GARY LOCKE
Governor

STATE OF WASHINGTON
OFFICE OF THE GOVERNOR
*P.O. Box 40002 • Olympia, Washington 98504-0002 • (360) 753-6780 • www.governor.wa.gov*

June 26, 2003

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 141, lines 25-30; 148(2); 203(7); 203(10); 203(12); 204(1)(e); 204(1)(h); 205(1)(h); 209(12); 217(1); 308(14), lines 18-22; 501(2)(a)(iv); 717; and 724 of Engrossed Substitute Senate Bill 5404 entitled:

"AN ACT Relating to fiscal matters;"

Engrossed Substitute Senate Bill No. 5404 is the state operating budget for the 2003-2005 Biennium. I have vetoed several provisions as described below:

**Section 141, Page 23, Lines 25-30, Motor Pool (Department of General Administration)**
This proviso would have limited the purchase or lease of additional vehicles for the state motor pool unless deemed necessary for safety. The core business of the Department of General Administration (GA) Motor Pool is to provide passenger vehicles for state agencies at a price that is cheaper than other state agency in-house motor pools or private vehicle rental car businesses. As budgets shrink, GA will need to maintain a cost-effective vehicle replacement schedule in order to ensure low maintenance costs and high vehicle re-sale value.

**Section 148(2), Page 27, Reimbursement for Travel (Washington Utilities and Transportation Commission)**
This proviso would have allowed the Washington Utilities and Transportation Commission (WUTC) to accept reimbursement from the companies it regulates to allow WUTC employees to travel to multi-state regulatory meetings. This directive is contrary to a prohibition in the State Ethics Act, RCW 42.52.150(4)(g). Regardless, WUTC needs to develop policies for non-state reimbursement of state travel as required by the State Administrative and Accounting Manual Section 10.20.60.

**Section 203(7), Page 35, Co-Occurring Pilot Project (Department of Social and Health Services – Juvenile Rehabilitation Administration)**
Section 203(7) would have required that $1,478,000 from the Federal Juvenile Accountability Incentive Block Grant be used for continuation of the Co-Occurring Disorder Pilot Project. This project provides post-release planning and treatment of juvenile offenders with co-occurring disorders. The block grant was reduced for federal fiscal years 2003 and 2004. The state only has flexibility with respect to 25 percent of the federal funds received under the Juvenile Accountability Incentive Block Grant, which is less than the amount the proviso directs towards

the post-release planning pilot program. Because the pool of eligible youth for these services will not necessarily require the full amount as appropriated, I am directing the Juvenile Rehabilitation Administration to continue the pilot, provide youth the post-release planning and treatment services needed, and utilize any remaining funds for other program requirements.

**Section 203(10), Page 36, Transfer of Funds to Counties for Juvenile Services and Semi-Annual Report to Legislature (Department of Social and Health Services – Juvenile Rehabilitation Administration)**

This proviso would have allowed the department to develop a funding distribution formula in consultation with juvenile court administrators and would have required a semi-annual report to the Legislature. I am directing the department to continue to coordinate with the court administrators to determine an appropriate distribution formula. However, this language creates a new reporting requirement for DSHS at a time when we are seeking ways to reduce reporting requirements in order to maximize limited staff resources; therefore, I have vetoed this subsection.

**Section 203(12), Page 37, Allotment and Expenditure Reporting (Department of Social and Health Services – Juvenile Rehabilitation Administration)**

Section 203(12) would have directed the Juvenile Rehabilitation Administration to allot and expend funds consistent with the category and budget unit structure submitted to the Legislative Evaluation and Accountability Program committee. This direction is consistent with current department-wide practices and is therefore not needed.

**Section 204(1)(e), Page 39, New Six-Year Regional Support Network (RSN) Funding Formula (Department of Social and Health Services – Mental Health Program)**

This proviso language could have been construed as restarting the implementation of the current RSN funding phase-in schedule, which has already been in place for two years. In addition, the department is required to comply with the federal Basic Budget Act that would actuarially adjust payment rates for community mental health services in its 2003-05 contracts with RSNs. My veto of this section will provide DSHS the flexibility to comply with federal requirements and continue the implementation of the new payment formula as originally scheduled.

**Section 204(1)(h), Page 40, Regional Support Network Administrative (RSN) Cost Limit (Department of Social and Health Services – Mental Health Program)**

This proviso would have limited state funding for RSN administrative costs to 10 percent of total funding. While one of the goals of my administration is to increase efficiencies and lower administrative costs, this approach is too broad and does not allow for differing circumstances among the regional support networks and their vendors, particularly in rural areas. Although I concur with the intent of the proviso, I have vetoed this section and direct DSHS to continue its ongoing efforts to work with the regional support networks to identify ways to deliver community mental health services in the most efficient manner.

**Section 205(1)(h), Page 44, Consultation with Representative Stakeholders (Department of Social and Health Services – Developmental Disabilities Program)**

This proviso would have required DSHS to identify redundant and unnecessary rules related to residential services for the developmentally disabled in consultation with service providers and clients. Without additional resources, I am concerned about the additional workload of a structured review requirement with providers and clients. Therefore, I have vetoed this section, but direct DSHS to continue its ongoing effort to remove redundant and unnecessary rules using the processes and procedures currently in place.

**Section 209(12), Page 53, Report to the Legislature on the Projected Value of Drug Manufacturers' Supplemental (Department of Social and Health Services – Medical Assistance Administration)**

This proviso would have required DSHS to separately track the total amount of supplemental rebates obtained from drug manufacturers, and compile a report thereon. Medical Assistance currently uses supplemental rebates to offset total expenditures. These amounts allow for the management of the budget within fiscal year requirements. Decisions about retail pharmacy reimbursement rates should continue to be treated in a manner consistent with all other provider rates – that is, as a separate policy step occurring in the context of all other budget decisions. I have vetoed this section with the expectation that the department will track supplemental drug rebates and be prepared to respond to questions about the value of those rebates, even though a formal report will not be required.

**Section 217(1), Page 61, Crime Victims Compensation Program (Department of Labor and Industries)**

This proviso would have limited the Department of Labor and Industries' ability to administer the Crime Victims Compensation program. The budget includes adequate funding for the program, however, this subsection restricts the use of these funds in a way that would delay claim decisions for crime victim benefits, slow the processing of medical payments and potentially reduce or delay the collections of restitution meant to offset costs. The Department will take actions necessary to keep administrative costs at the lowest level possible.

**Section 308(14), Page 90, Lines 18-22, beginning with "It is the intent . . .", SDS Lumber Company Settlement (Department of Natural Resources)**

Section 308(14) provides $2.7 million GF-S to the Department of Natural Resources (DNR) to acquire 232 acres of land and timber in Klickitat County from the SDS Lumber Company as part of a legal settlement. The proviso further requires DNR to recover through timber sales or federal grants, the $2.7 million GF-S during the 2003-05 biennium, stating that if DNR is unsuccessful, the Legislature intends to reduce expenditures in DNR's Forest Practices Program for 2005-07 by the amount not recovered. I am vetoing the intent section of this proviso, which improperly attempts to bind the actions of a future legislature. Further, I believe this settlement is a one-time event limited to the facts of the specific case, and not an administrative precedent.

**Section 501(2)(a)(iv), Page 97, Federal Appropriation Transfer for Teen Aware Program (Office of the Superintendent of Public Instruction – Statewide Programs)**

This subsection would have required the transfer of $400,000 of federal appropriation from the Department of Health (DOH) to the Office of the Superintendent of Public Instruction (OSPI) for the Teen Aware Program. Teen Aware is a program of student-produced media campaigns to promote sexual abstinence. Administration of Teen Aware has depended on a state match to the OSPI that is eliminated in the budget act. At the request of Superintendent Bergeson, I have vetoed this federal transfer, thereby reverting the appropriation back to DOH to promote sexual abstinence. I am directing the DOH to work with OSPI to explore options to continue involving students in the production of effective abstinence messages for young adults.

**Section 717, Page 163, Agency Expenditures for Travel, Equipment, and Personal Service Contracts**

This section would have required that the Office of Financial Management reduce agency allotments by a dollar amount based on the previous year's travel, equipment, and personal service contract expenditures. The Legislature has already added to my proposed staffing and efficiency cuts with further reductions in individual agency budgets. This additional cut is especially difficult for small and medium agencies to absorb without directly affecting client

services. Furthermore, because the reduction only applies to General Fund-State dollars, it is not evenly applied to higher education institutions and other agencies that support travel, equipment and contracts with tuition or other non-state fund sources.

**Section 724, Page 171, Agency Expenditures for Legislative Liaisons**
In this proviso, the Legislature would have prohibited the use of appropriated funds for legislative liaison positions in higher education institutions and other state agencies, and eliminates related General Fund-State dollars. I am concerned that this restriction will unduly limit the ability of agencies to respond to legislative inquiries. Furthermore, some legislative liaisons are responsible for constituent and client relations for their agencies.

For these reasons, I have vetoed sections 141, lines 25-30; 148(2); 203(7); 203(10); 203(12); 204(1)(e); 204(1)(h); 205(1)(h); 209(12); 217(1); 308(14), lines 18-22; 501(2)(a)(iv); 717; and 724 of Engrossed Substitute Senate Bill No. 5404.

With the exception of sections 141, lines 25-30; 148(2); 203(7); 203(10); 203(12); 204(1)(e); 204(1)(h); 205(1)(h); 209(12); 217(1); 308(14), lines 18-22; 501(2)(a)(iv); 717; and 724 as specified above, Engrossed Substitute Senate Bill No. 5404 is approved.

Respectfully submitted,

Gary Locke
Governor