

CERTIFICATION OF ENROLLMENT
THIRD SUBSTITUTE HOUSE BILL 2585

Chapter 230, Laws of 2012
(partial veto)

62nd Legislature
2012 Regular Session

HIGHER EDUCATION--EFFICIENCIES

EFFECTIVE DATE: 06/07/12

Passed by the House March 7, 2012
Yeas 56 Nays 41

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate February 29, 2012
Yeas 48 Nays 0

BRAD OWEN

President of the Senate

Approved 03/30/12, 11:55 a.m., with the
exception of Section 2 which is vetoed.

CHRISTINE GREGOIRE

Governor of the State of Washington

CERTIFICATE

I, Barbara Baker, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **THIRD SUBSTITUTE HOUSE BILL 2585** as passed by the House of Representatives and the Senate on the dates hereon set forth.

BARBARA BAKER

Chief Clerk

FILED

March 30, 2012

**Secretary of State
State of Washington**

THIRD SUBSTITUTE HOUSE BILL 2585

AS AMENDED BY THE SENATE

Passed Legislature - 2012 Regular Session

State of Washington 62nd Legislature 2012 Regular Session

By House Ways & Means (originally sponsored by Representatives Springer, Haler, Eddy, Seaquist, and Zeiger)

READ FIRST TIME 02/07/12.

1 AN ACT Relating to creating efficiencies for institutions of higher
2 education; amending RCW 43.88.160, 41.06.157, 41.04.240, and 43.88.150;
3 reenacting and amending RCW 28B.10.029 and 28B.15.031; and creating a
4 new section.

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

6 **Sec. 1.** RCW 43.88.160 and 2006 c 1 s 6 are each amended to read as
7 follows:

8 This section sets forth the major fiscal duties and
9 responsibilities of officers and agencies of the executive branch. The
10 regulations issued by the governor pursuant to this chapter shall
11 provide for a comprehensive, orderly basis for fiscal management and
12 control, including efficient accounting and reporting therefor, for the
13 executive branch of the state government and may include, in addition,
14 such requirements as will generally promote more efficient public
15 management in the state.

16 (1) Governor; director of financial management. The governor,
17 through the director of financial management, shall devise and
18 supervise a modern and complete accounting system for each agency to
19 the end that all revenues, expenditures, receipts, disbursements,

1 resources, and obligations of the state shall be properly and
2 systematically accounted for. The accounting system shall include the
3 development of accurate, timely records and reports of all financial
4 affairs of the state. The system shall also provide for central
5 accounts in the office of financial management at the level of detail
6 deemed necessary by the director to perform central financial
7 management. The director of financial management shall adopt and
8 periodically update an accounting procedures manual. Any agency
9 maintaining its own accounting and reporting system shall comply with
10 the updated accounting procedures manual and the rules of the director
11 adopted under this chapter. An agency may receive a waiver from
12 complying with this requirement if the waiver is approved by the
13 director. Waivers expire at the end of the fiscal biennium for which
14 they are granted. The director shall forward notice of waivers granted
15 to the appropriate legislative fiscal committees. The director of
16 financial management may require such financial, statistical, and other
17 reports as the director deems necessary from all agencies covering any
18 period.

19 (2) Except as provided in chapter 43.88C RCW, the director of
20 financial management is responsible for quarterly reporting of primary
21 operating budget drivers such as applicable workloads, caseload
22 estimates, and appropriate unit cost data. These reports shall be
23 transmitted to the legislative fiscal committees or by electronic means
24 to the legislative evaluation and accountability program committee.
25 Quarterly reports shall include actual monthly data and the variance
26 between actual and estimated data to date. The reports shall also
27 include estimates of these items for the remainder of the budget
28 period.

29 (3) The director of financial management shall report at least
30 annually to the appropriate legislative committees regarding the status
31 of all appropriated capital projects, including transportation
32 projects, showing significant cost overruns or underruns. If funds are
33 shifted from one project to another, the office of financial management
34 shall also reflect this in the annual variance report. Once a project
35 is complete, the report shall provide a final summary showing estimated
36 start and completion dates of each project phase compared to actual
37 dates, estimated costs of each project phase compared to actual costs,

1 and whether or not there are any outstanding liabilities or unsettled
2 claims at the time of completion.

3 (4) In addition, the director of financial management, as agent of
4 the governor, shall:

5 (a) Develop and maintain a system of internal controls and internal
6 audits comprising methods and procedures to be adopted by each agency
7 that will safeguard its assets, check the accuracy and reliability of
8 its accounting data, promote operational efficiency, and encourage
9 adherence to prescribed managerial policies for accounting and
10 financial controls. The system developed by the director shall include
11 criteria for determining the scope and comprehensiveness of internal
12 controls required by classes of agencies, depending on the level of
13 resources at risk.

14 Each agency head or authorized designee shall be assigned the
15 responsibility and authority for establishing and maintaining internal
16 audits following the standards of internal auditing of the institute of
17 internal auditors;

18 (b) Make surveys and analyses of agencies with the object of
19 determining better methods and increased effectiveness in the use of
20 manpower and materials; and the director shall authorize expenditures
21 for employee training to the end that the state may benefit from
22 training facilities made available to state employees;

23 (c) Establish policies for allowing the contracting of child care
24 services;

25 (d) Report to the governor with regard to duplication of effort or
26 lack of coordination among agencies;

27 (e) Review any pay and classification plans, and changes
28 thereunder, developed by any agency for their fiscal impact: PROVIDED,
29 That none of the provisions of this subsection shall affect merit
30 systems of personnel management now existing or hereafter established
31 by statute relating to the fixing of qualifications requirements for
32 recruitment, appointment, or promotion of employees of any agency. The
33 director shall advise and confer with agencies including appropriate
34 standing committees of the legislature as may be designated by the
35 speaker of the house and the president of the senate regarding the
36 fiscal impact of such plans and may amend or alter the plans, except
37 that for the following agencies no amendment or alteration of the plans

1 may be made without the approval of the agency concerned: Agencies
2 headed by elective officials;

3 (f) Fix the number and classes of positions or authorized employee
4 years of employment for each agency and during the fiscal period amend
5 the determinations previously fixed by the director except that the
6 director shall not be empowered to fix the number or the classes for
7 the following: Agencies headed by elective officials;

8 (g) Adopt rules to effectuate provisions contained in (a) through
9 (f) of this subsection.

10 (5) The treasurer shall:

11 (a) Receive, keep, and disburse all public funds of the state not
12 expressly required by law to be received, kept, and disbursed by some
13 other persons: PROVIDED, That this subsection shall not apply to those
14 public funds of the institutions of higher learning which are not
15 subject to appropriation;

16 (b) Receive, disburse, or transfer public funds under the
17 treasurer's supervision or custody;

18 (c) Keep a correct and current account of all moneys received and
19 disbursed by the treasurer, classified by fund or account;

20 (d) Coordinate agencies' acceptance and use of credit cards and
21 other payment methods, if the agencies have received authorization
22 under RCW 43.41.180;

23 (e) Perform such other duties as may be required by law or by
24 regulations issued pursuant to this law.

25 It shall be unlawful for the treasurer to disburse public funds in
26 the treasury except upon forms or by alternative means duly prescribed
27 by the director of financial management. These forms or alternative
28 means shall provide for authentication and certification by the agency
29 head or the agency head's designee that the services have been rendered
30 or the materials have been furnished; or, in the case of loans or
31 grants, that the loans or grants are authorized by law; or, in the case
32 of payments for periodic maintenance services to be performed on state
33 owned equipment, that a written contract for such periodic maintenance
34 services is currently in effect; and the treasurer shall not be liable
35 under the treasurer's surety bond for erroneous or improper payments so
36 made. When services are lawfully paid for in advance of full
37 performance by any private individual or business entity other than
38 equipment maintenance providers or as provided for by RCW 42.24.035,

1 such individual or entity other than central stores rendering such
2 services shall make a cash deposit or furnish surety bond coverage to
3 the state as shall be fixed in an amount by law, or if not fixed by
4 law, then in such amounts as shall be fixed by the director of the
5 department of (~~general administration~~) enterprise services but in no
6 case shall such required cash deposit or surety bond be less than an
7 amount which will fully indemnify the state against any and all losses
8 on account of breach of promise to fully perform such services. No
9 payments shall be made in advance for any equipment maintenance
10 services to be performed more than twelve months after such payment
11 except that institutions of higher education as defined in RCW
12 28B.10.016 may make payments in advance for equipment maintenance
13 services to be performed up to sixty months after such payment. Any
14 such bond so furnished shall be conditioned that the person, firm or
15 corporation receiving the advance payment will apply it toward
16 performance of the contract. The responsibility for recovery of
17 erroneous or improper payments made under this section shall lie with
18 the agency head or the agency head's designee in accordance with
19 (~~regulations~~) rules issued pursuant to this chapter. Nothing in this
20 section shall be construed to permit a public body to advance funds to
21 a private service provider pursuant to a grant or loan before services
22 have been rendered or material furnished.

23 (6) The state auditor shall:

24 (a) Report to the legislature the results of current post audits
25 that have been made of the financial transactions of each agency; to
26 this end the auditor may, in the auditor's discretion, examine the
27 books and accounts of any agency, official, or employee charged with
28 the receipt, custody, or safekeeping of public funds. Where feasible
29 in conducting examinations, the auditor shall utilize data and findings
30 from the internal control system prescribed by the office of financial
31 management. The current post audit of each agency may include a
32 section on recommendations to the legislature as provided in (c) of
33 this subsection.

34 (b) Give information to the legislature, whenever required, upon
35 any subject relating to the financial affairs of the state.

36 (c) Make the auditor's official report on or before the thirty-
37 first of December which precedes the meeting of the legislature. The
38 report shall be for the last complete fiscal period and shall include

1 determinations as to whether agencies, in making expenditures, complied
2 with the laws of this state. The state auditor is authorized to
3 perform or participate in performance verifications and performance
4 audits as expressly authorized by the legislature in the omnibus
5 biennial appropriations acts or in the performance audit work plan
6 approved by the joint legislative audit and review committee. The
7 state auditor, upon completing an audit for legal and financial
8 compliance under chapter 43.09 RCW or a performance verification, may
9 report to the joint legislative audit and review committee or other
10 appropriate committees of the legislature, in a manner prescribed by
11 the joint legislative audit and review committee, on facts relating to
12 the management or performance of governmental programs where such facts
13 are discovered incidental to the legal and financial audit or
14 performance verification. The auditor may make such a report to a
15 legislative committee only if the auditor has determined that the
16 agency has been given an opportunity and has failed to resolve the
17 management or performance issues raised by the auditor. If the auditor
18 makes a report to a legislative committee, the agency may submit to the
19 committee a response to the report. This subsection (6) shall not be
20 construed to authorize the auditor to allocate other than de minimis
21 resources to performance audits except as expressly authorized in the
22 appropriations acts or in the performance audit work plan. The results
23 of a performance audit conducted by the state auditor that has been
24 requested by the joint legislative audit and review committee must only
25 be transmitted to the joint legislative audit and review committee.

26 (d) Be empowered to take exception to specific expenditures that
27 have been incurred by any agency or to take exception to other
28 practices related in any way to the agency's financial transactions and
29 to cause such exceptions to be made a matter of public record,
30 including disclosure to the agency concerned and to the director of
31 financial management. It shall be the duty of the director of
32 financial management to cause corrective action to be taken within six
33 months, such action to include, as appropriate, the withholding of
34 funds as provided in RCW 43.88.110. The director of financial
35 management shall annually report by December 31st the status of audit
36 resolution to the appropriate committees of the legislature, the state
37 auditor, and the attorney general. The director of financial
38 management shall include in the audit resolution report actions taken

1 as a result of an audit including, but not limited to, types of
2 personnel actions, costs and types of litigation, and value of recouped
3 goods or services.

4 (e) Promptly report any irregularities to the attorney general.

5 (f) Investigate improper governmental activity under chapter 42.40
6 RCW.

7 (~~(g)~~) In addition to the authority given to the state auditor in
8 this subsection (6), the state auditor is authorized to conduct
9 performance audits identified in RCW 43.09.470. Nothing in this
10 subsection (6) shall limit, impede, or restrict the state auditor from
11 conducting performance audits identified in RCW 43.09.470.

12 (7) The joint legislative audit and review committee may:

13 (a) Make post audits of the financial transactions of any agency
14 and management surveys and program reviews as provided for in chapter
15 44.28 RCW as well as performance audits and program evaluations. To
16 this end the joint committee may in its discretion examine the books,
17 accounts, and other records of any agency, official, or employee.

18 (b) Give information to the legislature or any legislative
19 committee whenever required upon any subject relating to the
20 performance and management of state agencies.

21 (c) Make a report to the legislature which shall include at least
22 the following:

23 (i) Determinations as to the extent to which agencies in making
24 expenditures have complied with the will of the legislature and in this
25 connection, may take exception to specific expenditures or financial
26 practices of any agencies; and

27 (ii) Such plans as it deems expedient for the support of the
28 state's credit, for lessening expenditures, for promoting frugality and
29 economy in agency affairs, and generally for an improved level of
30 fiscal management.

31 ***Sec. 2. RCW 41.06.157 and 2011 1st sp.s. c 43 s 411 are each**
32 **amended to read as follows:**

33 **(1) To promote the most effective use of the state's workforce and**
34 **improve the effectiveness and efficiency of the delivery of services to**
35 **the citizens of the state, the director shall adopt and maintain a**
36 **comprehensive classification plan for all positions in the classified**
37 **service. The classification plan must:**

- 1 (a) Be simple and streamlined;
2 (b) Support state agencies in responding to changing technologies,
3 economic and social conditions, and the needs of its citizens;
4 (c) Value workplace diversity;
5 (d) Facilitate the reorganization and decentralization of
6 governmental services;
7 (e) Enhance mobility and career advancement opportunities; and
8 (f) Consider rates in other public employment and private
9 employment in the state.

10 (2) An appointing authority and an employee organization
11 representing classified employees of the appointing authority for
12 collective bargaining purposes may jointly request the human resources
13 director to initiate a classification study.

14 (3) For institutions of higher education and related boards, the
15 director may adopt special salary ranges to be competitive with
16 positions of a similar nature in the state or the locality in which the
17 institution of higher education or related board is located.

18 (4) For health care classifications, institutions of higher
19 education may implement higher education health care special pay plans
20 to be competitive with positions of a similar nature in the locality in
21 which the institution of higher education is located. In administering
22 a special pay plan, institutions may authorize compensation changes
23 including but not limited to increases in salary ranges, new top steps
24 in salary ranges, premium pay, and adjustments for community practice.
25 Such special pay plans are not subject to director approval or
26 adoption; however, institutions of higher education shall report
27 annually to the director actions they have taken under the provisions
28 of this section.

29 (5) The director may undertake salary surveys of positions in other
30 public and private employment to establish market rates. Any salary
31 survey information collected from private employers which identifies a
32 specific employer with salary rates which the employer pays to its
33 employees shall not be subject to public disclosure under chapter 42.56
34 RCW.

*Sec. 2 was vetoed. See message at end of chapter.

35 **Sec. 3.** RCW 41.04.240 and 1977 ex.s. c 269 s 1 are each amended to
36 read as follows:

37 (1) Except with regard to institutions of higher education as

1 defined in RCW 28B.10.016, any official of the state or of any
2 political subdivision, municipal corporation, or quasi-municipal
3 corporation authorized to disburse funds in payment of salaries and
4 wages of employees is authorized upon written request of at least
5 twenty-five employees to pay all or part of such salaries or wages to
6 any financial institution for either: ~~((1))~~ (a) Credit to the
7 employees' accounts in such financial institution; or ~~((2))~~ (b)
8 immediate transfer therefrom to the employees' accounts in any other
9 financial institutions(~~:- PROVIDED, That~~)).

10 (2) In disbursing funds for payment of salaries and wages of
11 employees, institutions of higher education as defined in RCW
12 28B.10.016 are authorized to require the following payment methods:

13 (a) For employees who have an account in a financial institution,
14 payment to any financial institution for either: (i) Credit to the
15 employees' accounts in such financial institution; or (ii) immediate
16 transfer therefrom to the employees' accounts in any other financial
17 institutions; and

18 (b) For employees who do not have an account in a financial
19 institution, payment by alternate methods such as payroll cards.

20 (3) Nothing in this section shall be construed as authorizing any
21 employer to require the employees to have an account in any particular
22 financial institution or type of financial institution. A single
23 warrant may be drawn in favor of such financial institution, for the
24 total amount due the employees involved, and written directions
25 provided to such financial institution of the amount to be credited to
26 the account of an employee or to be transferred to an account in
27 another financial institution for such employee. The issuance and
28 delivery by the disbursing officer of a warrant in accordance with the
29 procedure set forth herein and proper indorsement thereof by the
30 financial institution shall have the same legal effect as payment
31 directly to the employee.

32 For the purposes of this section "financial institution" means any
33 bank or trust company established in this state pursuant to chapter 2,
34 Title 12, United States Code, or Title 30 RCW, and any credit union
35 established in this state pursuant to chapter 14, Title 12, United
36 States Code, or chapter 31.12 RCW, and any mutual savings bank
37 established in this state pursuant to Title 32 RCW, and any savings and

1 loan association established in this state pursuant to chapter 12,
2 Title 12, United States Code, or Title 33 RCW.

3 **Sec. 4.** RCW 28B.10.029 and 2011 1st sp.s. c 43 s 303 and 2011 c
4 198 s 1 are each reenacted and amended to read as follows:

5 (1)(a) An institution of higher education may exercise
6 independently those powers otherwise granted to the director of
7 enterprise services in chapter 43.19 RCW in connection with the
8 purchase and disposition of all material, supplies, services, and
9 equipment needed for the support, maintenance, and use of the
10 respective institution of higher education.

11 (b) Property disposition policies followed by institutions of
12 higher education shall be consistent with policies followed by the
13 department of enterprise services.

14 (c)(i) Except as provided in (c)(ii) and (iii) of this subsection,
15 purchasing policies and procedures followed by institutions of higher
16 education shall be in compliance with chapters 39.19, 39.29, and 43.03
17 RCW, and RCW 43.19.1901, 43.19.1906, 43.19.1911, 43.19.1917,
18 43.19.1937, 43.19.685, 43.19.700 through 43.19.704, and 43.19.560
19 through 43.19.637.

20 (ii) Institutions of higher education may use all appropriate means
21 for making and paying for travel arrangements including, but not
22 limited to, electronic booking and reservations, advance payment and
23 deposits for tours, lodging, and other necessary expenses, and other
24 travel transactions based on standard industry practices and federal
25 accountable plan requirements. Such arrangements shall support
26 student, faculty, staff, and other participants' travel, by groups and
27 individuals, both domestic and international, in the most cost-
28 effective and efficient manner possible, regardless of the source of
29 funds.

30 (iii) Formal sealed, electronic, or web-based competitive bidding
31 is not necessary for purchases or personal services contracts by
32 institutions of higher education for less than one hundred thousand
33 dollars. However, for purchases and personal services contracts of ten
34 thousand dollars or more and less than one hundred thousand dollars,
35 quotations must be secured from at least three vendors to assure
36 establishment of a competitive price and may be obtained by telephone,
37 electronic, or written quotations, or any combination thereof. As part

1 of securing the three vendor quotations, institutions of higher
2 education must invite at least one quotation each from a certified
3 minority and a certified woman-owned vendor that otherwise qualifies to
4 perform the work. A record of competition for all such purchases and
5 personal services contracts of ten thousand dollars or more and less
6 than one hundred thousand dollars must be documented for audit
7 purposes.

8 (d) Purchases under chapter 39.29, 43.19, or 43.105 RCW by
9 institutions of higher education may be made by using contracts for
10 materials, supplies, services, or equipment negotiated or entered into
11 by, for, or through group purchasing organizations.

12 (e) The community and technical colleges shall comply with RCW
13 43.19.450.

14 (f) Except for the University of Washington, institutions of higher
15 education shall comply with RCW 43.19.769, 43.19.763, and 43.19.781.

16 (g) If an institution of higher education can satisfactorily
17 demonstrate to the director of the office of financial management that
18 the cost of compliance is greater than the value of benefits from any
19 of the following statutes, then it shall be exempt from them: RCW
20 43.19.685 and 43.19.637.

21 (h) Any institution of higher education that chooses to exercise
22 independent purchasing authority for a commodity or group of
23 commodities shall notify the director of enterprise services.
24 Thereafter the director of enterprise services shall not be required to
25 provide those services for that institution for the duration of the
26 enterprise services contract term for that commodity or group of
27 commodities.

28 (2) The council of presidents and the state board for community and
29 technical colleges shall convene its correctional industries business
30 development advisory committee, and work collaboratively with
31 correctional industries, to:

32 (a) Reaffirm purchasing criteria and ensure that quality, service,
33 and timely delivery result in the best value for expenditure of state
34 dollars;

35 (b) Update the approved list of correctional industries products
36 from which higher education shall purchase; and

37 (c) Develop recommendations on ways to continue to build

1 correctional industries' business with institutions of higher
2 education.

3 (3) Higher education and correctional industries shall develop a
4 plan to build higher education business with correctional industries to
5 increase higher education purchases of correctional industries
6 products, based upon the criteria established in subsection (2) of this
7 section. The plan shall include the correctional industries'
8 production and sales goals for higher education and an approved list of
9 products from which higher education institutions shall purchase, based
10 on the criteria established in subsection (2) of this section. Higher
11 education and correctional industries shall report to the legislature
12 regarding the plan and its implementation no later than January 30,
13 2005.

14 (4)(a) Institutions of higher education shall set as a target to
15 contract, beginning not later than June 30, 2006, to purchase one
16 percent of the total goods and services required by the institutions
17 each year produced or provided in whole or in part from class II inmate
18 work programs operated by the department of corrections. Institutions
19 of higher education shall set as a target to contract, beginning not
20 later than June 30, 2008, to purchase two percent of the total goods
21 and services required by the institutions each year produced or
22 provided in whole or in part from class II inmate work programs
23 operated by the department of corrections.

24 (b) Institutions of higher education shall endeavor to assure the
25 department of corrections has notifications of bid opportunities with
26 the goal of meeting or exceeding the purchasing target in (a) of this
27 subsection.

28 NEW SECTION. **Sec. 5.** By January 1, 2017, institutions of higher
29 education as defined in RCW 28B.10.016 must report to the legislature
30 and the governor on: (1) The amount of savings resulting from use of
31 the higher education provisions of this act; and (2) the manner in
32 which such savings were used to promote student academic success.

33 **Sec. 6.** RCW 28B.15.031 and 2011 1st sp.s. c 10 s 2 and 2011 c 274
34 s 2 are each reenacted and amended to read as follows:

35 (1) The term "operating fees" as used in this chapter shall include
36 the fees, other than building fees, charged all students registering at

1 the state's colleges and universities but shall not include fees for
2 short courses, self-supporting degree credit programs and courses,
3 marine station work, experimental station work, correspondence or
4 extension courses, and individual instruction and student deposits or
5 rentals, disciplinary and library fines, which colleges and
6 universities shall have the right to impose, laboratory, gymnasium,
7 health, technology and student activity fees, or fees, charges,
8 rentals, and other income derived from any or all revenue producing
9 lands, buildings and facilities of the colleges or universities
10 heretofore or hereafter acquired, constructed or installed, including
11 but not limited to income from rooms, dormitories, dining rooms,
12 hospitals, infirmaries, housing or student activity buildings,
13 vehicular parking facilities, land, or the appurtenances thereon, or
14 such other special fees as may be established by any college or
15 university board of trustees or regents from time to time. All moneys
16 received as operating fees at any institution of higher education shall
17 be deposited in a local account containing only operating fees revenue
18 and related interest: PROVIDED, That a minimum of five percent of
19 operating fees shall be retained by the four-year institutions of
20 higher education that increase tuition for resident undergraduate
21 students above assumed tuition increases in the omnibus appropriations
22 act, a minimum of four percent of operating fees shall be retained by
23 four-year institutions of higher education that do not increase tuition
24 for resident undergraduates above assumed increases in the omnibus
25 appropriations act, and a minimum of three and one-half percent of
26 operating fees shall be retained by the community and technical
27 colleges for the purposes of RCW 28B.15.820. At least thirty percent
28 of operating fees required to be retained by the four-year institutions
29 for purposes of RCW 28B.15.820 shall be used only for the purposes of
30 RCW 28B.15.820(10).

31 (2) In addition to the three and one-half percent of operating fees
32 retained by the institutions under subsection (1) of this section, up
33 to three percent of operating fees charged to students at community and
34 technical colleges shall be transferred to the community and technical
35 college innovation account for the implementation of the college
36 board's strategic technology plan in RCW 28B.50.515. The percentage to
37 be transferred to the community and technical college innovation

1 account shall be determined by the college board each year but shall
2 not exceed three percent of the operating fees collected each year.

3 (3) Local operating fee accounts shall not be subject to
4 appropriation by the legislature (~~((or))~~) but shall be subject to
5 allotment procedures by budget program and fiscal year under chapter
6 43.88 RCW.

7 **Sec. 7.** RCW 43.88.150 and 2011 1st sp.s. c 50 s 948 are each
8 amended to read as follows:

9 (1) For those agencies that make expenditures from both
10 appropriated and nonappropriated funds for the same purpose, the
11 governor shall direct such agencies to charge their expenditures in
12 such ratio, as between appropriated and nonappropriated funds, as will
13 conserve appropriated funds. (~~((This subsection does not apply to))~~) For
14 institutions of higher education, as defined in RCW 28B.10.016,
15 (~~((except during the 2011-2013 fiscal biennium))~~) this subsection applies
16 only to operating fee accounts.

17 (2) Unless otherwise provided by law, if state moneys are
18 appropriated for a capital project and matching funds or other
19 contributions are required as a condition of the receipt of the state
20 moneys, the state moneys shall be disbursed in proportion to and only
21 to the extent that the matching funds or other contributions have been
22 received and are available for expenditure.

23 (3) The office of financial management shall adopt guidelines for
24 the implementation of this section. The guidelines may account for
25 federal matching requirements or other requirements to spend other
26 moneys in a particular manner.

Passed by the House March 7, 2012.
Passed by the Senate February 29, 2012.
Approved by the Governor 03/30/12, with the exception of certain
items that were vetoed.
Filed in Office of Secretary of State March 30, 2012.

Note: Governor's explanation of partial veto is as follows:

"I am returning herewith, without my approval as to Section 2, Third
Substitute House Bill 2585 entitled:

"AN ACT Relating to creating efficiencies for institutions of
higher education."

Section 2 allows institutions of higher education to implement higher
education health care special pay plans without the approval of the
State Human Resources Director. Higher education health care special
pay plans have existed for many years and the institutions do an
excellent job in demonstrating the need for special pay ranges to be
competitive with positions of a similar nature in the locality of the
institutions. However, review of special pay plans by the State Human

Resources Director prior to implementation is a necessary step to assess the impact of special pay ranges to the state's compensation structure. Only the State Human Resources Director can provide this enterprise wide perspective.

For this reason, I am vetoing Section 2 of Third Substitute House Bill 2585.

However, I appreciate the needs of institutions to find efficiencies in this process. Therefore, I am directing the State Human Resources Director to work with institutions of higher education to identify opportunities at the administrative level to streamline the process for reviewing special pay plans.

With the exception of Section 2, Third Substitute House Bill 2585 is approved."