
SENATE BILL 6470

State of Washington

52nd Legislature

1992 Regular Session

By Senators McDonald, Anderson, Bailey, Nelson, Madsen, McCaslin, Owen, Matson, Oke, Rasmussen, Hayner, Cantu, Metcalf, L. Smith, Newhouse, Amondson, West, Craswell, Sellar, Patterson, Stratton, Thorsness and Barr

Read first time 02/03/92. Referred to Committee on Ways & Means.

1 AN ACT Relating to an emergency reserve fund; amending RCW
2 43.84.092, 43.88.020, and 43.88.160; adding a new section to chapter
3 43.88 RCW; creating a new section; repealing RCW 43.88.520, 43.88.525,
4 43.88.530, 43.88.535, and 43.88.540; providing an effective date; and
5 providing for submission of this act to a vote of the people.

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

7 NEW SECTION. **Sec. 1.** A new section is added to chapter 43.88 RCW
8 to read as follows:

9 The state treasurer shall transfer into an emergency reserve fund
10 one-half of one percent of general fund--state revenue collections from
11 July 1, 1993, through June 30, 1994, one percent from July 1, 1994,
12 through June 30, 1995, and one and one-half percent each fiscal year
13 thereafter. During any fiscal biennium, the accumulated balance in the
14 fund shall never exceed the equivalent of five percent of that

1 biennium's general fund--state revenues. Any balance in excess of five
2 percent and any earnings shall be transferred by the state treasurer to
3 the education construction account, hereby created in the state
4 treasury, for use after appropriation for construction of common school
5 and higher educational facilities.

6 All appropriations from the emergency reserve fund shall be
7 pursuant to a declaration of emergency by the governor and approval by
8 two-thirds of the membership of each house of the legislature.

9 NEW SECTION. **Sec. 2.** Any moneys in the budget stabilization
10 account under RCW 43.88.525 on the effective date of this act shall be
11 transferred to the emergency reserve fund created by section 1 of this
12 act.

13 **Sec. 3.** RCW 43.84.092 and 1991 sp.s. c 13 s 57 are each amended to
14 read as follows:

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

18 (2) Monthly, the state treasurer shall distribute the earnings
19 credited to the treasury income account. The state treasurer shall
20 credit the general fund with all the earnings credited to the treasury
21 income account except:

22 (a) The following accounts and funds shall receive their
23 proportionate share of earnings based upon each account's and fund's
24 average daily balance for the period: The capitol building
25 construction account, the Cedar River channel construction and
26 operation account, the Central Washington University capital projects
27 account, the charitable, educational, penal and reformatory
28 institutions account, the common school construction fund, the county

1 criminal justice assistance account, the county sales and use tax
2 equalization account, the deferred compensation administrative account,
3 the deferred compensation principal account, the department of
4 retirement systems expense account, the Eastern Washington University
5 capital projects account, the federal forest revolving account, the
6 industrial insurance premium refund account, the judges' retirement
7 account, the judicial retirement administrative account, the judicial
8 retirement principal account, the local leasehold excise tax account,
9 the local sales and use tax account, the medical aid account, the
10 municipal criminal justice assistance account, the municipal sales and
11 use tax equalization account, the natural resources deposit account,
12 the perpetual surveillance and maintenance account, the public
13 employees' retirement system plan I account, the public employees'
14 retirement system plan II account, the Puyallup tribal settlement
15 account, the resource management cost account, the site closure
16 account, the special wildlife account, the state employees' insurance
17 account, the state employees' insurance reserve account, the state
18 investment board expense account, the state investment board commingled
19 trust fund accounts, the supplemental pension account, the teachers'
20 retirement system plan I account, the teachers' retirement system plan
21 II account, the University of Washington bond retirement fund, the
22 University of Washington building account, the volunteer fire fighters'
23 relief and pension principal account, the volunteer fire fighters'
24 relief and pension administrative account, the Washington judicial
25 retirement system account, the Washington law enforcement officers' and
26 fire fighters' system plan I retirement account, the Washington law
27 enforcement officers' and fire fighters' system plan II retirement
28 account, the Washington state patrol retirement account, the Washington
29 State University building account, the Washington State University bond
30 retirement fund, and the Western Washington University capital projects

1 account. Earnings derived from investing balances of the agricultural
2 permanent fund, the normal school permanent fund, the permanent common
3 school fund, the scientific permanent fund, and the state university
4 permanent fund shall be allocated to their respective beneficiary
5 accounts. All earnings to be distributed under this subsection (2)(a)
6 shall first be reduced by the allocation to the state treasurer's
7 service ((~~account~~ {~~fund~~}) fund) pursuant to RCW 43.08.190.

8 (b) The following accounts and funds shall receive eighty percent
9 of their proportionate share of earnings based upon each account's or
10 fund's average daily balance for the period: The central Puget Sound
11 public transportation account, the city hardship assistance account,
12 the county arterial preservation account, the economic development
13 account, the essential rail assistance account, the essential rail
14 banking account, the ferry bond retirement fund, the grade crossing
15 protective fund, the high capacity transportation account, the highway
16 bond retirement fund, the highway construction stabilization account,
17 the highway safety account, the motor vehicle fund, the motorcycle
18 safety education account, the pilotage account, the public
19 transportation systems account, the Puget Sound capital construction
20 account, the Puget Sound ferry operations account, the recreational
21 vehicle account, the rural arterial trust account, the special category
22 C account, the state patrol highway account, the transfer relief
23 account, the transportation capital facilities account, the
24 transportation equipment fund, the transportation fund, the
25 transportation improvement account, and the urban arterial trust
26 account.

27 (c) Earnings of the emergency reserve fund shall be credited to the
28 education construction account pursuant to section 1 of this act.

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

4 **Sec. 4.** RCW 43.88.020 and 1991 c 358 s 6 are each amended to read
5 as follows:

6 (1) "Budget" means a proposed plan of expenditures for a given
7 period or purpose and the proposed means for financing these
8 expenditures.

9 (2) "Budget document" means a formal, written statement offered by
10 the governor to the legislature, as provided in RCW 43.88.030.

11 (3) "Director of financial management" means the official appointed
12 by the governor to serve at the governor's pleasure and to whom the
13 governor may delegate necessary authority to carry out the governor's
14 duties as provided in this chapter. The director of financial
15 management shall be head of the office of financial management which
16 shall be in the office of the governor.

17 (4) "Agency" means and includes every state office, officer, each
18 institution, whether educational, correctional or other, and every
19 department, division, board and commission, except as otherwise
20 provided in this chapter.

21 (5) "Public funds", for purposes of this chapter, means all moneys,
22 including cash, checks, bills, notes, drafts, stocks, and bonds,
23 whether held in trust, for operating purposes, or for capital purposes,
24 and collected or disbursed under law, whether or not such funds are
25 otherwise subject to legislative appropriation, including funds
26 maintained outside the state treasury.

27 (6) "Regulations" means the policies, standards, and requirements,
28 stated in writing, designed to carry out the purposes of this chapter,

1 as issued by the governor or the governor's designated agent, and which
2 shall have the force and effect of law.

3 (7) "Ensuing biennium" means the fiscal biennium beginning on July
4 1st of the same year in which a regular session of the legislature is
5 held during an odd-numbered year pursuant to Article II, section 12 of
6 the Constitution and which biennium next succeeds the current biennium.

7 (8) "Dedicated fund" means a fund in the state treasury, or a
8 separate account or fund in the general fund in the state treasury,
9 that by law is dedicated, appropriated or set aside for a limited
10 object or purpose; but "dedicated fund" does not include a revolving
11 fund or a trust fund.

12 (9) "Revolving fund" means a fund in the state treasury,
13 established by law, from which is paid the cost of goods or services
14 furnished to or by a state agency, and which is replenished through
15 charges made for such goods or services or through transfers from other
16 accounts or funds.

17 (10) "Trust fund" means a fund in the state treasury in which
18 designated persons or classes of persons have a vested beneficial
19 interest or equitable ownership, or which was created or established by
20 a gift, grant, contribution, devise, or bequest that limits the use of
21 the fund to designated objects or purposes.

22 (11) "Administrative expenses" means expenditures for: (a)
23 Salaries, wages, and related costs of personnel and (b) operations and
24 maintenance including but not limited to costs of supplies, materials,
25 services, and equipment.

26 (12) "Fiscal year" means the year beginning July 1st and ending the
27 following June 30th.

28 (13) "Lapse" means the termination of authority to expend an
29 appropriation.

1 (14) "Legislative fiscal committees" means the legislative budget
2 committee, the legislative evaluation and accountability program
3 committee, the ways and means committees of the senate and house of
4 representatives, and, where appropriate, the legislative transportation
5 committee.

6 (15) "Fiscal period" means the period for which an appropriation is
7 made as specified within the act making the appropriation.

8 (16) "Primary budget driver" means the primary determinant of a
9 budget level, other than a price variable, which causes or is
10 associated with the major expenditure of an agency or budget unit
11 within an agency, such as a caseload, enrollment, workload, or
12 population statistic.

13 ~~((17) ("Stabilization account" means the budget stabilization
14 account created under RCW 43.88.525 as an account in the general fund
15 of the state treasury.~~

16 ~~((18))~~ "State tax revenue limit" means the limitation created by
17 chapter 43.135 RCW.

18 ~~((19))~~ (18) "General state revenues" means the revenues defined
19 by Article VIII, section 1(c) of the state Constitution.

20 ~~((20))~~ (19) "Annual growth rate in real personal income" means
21 the estimated percentage growth in personal income for the state during
22 the current fiscal year, expressed in constant value dollars, as
23 published by the office of financial management or its successor
24 agency.

25 ~~((21))~~ (20) "Estimated revenues" means estimates of revenue in
26 the most recent official economic and revenue forecast prepared under
27 RCW 82.33.020, and prepared by the office of financial management for
28 those funds, accounts, and sources for which the office of the economic
29 and revenue forecast council does not prepare an official forecast
30 including estimates of revenues to support financial plans under RCW

1 44.40.070, that are prepared by the office of financial management in
2 consultation with the interagency task force.

3 ~~((22))~~ (21) "Estimated receipts" means the estimated receipt of
4 cash in the most recent official economic and revenue forecast prepared
5 under RCW 82.33.020, and prepared by the office of financial management
6 for those funds, accounts, and sources for which the office of the
7 economic and revenue forecast council does not prepare an official
8 forecast.

9 ~~((23))~~ (22) "State budgeting, accounting, and reporting system"
10 means a system that gathers, maintains, and communicates fiscal
11 information. The system links fiscal information beginning with
12 development of agency budget requests through adoption of legislative
13 appropriations to tracking actual receipts and expenditures against
14 approved plans.

15 ~~((24))~~ (23) "Allotment of appropriation" means the agency's
16 statement of proposed expenditures, the director of financial
17 management's review of that statement, and the placement of the
18 approved statement into the state budgeting, accounting, and reporting
19 system.

20 ~~((25))~~ (24) "Statement of proposed expenditures" means a plan
21 prepared by each agency that breaks each appropriation out into monthly
22 detail representing the best estimate of how the appropriation will be
23 expended.

24 ~~((26))~~ (25) "Undesignated fund balance (or deficit)" means
25 unreserved and undesignated current assets or other resources available
26 for expenditure over and above any current liabilities which are
27 expected to be incurred by the close of the fiscal period.

28 **Sec. 5.** RCW 43.88.160 and 1991 c 358 s 4 are each amended to read
29 as follows:

1 This section sets forth the major fiscal duties and
2 responsibilities of officers and agencies of the executive branch. The
3 regulations issued by the governor pursuant to this chapter shall
4 provide for a comprehensive, orderly basis for fiscal management and
5 control, including efficient accounting and reporting therefor, for the
6 executive branch of the state government and may include, in addition,
7 such requirements as will generally promote more efficient public
8 management in the state.

9 (1) Governor; director of financial management. The governor,
10 through the director of financial management, shall devise and
11 supervise a modern and complete accounting system for each agency to
12 the end that all revenues, expenditures, receipts, disbursements,
13 resources, and obligations of the state shall be properly and
14 systematically accounted for. The accounting system shall include the
15 development of accurate, timely records and reports of all financial
16 affairs of the state. The system shall also provide for central
17 accounts in the office of financial management at the level of detail
18 deemed necessary by the director to perform central financial
19 management. The director of financial management shall adopt and
20 periodically update an accounting procedures manual. Any agency
21 maintaining its own accounting and reporting system shall comply with
22 the updated accounting procedures manual and the rules of the director
23 adopted under this chapter. An agency may receive a waiver from
24 complying with this requirement if the waiver is approved by the
25 director. Waivers expire at the end of the fiscal biennium for which
26 they are granted. The director shall forward notice of waivers granted
27 to the appropriate legislative fiscal committees. The director of
28 financial management may require such financial, statistical, and other
29 reports as the director deems necessary from all agencies covering any
30 period.

1 (2) The director of financial management is responsible for
2 quarterly reporting of primary operating budget drivers such as
3 applicable workloads, caseload estimates, and appropriate unit cost
4 data. These reports shall be transmitted to the legislative fiscal
5 committees or by electronic means to the legislative evaluation and
6 accountability program committee. Quarterly reports shall include
7 actual monthly data and the variance between actual and estimated data
8 to date. The reports shall also include estimates of these items for
9 the remainder of the budget period.

10 (3) The director of financial management shall report at least
11 annually to the appropriate legislative committees regarding the status
12 of all appropriated capital projects, including transportation
13 projects, showing significant cost overruns or underruns. If funds are
14 shifted from one project to another, the office of financial management
15 shall also reflect this in the annual variance report. Once a project
16 is complete, the report shall provide a final summary showing estimated
17 start and completion dates of each project phase compared to actual
18 dates, estimated costs of each project phase compared to actual costs,
19 and whether or not there are any outstanding liabilities or unsettled
20 claims at the time of completion.

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

23 (a) Make surveys and analyses of agencies with the object of
24 determining better methods and increased effectiveness in the use of
25 manpower and materials; and the director shall authorize expenditures
26 for employee training to the end that the state may benefit from
27 training facilities made available to state employees;

28 (b) Report to the governor with regard to duplication of effort or
29 lack of coordination among agencies;

1 (c) Review any pay and classification plans, and changes
2 thereunder, developed by any agency for their fiscal impact: PROVIDED,
3 That none of the provisions of this subsection shall affect merit
4 systems of personnel management now existing or hereafter established
5 by statute relating to the fixing of qualifications requirements for
6 recruitment, appointment, or promotion of employees of any agency. The
7 director shall advise and confer with agencies including appropriate
8 standing committees of the legislature as may be designated by the
9 speaker of the house and the president of the senate regarding the
10 fiscal impact of such plans and may amend or alter said plans, except
11 that for the following agencies no amendment or alteration of said
12 plans may be made without the approval of the agency concerned:
13 Agencies headed by elective officials;

14 (d) Fix the number and classes of positions or authorized man years
15 of employment for each agency and during the fiscal period amend the
16 determinations previously fixed by the director except that the
17 director shall not be empowered to fix said number or said classes for
18 the following: Agencies headed by elective officials;

19 ~~((Provide for transfers and repayments between the budget
20 stabilization account and the general fund as directed by appropriation
21 and RCW 43.88.525 through 43.88.540;~~

22 ~~(f))~~) Promulgate regulations to effectuate provisions contained in
23 subsections (a) through ~~((e))~~ (d) hereof.

24 (5) The treasurer shall:

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

1 (b) Disburse public funds under the treasurer's supervision or
2 custody by warrant or check;

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

5 (d) Perform such other duties as may be required by law or by
6 regulations issued pursuant to this law.

7 It shall be unlawful for the treasurer to issue any warrant or
8 check for public funds in the treasury except upon forms duly
9 prescribed by the director of financial management. Said forms shall
10 provide for authentication and certification by the agency head or the
11 agency head's designee that the services have been rendered or the
12 materials have been furnished; or, in the case of loans or grants, that
13 the loans or grants are authorized by law; or, in the case of payments
14 for periodic maintenance services to be performed on state owned
15 equipment, that a written contract for such periodic maintenance
16 services is currently in effect and copies thereof are on file with the
17 office of financial management; and the treasurer shall not be liable
18 under the treasurer's surety bond for erroneous or improper payments so
19 made: PROVIDED, That when services are lawfully paid for in advance of
20 full performance by any private individual or business entity other
21 than as provided for by RCW 42.24.035, such individual or entity other
22 than central stores rendering such services shall make a cash deposit
23 or furnish surety bond coverage to the state as shall be fixed in an
24 amount by law, or if not fixed by law, then in such amounts as shall be
25 fixed by the director of the department of general administration but
26 in no case shall such required cash deposit or surety bond be less than
27 an amount which will fully indemnify the state against any and all
28 losses on account of breach of promise to fully perform such services:
29 AND PROVIDED FURTHER, That no payments shall be made in advance for any
30 equipment maintenance services to be performed more than three months

1 after such payment. Any such bond so furnished shall be conditioned
2 that the person, firm or corporation receiving the advance payment will
3 apply it toward performance of the contract. The responsibility for
4 recovery of erroneous or improper payments made under this section
5 shall lie with the agency head or the agency head's designee in
6 accordance with regulations issued pursuant to this chapter. Nothing
7 in this section shall be construed to permit a public body to advance
8 funds to a private service provider pursuant to a grant or loan before
9 services have been rendered or material furnished.

10 (6) The state auditor shall:

11 (a) Report to the legislature the results of current post audits
12 that have been made of the financial transactions of each agency; to
13 this end the auditor may, in the auditor's discretion, examine the
14 books and accounts of any agency, official or employee charged with the
15 receipt, custody or safekeeping of public funds. The current post
16 audit of each agency may include a section on recommendations to the
17 legislature as provided in (c) of this subsection.

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

20 (c) Make the auditor's official report on or before the thirty-
21 first of December which precedes the meeting of the legislature. The
22 report shall be for the last complete fiscal period and shall include
23 at least the following:

24 Determinations as to whether agencies, in making expenditures,
25 complied with the laws of this state: PROVIDED, That nothing in this
26 section may be construed to grant the state auditor the right to
27 perform performance audits. A performance audit for the purpose of
28 this section is the examination of the effectiveness of the
29 administration, its efficiency, and its adequacy in terms of the
30 programs of departments or agencies as previously approved by the

1 legislature. The authority and responsibility to conduct such an
2 examination shall be vested in the legislative budget committee as
3 prescribed in RCW 44.28.085.

4 (d) Be empowered to take exception to specific expenditures that
5 have been incurred by any agency or to take exception to other
6 practices related in any way to the agency's financial transactions and
7 to cause such exceptions to be made a matter of public record,
8 including disclosure to the agency concerned and to the director of
9 financial management. It shall be the duty of the director of
10 financial management to cause corrective action to be taken promptly,
11 such action to include, as appropriate, the withholding of funds as
12 provided in RCW 43.88.110.

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

14 (7) The legislative budget committee may:

15 (a) Make post audits of the financial transactions of any agency
16 and management surveys and program reviews as provided for in RCW
17 44.28.085. To this end the committee may in its discretion examine the
18 books, accounts, and other records of any agency, official, or
19 employee.

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

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

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

29 (ii) Such plans as it deems expedient for the support of the
30 state's credit, for lessening expenditures, for promoting frugality and

1 economy in agency affairs and generally for an improved level of fiscal
2 management.

3 NEW SECTION. **Sec. 6.** The followings acts or parts of acts are
4 each repealed:

5 (1) RCW 43.88.520 and 1981 c 280 s 1;

6 (2) RCW 43.88.525 and 1991 sp.s. c 13 s 13, 1985 c 57 s 52, & 1981
7 c 280 s 2;

8 (3) RCW 43.88.530 and 1982 1st ex.s. c 36 s 2 & 1981 c 280 s 3;

9 (4) RCW 43.88.535 and 1982 1st ex.s. c 36 s 3 & 1981 c 280 s 4; and

10 (5) RCW 43.88.540 and 1984 c 138 s 11 & 1981 c 280 s 5.

11 NEW SECTION. **Sec. 7.** This act shall take effect July 1, 1993.

12 NEW SECTION. **Sec. 8.** This act shall be submitted to the
13 people for their adoption and ratification, or rejection, at the next
14 succeeding general election to be held in this state, in accordance
15 with Article II, section 1 of the state Constitution, as amended, and
16 the laws adopted to facilitate the operation thereof.