

HOUSE BILL REPORT

ESHB 1203

As Passed House:

March 4, 2023

Title: 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.

Brief Description: 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.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Ormsby and Macri; by request of Office of Financial Management).

Brief History:

Committee Activity:

Appropriations: 1/18/23, 2/2/23 [DPS].

Floor Activity:

Passed House: 3/4/23, 96-0.

Brief Summary of Engrossed Substitute Bill

- Creates the Opioid Abatement Settlement Account, the State Hazard Mitigation Revolving Loan Account, and the GOV Central Service Account, and establishes allowable uses for these accounts.
- Modifies the Personnel Service Fund, Higher Education Personnel Service Fund, and the Office of Financial Management Central Service Account.
- Reenacts the Community Reinvestment Account and the Electric Vehicle Incentive Account.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 31 members: Representatives Ormsby, Chair; Bergquist, Vice Chair; Gregerson, Vice Chair; Macri, Vice Chair; Stokesbary, Ranking Minority Member; Chambers, Assistant Ranking Minority Member; Corry, Assistant Ranking Minority Member; Berg, Chandler, Chopp, Connors, Couture, Davis, Dye, Fitzgibbon, Hansen, Harris, Lekanoff, Pollet, Riccelli, Rude, Ryu, Sandlin, Schmick, Senn, Simmons, Slatter, Springer, Steele, Stonier and Tharinger.

Staff: Dave Johnson (786-7154).

Background:

In addition to the State General Fund, which may be expended for any lawful purpose, the state maintains several hundred accounts that are dedicated to particular statutory purposes. These accounts generally fall into one of three categories: (1) accounts located in the State Treasury, which require appropriation by the Legislature; (2) accounts held in the custody of the State Treasurer, which may or may not require legislative appropriation; and (3) accounts located in state agencies and institutions of higher education, known as local accounts.

When an agency regularly provides services supporting other agencies, those activities are sometimes funded using a dedicated account. In those instances, the providing agency typically collects fees and charges from the agencies being supported. Those monies are then deposited into the dedicated account and used to fund those services. These accounts are sometimes colloquially referred to as revolving or central services accounts.

Washington has both resolved and pending opioid related litigation against a number of entities. One of the resolved cases relates to opioid distributors McKesson, Cardinal Health, and AmerisourceBergen Drug. Aside from legal expenses, funds received by the state must be used for activities consistent with the list of opioid remediation uses contained in the settlement. On December 8, 2022, the Office of Financial Management administratively created the State Opioid Settlement Account to facilitate initial receipt of the state share of certain opioid settlement funds.

The federal Safeguarding Tomorrow through Ongoing Risk Mitigation (STORM) Act became law on January 1, 2021. This Act authorizes the Federal Emergency Management Agency to provide capitalization grants for eligible entities to make funding decisions and award loans directly to local communities. The federal Infrastructure Investment and Jobs Act provided funding for the Safeguarding Tomorrow Revolving Loan Fund program by appropriating \$500 million in total over a five-year timeframe. Eligible entities are states, eligible federally recognized tribes, Puerto Rico, and the District of Columbia.

Activities of the Office of the Governor, including the Office of Equity, are primarily supported with appropriations from the State General Fund.

The Personnel Service Fund is a central service account supporting human-resources related activities provided by the Office of Financial Management to state agencies excluding higher education. The Personnel Service Fund charge may not exceed 1.5 percent of salaries and wages in the classified service for each entity subject to the charge. Agencies must be billed at least monthly.

The Higher Education Personnel Service Fund is a central service account supporting human-resources related activities provided by the Office of Financial Management to institutions of higher education. The Higher Education Personnel Service Fund charge may not exceed 0.5 percent of salaries and wages in the classified service for each entity subject to the charge. Prior to the enactment of the Personnel Services Reform Act (PSRA) in 2002, employees and higher education institutions could elect to bargain under the Public Employees' Collective Bargaining, chapter 41.56 RCW. If they did so, those employees were then excluded as classified employees for the purpose of calculating fees charged to higher education institutions. When employees were excluded from the calculation under this provision, charges were recalculated beginning six months after the triggering action. Since the enactment of the PSRA, higher education classified employees have bargained under the provisions of the State Collective Bargaining chapter, 41.80 RCW. At the end of the six-month period, the Director of the Office of Financial Management must make across-the-board reductions in allotments of the Higher Education Personnel Service Fund unless additional funds are provided by the Legislature.

The Community Reinvestment Account was created by the 2022 Supplemental Operating Budget. The purposes of the Community Reinvestment Account include: (1) economic development, which includes addressing wealth disparities to promote asset building; (2) civil and criminal legal assistance to provide postconviction relief and case assistance; (3) community-based violence intervention and prevention services; and (4) reentry services to facilitate successful transitions for persons formerly incarcerated in an adult correctional facility or juvenile residential facility in Washington.

The Electric Vehicle Incentive Account was created by the 2022 Supplemental Operating Budget. The purposes of the Electric Vehicle Incentive Account include programs and incentives that promote the purchase or conversion to alternative fuel vehicles.

Summary of Engrossed Substitute Bill:

New Accounts.

The Opioid Abatement Settlement Account (Settlement Account) is created in the State Treasury. Allowable uses of the Settlement Account include the costs of future care, treatment, and other programs designed to: (1) address the use and abuse of opioid products; (2) treat or mitigate opioid use or related disorders; or (3) mitigate other alleged

effects of, including those injured as a result of, the opioid epidemic. Revenue in the Settlement Account consists of settlement receipts and monies received by the state and designated by the state to abate the opioid epidemic including the *State v. McKesson Corp., et al.* case, in addition to transfers from the existing Distributor Opioid Abatement Settlement Account. The Settlement Account retains its own interest earnings.

The State Hazard Mitigation Revolving Loan Account (Mitigation Account) is created in the State Treasury. Allowable uses of the Mitigation Account, consistent with federal law, include implementing the Safeguarding Tomorrow through Ongoing Risk Mitigation (STORM) Act program, including loans to local and tribal governments for: (1) projects designed to mitigate the impact of natural hazards; (2) zoning and land use planning changes focused on low-impact development and community resiliency; (3) establishing and enforcing building codes for the protection of the building's users against disasters and natural hazards; and (4) technical assistance. Revenue consists of federal STORM Act grants, appropriations and transfers of state funds, and repayments of monies borrowed from the Mitigation Account. The Mitigation Account retains its own interest earnings.

The GOV Central Service Account (GOV Account) is created in the State Treasury. Allowable uses of the GOV Account include costs for the operation and maintenance of statewide policy and equity functions, and the activities in the Office of Equity and Office of the Governor. Revenue in the GOV Account consists of the fees and other charges to state agencies.

Existing Accounts.

The Personnel Service Fund charge may not exceed 1.5 percent of all salaries and wages for each entity subject to the charge. Agencies must be billed at least quarterly.

The Higher Education Personnel Service Fund charge may not exceed 0.5 percent of all salaries and wages in the classified service for each entity subject to the charge. References to obsolete collective bargaining language in effect prior to the enactment of the Personnel Services Reform Act in 2002 are removed.

Reenactments.

The Community Reinvestment Account and the Electric Vehicle Incentive Account are each reenacted.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Sections 1 through 9, and 11 through 13 contain an emergency clause and take effect July 1, 2023. Section 10 of the bill takes effect July 1, 2024.

Staff Summary of Public Testimony:

(In support) The Office of Financial Management (OFM) provides a variety of services to other executive branch agencies some of which are funded by central services accounts. The Personnel Services Fund is supported by charges based upon classified positions only. In practice, statewide human resources supports all positions, not just classified positions. This bill addresses that disconnect by applying the charges to all positions. The bill creates a new Governor's Office central services account, the GOV Central Services Account (GOV Account), to support the work of the Office of the Equity and certain functions within the Office of the Governor. Funding for that work will transition from the existing OFM Central Services Account to this new GOV Account. Creating a hazard mitigation revolving loan account will allow the state to receive federal grants from the Safeguarding Tomorrow Through Ongoing Mitigation (STORM) Act. These funds are broader than existing programs and will help address key barriers that many communities face regarding hazard mitigation.

(Opposed) None.

Persons Testifying: K.D. Chapman-See and Jamie Langford, Office of Financial Management; and Jim Baumgart, Washington Military Department.

Persons Signed In To Testify But Not Testifying: None.