversight of the safeguarding tomorrow through ongoing risk mitigation act program.

(3) Moneys from federal receipts from the safeguarding tomorrow through ongoing risk mitigation act grant, appropriations from the state legislature, transfers from other state funds or accounts, all repayments of moneys borrowed from the account, all interest payments made by borrowers from the account or otherwise earned on the account, or any other lawful source may be deposited into the account. All interest earned on moneys deposited in the account, including repayments, shall remain in the account and may be used for any eligible purpose.

(4) The department may adopt such rules as are necessary under RCW 38.52.050 to administer the account.

**Sec.**  RCW 43.79.567 and 2022 c 297 s 947 are each reenacted to read as follows:

(1) The community reinvestment account is created in the state treasury. Revenues to the account shall consist of appropriations and transfers by the legislature and all other moneys directed for deposit into the account. Moneys in the account may be spent only after appropriation.

(2) Expenditures from the account may be used by the department of commerce for:

(a) Economic development, which includes addressing wealth disparities to promote asset building such as home ownership and expanding access to financial resources including, but not limited to, grants and loans for small businesses and entrepreneurs, financial literacy training, and other small business training and support activities;

(b) Civil and criminal legal assistance to provide postconviction relief and case assistance, including the expungement of criminal records and vacation of criminal convictions;

(c) Community-based violence intervention and prevention services, which may include after-school programs focused on providing education and mentorship to youths; and

(d) Reentry services to facilitate successful transitions for persons formerly incarcerated in an adult correctional facility or juvenile residential facility in Washington.

(3) The distribution of the grants under this section must be done in collaboration with the governor's office of Indian affairs and "by and for community organizations" as defined by the department of commerce and the office of equity.

**Sec.**  RCW 43.330.365 and 2022 c 297 s 948 are each reenacted to read as follows:

The electric vehicle incentive account is created in the state treasury. Revenues to the account shall consist of appropriations and transfers by the legislature and all other moneys directed for deposit into the account. Moneys in the account may only be spent after appropriation. Expenditures from the account may be used for programs and incentives that promote the purchase or conversion to alternative fuel vehicles to further state climate goals under RCW 70A.45.020 and environmental justice goals under 70A.02 RCW, including but not limited to:

(1) Income-qualified grant programs to retire vehicles and replace them with alternative fuel vehicles;

(2) Programs to provide grants for the installation of electric vehicle infrastructure to support electric vehicle adoption; and

(3) Programs to conduct research and public outreach regarding adoption of alternative fuel vehicles.

**Sec.**  RCW 43.84.092 and 2022 c 182 s 403 are each 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 no appropriation is required for refunds or allocations of interest earnings required by the cash management improvement act. Refunds of interest to the federal treasury required under the cash management improvement act fall under RCW 43.88.180 and shall 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 treasury and affected state agencies. The treasury income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for payments to financial institutions. Payments shall occur prior to distribution of earnings set forth in subsection (4) of this section.

(4) Monthly, the state 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 abandoned recreational vehicle disposal account, the aeronautics account, the Alaskan Way viaduct replacement project account, the ambulance transport fund, the brownfield redevelopment trust fund account, the budget stabilization account, the capital vessel replacement account, the capitol building construction account, the Central Washington University capital projects account, the charitable, educational, penal and reformatory institutions account, the Chehalis basin account, the Chehalis basin taxable account, the cleanup settlement account, the climate active transportation account, the climate transit programs account, the Columbia river basin water supply development account, the Columbia river basin taxable bond water supply development account, the Columbia river basin water supply revenue recovery account, the common school construction fund, the community forest trust account, the connecting Washington account, the county arterial preservation account, the county criminal justice assistance 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 services account, the diesel idle reduction account, the opioid abatement settlement account, the drinking water assistance account, the administrative subaccount of the drinking water assistance account, the early learning facilities development account, the early learning facilities revolving account, the Eastern Washington University capital projects account, the education construction fund, the education legacy trust account, the election account, the electric vehicle account, the energy freedom account, the energy recovery act account, the essential rail assistance account, The Evergreen State College capital projects account, the fair start for kids account, the ferry bond retirement fund, the fish, wildlife, and conservation account, the freight mobility investment account, the freight mobility multimodal account, the grade crossing protective fund, the public health services account, the state higher education construction account, the higher education construction account, the higher education retirement plan supplemental benefit fund, the highway bond retirement fund, the highway infrastructure account, the highway safety fund, the hospital safety net assessment fund, the Interstate 405 and state route number 167 express toll lanes account, the judges' retirement account, the judicial retirement administrative account, the judicial retirement principal account, the limited fish and wildlife 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 money-purchase retirement savings administrative account, the money-purchase retirement savings principal account, the motor vehicle fund, the motorcycle safety education account, the move ahead WA account, the move ahead WA flexible account, the multimodal transportation account, the multiuse roadway safety account, the municipal criminal justice assistance account, the oyster reserve land account, the pension funding stabilization account, the perpetual surveillance and maintenance account, the pilotage account, the pollution liability insurance agency underground storage tank revolving 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, the public health supplemental account, the public works assistance account, the Puget Sound capital construction account, the Puget Sound ferry operations account, the Puget Sound Gateway facility account, the Puget Sound taxpayer accountability 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 mobility grant program account, the rural Washington loan fund, the sexual assault prevention and response account, the site closure account, the skilled nursing facility safety net trust fund, the small city pavement and sidewalk account, the special category C account, the special wildlife account, the state hazard mitigation revolving loan account, the state investment board expense account, the state investment board commingled trust fund accounts, the state patrol highway account, the state reclamation revolving account, the state route number 520 civil penalties account, the state route number 520 corridor account, the statewide broadband account, the statewide tourism marketing 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 toll facility bond retirement account, the transportation 2003 account (nickel account), the transportation equipment fund, the transportation future funding program account, 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 University of Washington bond retirement fund, the University of Washington building account, the voluntary cleanup account, the volunteer firefighters' and reserve officers' relief and pension principal fund, the volunteer firefighters' and reserve officers' administrative fund, the vulnerable roadway user education account, 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 patrol retirement account, the Washington State University building account, the Washington State University bond retirement fund, the water pollution control revolving administration account, the water pollution control revolving fund, the Western Washington University capital projects account, the Yakima integrated plan implementation account, the Yakima integrated plan implementation revenue recovery account, and the Yakima integrated plan implementation taxable bond 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.

**Sec.**  RCW 43.84.092 and 2022 c 182 s 404 are each 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 no appropriation is required for refunds or allocations of interest earnings required by the cash management improvement act. Refunds of interest to the federal treasury required under the cash management improvement act fall under RCW 43.88.180 and shall 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 treasury and affected state agencies. The treasury income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for payments to financial institutions. Payments shall occur prior to distribution of earnings set forth in subsection (4) of this section.

(4) Monthly, the state 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 abandoned recreational vehicle disposal account, the aeronautics account, the Alaskan Way viaduct replacement project account, the brownfield redevelopment trust fund account, the budget stabilization account, the capital vessel replacement account, the capitol building construction account, the Central Washington University capital projects account, the charitable, educational, penal and reformatory institutions account, the Chehalis basin account, the Chehalis basin taxable account, the cleanup settlement account, the climate active transportation account, the climate transit programs account, the Columbia river basin water supply development account, the Columbia river basin taxable bond water supply development account, the Columbia river basin water supply revenue recovery account, the common school construction 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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 patrol retirement account, the Washington State University building account, the Washington State University bond retirement fund, the water pollution control revolving administration account, the water pollution control revolving fund, the Western Washington University capital projects account, the Yakima integrated plan implementation account, the Yakima integrated plan implementation revenue recovery account, and the Yakima integrated plan implementation taxable bond 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.

NEW SECTION. **Sec.**  Except for section 10 of this act, this act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and takes effect July 1, 2023.

NEW SECTION. **Sec.**  Section 9 of this act expires July 1, 2024.

NEW SECTION. **Sec.**  Section 10 of this act takes effect July 1, 2024.

**--- END ---**