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

"I am returning herewith, without my approval as to section 2, Senate Bill No. 4691, entitled:

"AN ACT Relating to the definition of child for industrial insurance purposes."

Section 2 of this bill would create a Chiropractic Advisory Committee to assist the Director of Labor and Industries. Boards, commissions, committees, task forces and similar entities have proliferated in this state, now numbering over 400 such bodies.

State agencies, moreover, generally have the authority to create ad hoc advisory groups as the need arises. This authority makes it unnecessary to create advisory boards in statute.

A Chiropractic Advisory Board to advise the Department of Labor and Industries already exists, created by the department by rule. The committee proposed in this legislation would expire on June 30, 1987; the existing committee can — and probably should — continue past that date. Furthermore, the existing committee can undertake the tasks specified in section 2 of this bill.

For these reasons, I have vetoed section 2.

With the exception of section 2, Senate Bill No. 4691 is approved."

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CHAPTER 294

[Substitute Senate Bill No. 4590]

LOCAL GOVERNMENTS—INVESTMENT OF SURPLUS PUBLIC FUNDS

AN ACT Relating to local government; amending RCW 56.16.160 and 57.20.160; adding a new chapter to Title 43 RCW; adding a new section to chapter 36.29 RCW; and making an appropriation.

Be it enacted by the Legislature of the State of Washington:

NEW SECTION. Sec. 1. The purpose of this chapter is to enable political subdivisions to participate with the state in providing maximum opportunities for the investment of surplus public funds consistent with the safety and protection of such funds. The legislature finds and declares that the public interest is found in providing maximum prudent investment of surplus funds, thereby reducing the need for additional taxation. The legislature also recognizes that not all political subdivisions are able to maximize the return on their temporary surplus funds. The legislature therefore provides in this chapter a mechanism whereby political subdivisions may, at their option, utilize the resources of the state treasurer's office to maximize the potential of surplus funds while ensuring the safety of public funds.

NEW SECTION. Sec. 2. Unless the context clearly requires otherwise, the definitions in this section shall apply throughout this chapter.

(1) "Public funds investment account" or "investment pool" means the aggregate of all funds from political subdivisions that are placed in the custody of the state treasurer for investment and reinvestment.

(2) "Political subdivision" means any county, city, town, municipal corporation, political subdivision, or special purpose taxing district in the state.
(3) "Local government official" means any officer or employee of a political subdivision who has been designated by statute or by local charter, ordinance, or resolution as the officer having the authority to invest the funds of the political subdivision. However, the county treasurer shall be deemed the only local government official for all political subdivisions for which the county treasurer has exclusive statutory authority to invest the funds thereof.

(4) "Funds" means public funds under the control of or in the custody of any local government official by virtue of the official's authority that are not immediately required to meet current demands.

NEW SECTION. Sec. 3. There is created a trust fund in the state treasury to be known as the public funds investment account. All moneys remitted by local government officials under this chapter shall be deposited in this account. The earnings on any balances in the public funds investment account shall be credited to the public funds investment account, notwithstanding RCW 43.84.090.

NEW SECTION. Sec. 4. If authorized by local ordinance or resolution, a local government official may place funds into the public funds investment account for investment and reinvestment by the state treasurer in those securities and investments set forth in RCW 43.84.080 and chapter 39.58 RCW. The state treasurer shall invest the funds in such manner as to effectively maximize the yield to the investment pool. In investing and reinvesting moneys in the public funds investment account and in acquiring, retaining, managing, and disposing of investments of the investment pool, there shall be exercised the judgment and care under the circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of the funds considering the probable income as well as the probable safety of the capital.

NEW SECTION. Sec. 5. The state treasurer's office is authorized to employ such personnel as are necessary to administer the public funds investment account. The bond of the state treasurer as required by law shall be made to include the faithful performance of all functions relating to the investment pool.

*NEW SECTION. Sec. 6. The state treasurer shall by rule prescribe the time periods for investments in the investment pool and the procedure for withdrawal of funds from the investment pool. The state treasurer shall promulgate such other rules as are deemed necessary for the efficient operation of the investment pool. The rules shall also provide for the administrative expenses of the investment pool, including repayment of the initial administrative costs financed out of the appropriation included in this act, to be paid from the pool's earnings and for the interest earnings in excess of the expenses to be credited or paid to the political subdivisions participating
in the pool. The state treasurer may deduct the amounts necessary to reim-
burse the treasurer's office for the actual expenses the office incurs and to 
repay any funds appropriated and expended for the initial administrative 
costs of the pool. Any credits or payments to political subdivisions shall be 
calculated and made in a manner which equitably reflects the differing 
amounts of the political subdivisions' respective deposits in the investment 
pool fund and the differing periods of time for which the amounts were 
placed in the investment pool: PROVIDED, That the appropriated start-up 
costs of the pool must be repaid by June 30, 1989.

*Sec. 6 was partially vetoed, see message at end of chapter.

NEW SECTION, Sec. 7. The state treasurer shall keep a separate ac-
count for each political subdivision having funds in the investment pool. 
Each separate account shall record the individual amounts deposited in 
the investment pool, the date of withdrawals, and the earnings credited or paid 
to the political subdivision. The state treasurer shall report monthly the 
status of the respective account to each local government official having 
funds in the pool during the previous month.

NEW SECTION, Sec. 8. At the end of each fiscal year, the state 
treasurer shall submit to the governor, the state auditor, and the legislative 
budget committee a summary of the activity of the investment pool. The 
summary shall indicate the quantity of funds deposited; the earnings of the 
pool; the investments purchased, sold, or exchanged; the administrative ex-
penses of the investment pool; and such other information as the state trea-
surer deems relevant.

NEW SECTION, Sec. 9. The state finance committee shall administer 
this chapter and adopt appropriate rules.

*NEW SECTION, Sec. 10. Local governments may not invest in repur-
chase agreements, nor have their money invested in repurchase agreements, 
unless the local government or its agent takes possession of the securities to 
be repurchased, or a third party holds the securities in trust for the local 
government.

*Sec. 10 was vetoed, see message at end of chapter.

NEW SECTION, Sec. 11. A new section is added to chapter 36.29 
RCW to read as follows:

Upon the request of one or several units of local government that invest 
their money with the county under the provisions of RCW 36.29.020, the 
treasurer of that county may combine those units' moneys for the purposes 
of investment.

Sec. 12. Section 15, chapter 103, Laws of 1959 as last amended by 
section 21, chapter 66, Laws of 1983 and RCW 56.16.160 are each amend-
ed to read as follows:

Whenever there shall have accumulated in any general or special fund 
of a sewer district moneys, the disbursement of which is not yet due, the
board of commissioners may, by resolution, authorize the county treasurer to deposit or invest such moneys in qualified public depositaries, or to invest such moneys in (direct obligations of the United States government) any investment permitted at any time by RCW 36.29.020: PROVIDED, That the county treasurer may refuse to invest any district moneys the disbursement of which will be required during the period of investment to meet outstanding obligations of the district.

Sec. 13. Section 16, chapter 108, Laws of 1959 as last amended by section 22, chapter 66, Laws of 1983 and RCW 57.20.160 are each amended to read as follows:
Whenever there shall have accumulated in any general or special fund of a water district moneys, the disbursement of which is not yet due, the board of water commissioners may, by resolution, authorize the county treasurer to deposit or invest such moneys in qualified public depositaries, or to invest such moneys in any investment permitted at any time by RCW 36.29.020: PROVIDED, That the county treasurer may refuse to invest any district moneys the disbursement of which will be required during the period of investment to meet outstanding obligations of the district.

NEW SECTION. Sec. 14. There is hereby appropriated for the biennium ending June 30, 1987, to the state treasurer from the state treasurer's service fund the sum of one hundred thousand dollars, or so much thereof as may be necessary, to defray the initial administrative costs of the public funds investment account. On or before June 30, 1991, the state treasurer's service fund shall be reimbursed for the amount of such money expended by the state treasurer to defray these initial administrative costs by transferring such money from the public funds investment account to the state treasurer's service fund.

NEW SECTION. Sec. 15. Sections 1 through 10 of this act shall constitute a new chapter in Title 43 RCW.

Passed the Senate March 10, 1986.
Passed the House March 5, 1986.
Approved by the Governor April 4, 1986, with the exception of certain items which were vetoed.

Filed in Office of Secretary of State April 4, 1986.

Note: Governor's explanation of partial veto is as follows:
"I am returning herewith, without my approval as to section 10 and a portion of section 6, Substitute Senate Bill 4590, entitled:
"AN ACT Relating to local government."

I fully support the intent of this legislation. It will provide local governments an additional opportunity to maximize the yield on their investments as well as provide the increased protection for public funds. However, language contained in section 10 would unduly restrict local governments' investment options. The repurchase agreement is a valuable cash management tool, the use of which should not be restricted without a corresponding benefit to local governments. The intent of section 10 would
appear to be to require the delivery of securities to control of the local entity. However, failure to define the term "agent" renders this section meaningless and extraneous to the legislation. Therefore, I am vetoing section 10.

The last portion of section 6 after the word "Provided" is vetoed. This language conflicts with provisions of section 14 and would create confusion in the administration of the Act.

With the exception of a portion of section 6 and all of section 10, Substitute Senate Bill 4590 is approved.

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CHAPTER 295

[Engrossed Senate Bill No. 4725]

BOARD OF ACCOUNTANCY—CERTIFIED PUBLIC ACCOUNTANTS—

REVISIONS


Be it enacted by the Legislature of the State of Washington:

Sec. 1. Section 3, chapter 234, Laws of 1983 and RCW 18.04.025 are each amended to read as follows:

Unless the context clearly requires otherwise, the definitions in this section apply throughout this chapter.

(1) "Board" means the board of accountancy created by RCW 18.04.035.

(2) "Certified public accountant" or "CPA" means a person holding a certified public accountant certificate issued under this chapter or the accountancy act of any state.

(3) "State" includes the states of the United States, the District of Columbia, Puerto Rico, Guam, and the United States Virgin Islands.

(4) "Opinions on financial statements" are any reports prepared by certified public accountants, based on examinations in accordance with generally accepted auditing standards as to whether the presentation of information used for guidance in financial transactions or for accounting for or assessing the status or performance of commercial and noncommercial enterprises, whether public, private, or governmental, conforms with generally accepted accounting principles or other comprehensive bases of accounting.

(5) The "practice of public accounting" means performing services as one skilled in the knowledge and practice of public accounting and preparing reports designated as "audit reports," "review reports," and "compilation reports."

(6) "Firm" means a sole proprietorship, a corporation, or a partnership.

(7) "CPE" means continuing professional education.

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