

NEW SECTION. Sec. 2. This act is necessary for the immediate preservation of the public peace, health, and safety, the support of the state government and its existing public institutions, and shall take effect immediately.

Passed the House April 22, 1987.

Passed the Senate April 14, 1987.

Approved by the Governor May 19, 1987.

Filed in Office of Secretary of State May 19, 1987.

CHAPTER 502

[Substitute Senate Bill No. 5606]

BUDGET AND ACCOUNTING—REVISIONS

AN ACT Relating to budget and accounting; amending RCW 43.88.020, 43.88.037, 43.88.050, 43.88.110, 43.88.120, 43.88.260, 82.32.400, 82.32.090, and 82.01.120; reenacting and amending RCW 43.88.030; repealing RCW 43.88.040; providing effective dates; and declaring an emergency.

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

Sec. 1. Section 1, chapter 36, Laws of 1982 1st ex. sess. as last amended by section 2, chapter 215, Laws of 1986 and RCW 43.88.020 are each amended to read as follows:

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

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

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

(4) "Agency" shall mean and include every state office, officer, each institution, whether educational, correctional or other, and every department, division, board and commission, except as otherwise provided in this chapter.

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

(6) "Regulations" shall mean the policies, standards and requirements, stated in writing, designed to carry out the purposes of this chapter, as issued by the governor or ((his)) the governor's designated agent, and which shall have the force and effect of law.

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

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

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

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

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

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

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

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

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

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

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

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

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

(20) "Annual growth rate in real personal income" means the estimated percentage growth in personal income for the state during the current

fiscal year, expressed in constant value dollars, as published by the office of financial management or its successor agency.

(21) "Estimated revenues" means estimates of revenue in the most recent official economic and revenue forecast prepared under RCW 82.01.120, and prepared by the office of financial management for those funds, accounts, and sources for which the office of the economic and revenue forecast council does not prepare an official forecast.

(22) "Estimated receipts" means the estimated receipt of cash in the most recent official economic and revenue forecast prepared under RCW 82.01.120, and prepared by the office of financial management for those funds, accounts, and sources for which the office of the economic and revenue forecast council does not prepare an official forecast.

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

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

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

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

*Sec. 2. Section 43.88.030, chapter 8, Laws of 1965 as last amended by section 1, chapter 112, Laws of 1986 and by section 3, chapter 215, Laws of 1986 and RCW 43.88.030 are each reenacted and amended to read as follows:

(1) The director of financial management shall provide all agencies with a complete set of instructions for submitting biennial budget requests to the director at least three months before agency budget documents are due into the office of financial management. The budget document or documents shall consist of the governor's budget message which shall be explanatory of the budget and shall contain an outline of the proposed financial policies of the state for the ensuing fiscal period and shall describe in connection therewith the important features of the budget. The message shall set forth the reasons for salient changes from the previous fiscal period in expenditure and revenue items and shall explain any major changes in financial policy. Attached to the budget message shall be such supporting

schedules, exhibits and other explanatory material in respect to both current operations and capital improvements as the governor shall deem to be useful to the legislature. The budget document or documents shall set forth a proposal for expenditures in the ensuing fiscal period based upon the estimated revenues as approved by the economic and revenue forecast council for such fiscal period from the source and at the rates existing by law at the time of submission of the budget document. However, the estimated revenues for use in the governor's budget document may be adjusted to reflect budgetary revenue transfers and revenue estimates dependent upon budgetary assumptions of enrollments, workloads, and caseloads. All adjustments to the approved estimated revenues must be set forth in the budget document. The governor may additionally submit, as an appendix to each agency budget or to the budget document or documents, a proposal for expenditures in the ensuing fiscal period from revenue sources derived from proposed changes in existing statutes.

The budget document or documents shall also contain:

(a) Revenues classified by fund and source for the immediately past fiscal period, those received or anticipated for the current fiscal period, and those anticipated for the ensuing biennium;

(b) ~~((Cash surplus))~~ The undesignated fund balance or deficit, by fund~~((, to the extent provided by RCW 43.88.040 and 43.88.050));~~

(c) Such additional information dealing with expenditures, revenues, workload, performance and personnel as the legislature may direct by law or concurrent resolution;

(d) Such additional information dealing with revenues and expenditures as the governor shall deem pertinent and useful to the legislature;

(e) Tabulations showing expenditures classified by fund, function, activity and object; and

(f) A delineation of each agency's activities, including those activities funded from nonbudgeted, nonappropriated sources, including funds maintained outside the state treasury.

(2) The budget document or documents shall include detailed estimates of all anticipated revenues applicable to proposed operating or capital expenditures and shall also include all proposed operating or capital expenditures. The total of ~~((anticipated))~~ beginning undesignated fund balance and estimated revenues less working capital and other reserves shall equal or exceed the total of proposed applicable expenditures. The budget document or documents shall further include:

(a) Interest, amortization and redemption charges on the state debt;

(b) Payments of all reliefs, judgments and claims;

(c) Other statutory expenditures;

(d) Expenditures incident to the operation for each agency;

(e) Revenues derived from agency operations;

(f) Expenditures and revenues shall be given in comparative form showing those incurred or received for the immediately past fiscal period and those anticipated for the current biennium and next ensuing biennium;

(g) Individual itemizations for each major program for objects of expenditure, including but not limited to wages and salaries, employee benefits, personal services contracts, and travel;

(h) Common school expenditures on a fiscal-year basis.

(3) A separate budget document or schedule may be submitted consisting of:

(a) Expenditures incident to current or pending capital projects and to proposed new capital projects, relating the respective amounts proposed to be raised therefor by appropriations in the budget and the respective amounts proposed to be raised therefor by the issuance of bonds during the fiscal period;

(b) A capital program consisting of proposed capital projects for at least the two fiscal periods succeeding the next fiscal period. The capital program shall include for each proposed project a statement of the reason or purpose for the project along with an estimate of its cost;

(c) Such other information bearing upon capital projects as the governor shall deem to be useful to the legislature;

(d) Such other information relating to capital improvement projects as the legislature may direct by law or concurrent resolution.

(4) No change affecting the comparability of agency or program information relating to expenditures, revenues, workload, performance and personnel shall be made in the format of any budget document or report presented to the legislature under this section or RCW 43.88.160(1) relative to the format of the budget document or report which was presented to the previous regular session of the legislature during an odd-numbered year without prior legislative concurrence. Prior legislative concurrence shall consist of (a) a favorable majority vote on the proposal by the standing committees on ways and means of both houses if the legislature is in session or (b) a favorable majority vote on the proposal by members of the legislative evaluation and accountability program committee if the legislature is not in session.

*Sec. 2 was partially vetoed, see message at end of chapter.

Sec. 3. Section 1, chapter 247, Laws of 1984 and RCW 43.88.037 are each amended to read as follows:

(1) The director of financial management shall devise and maintain a comprehensive budgeting, accounting, and reporting system in conformance with generally accepted accounting principles applicable to state governments, as published in the accounting procedures manual pursuant to RCW 43.88.160(1).

(2) The director of financial management shall submit a budget document in conformance with generally accepted accounting principles applicable to state governments (~~for the period commencing July 1, 1987, and all ensuing periods~~), as published in the accounting procedures manual pursuant to RCW 43.88.160(1).

~~((3) Any changes affecting the comparability of agency or program information relating to expenditures, revenues, workload, performance, and personnel as a result of any changes resulting from subsection (2) of this section shall be clearly and completely explained in the text of the budget document, in a special appendix thereto, or in an alternative budget document.))~~

Sec. 4. Section 43.88.050, chapter 8, Laws of 1965 and RCW 43.88.050 are each amended to read as follows:

Cash deficit of the current fiscal period is defined for purposes of this chapter as the amount by which the aggregate of ~~((expenditures))~~ disbursements charged to a fund will exceed the aggregate of estimated receipts credited to such fund in the current fiscal period, less the extent to which such deficit may have been provided for from available ~~((reserve funds))~~ beginning cash surplus.

If, for any applicable fund or account, the estimated ~~((revenues))~~ receipts for the next ensuing period plus cash ~~((surplus shall be))~~ beginning balances is less than the aggregate of ~~((appropriations))~~ estimated disbursements proposed by the governor for the next ensuing fiscal period, the governor shall include in Part I of the budget document ~~((his))~~ proposals as to the manner in which the anticipated cash deficit shall be met, whether by an increase in the indebtedness of the state, by the imposition of new taxes, by increases in tax rates or an extension thereof, or in any like manner. The governor may ~~((provide for))~~ propose orderly liquidation of the ~~((currently existing))~~ anticipated cash deficit over a period of one or more fiscal periods, if, in ~~((his))~~ the governor's discretion, such manner of liquidation would best serve the public interest.

Sec. 5. Section 43.88.110, chapter 8, Laws of 1965 as last amended by section 4, chapter 215, Laws of 1986 and RCW 43.88.110 are each amended to read as follows:

This section sets forth the expenditure programs and the allotment and reserve procedures to be followed by the executive branch for public funds. Allotments of an appropriation for any fiscal period shall conform to the terms, limits, or conditions of the appropriation.

(1) The director of financial management shall provide all agencies with a complete set of instructions for preparing a statement of proposed expenditures at least thirty days before the beginning of a fiscal period. The set of instructions need not include specific appropriation amounts for the agency.

(2) Within forty-five days after the beginning of the fiscal period or within forty-five days after the governor signs the omnibus biennial appropriations act, whichever is later, all agencies shall submit to the governor a statement of proposed expenditures at such times and in such form as may be required by the governor. If at any time during the fiscal period the governor ~~((shall ascertain that estimated revenues for the applicable period will be less than the respective appropriations))~~ projects a cash deficit as defined by RCW 43.88.050, the governor shall make across-the-board reductions in allotments so as to prevent ~~((the making of expenditures in excess of estimated revenues))~~ a cash deficit, unless the legislature has directed the liquidation of the cash deficit over one or more fiscal periods. Except for the legislative and judicial branches and other agencies headed by elective officials, the governor shall review the statement of proposed expenditures for reasonableness and conformance with legislative intent. Once the governor approves the statements of proposed expenditures, further revisions shall be made only at the beginning of the second fiscal year and must be initiated by the governor. However, changes in appropriation level authorized by the legislature, changes required by across-the-board reductions mandated by the governor, and changes caused by executive increases to spending authority may require additional revisions. Revisions shall not be made retroactively. Revisions caused by executive increases to spending authority shall not be made after June 30, 1987. However, the governor may assign to a reserve status any portion of an agency appropriation withheld as part of across-the-board reductions made by the governor and any portion of an agency appropriation conditioned on a contingent event by the appropriations act. The governor may remove these amounts from reserve status if the across-the-board reductions are subsequently modified or if the contingent event occurs. The director of financial management shall enter approved statements of proposed expenditures into the state budgeting, accounting, and reporting system within forty-five days after receipt of the proposed statements from the agencies. If an agency or the director of financial management is unable to meet these requirements, the director of financial management shall provide a timely explanation in writing to the legislative fiscal committees.

(3) It is expressly provided that all agencies shall be required to maintain accounting records and to report thereon in the manner prescribed in this chapter and under the regulations issued pursuant to this chapter. Within ninety days of the end of the fiscal year, all agencies shall submit to the director of financial management their final adjustments to close their books for the fiscal year. Prior to submitting fiscal data, written or oral, to committees of the legislature, it is the responsibility of the agency submitting the data to reconcile it with the budget and accounting data reported

by the agency to the director of financial management. The director of financial management shall monitor agency expenditures against the approved statement of proposed expenditures and shall provide the legislature with quarterly explanations of major variances.

(4) The director of financial management may exempt certain public funds from the allotment controls established under this chapter if it is not practical or necessary to allot the funds. Allotment control exemptions expire at the end of the fiscal biennium for which they are granted. The director of financial management shall report any exemptions granted under this subsection to the legislative fiscal committees.

Sec. 6. Section 43.88.120, chapter 8, Laws of 1965 as last amended by section 10, chapter 138, Laws of 1984 and RCW 43.88.120 are each amended to read as follows:

Each agency engaged in the collection of revenues shall prepare ~~((statements of revenue collections and estimates))~~ estimated revenues and estimated receipts for the current and ensuing biennium and shall submit the ~~((statements and))~~ estimates to the director of financial management and the director of revenue at times and in the form specified by the directors, along with any other information which the directors may request.

A copy of such ~~((collection reports and))~~ revenue estimates shall be simultaneously submitted to the economic and revenue forecast work group when required by the office of the economic and revenue forecast council.

Sec. 7. Section 2, chapter 83, Laws of 1975-'76 2nd ex. sess. and RCW 43.88.260 are each amended to read as follows:

(1) It shall be unlawful for any agency head or disbursing officer to incur any cash deficiency and any appointive officer or employee violating the provisions of this section shall be subject to summary removal.

(2) This section does not apply to:

(a) Temporary cash deficiencies resulting from disbursements under a expenditure plan approved under RCW 43.88.110.

(b) Temporary cash deficiencies authorized by the director of financial management for funds and accounts in the state treasury or in the custody of the state treasurer. Each authorization under this subsection (b) shall distinctly specify the fund or account for which a deficiency is authorized, the maximum amount of cash deficiency which may be incurred, and the maximum time period during which the cash deficiency may continue. Each authorization shall expire at the end of each fiscal biennium unless renewed by the director of financial management. The director of financial management shall report each authorization and renewal to the legislative fiscal committees.

(c) Temporary cash deficiencies in funds or accounts which are neither in the state treasury, nor in the custody of the treasurer, if the cash deficiency does not continue past the end of the fiscal biennium.

(3) Nothing in this section permits the expenditure of moneys in excess of an applicable appropriation.

Sec. 8. Section 33, chapter 7, Laws of 1983 as last amended by section 85, chapter 57, Laws of 1985 and RCW 82.32.400 are each amended to read as follows:

The revenue accrual account is hereby created in the state treasury. At the close of each fiscal biennium, the state treasurer shall transfer the cash balance in the basic account of the state general fund, other than amounts ~~((reappropriated))~~ restricted for liabilities to be paid in the next fiscal biennium, to this account. Moneys in this account may only be spent after appropriation by statute for the purpose of decreasing the unfunded liability of a state retirement system ~~((or, during the 1983-1985 fiscal biennium, for the purpose of discharging obligations which the legislature determines are correctly chargeable to a prior biennium))~~. All earnings of investments of balances in the revenue accrual account shall be credited to the basic account of the general fund.

Sec. 9. Section 82.32.090, chapter 15, Laws of 1961 as last amended by section 23, chapter 3, Laws of 1983 2nd ex. sess. and RCW 82.32.090 are each amended to read as follows:

If payment of any tax due is not received by the department of revenue by the due date, there shall be assessed a penalty of five percent of the amount of the tax; and if the tax is not received within thirty days after the due date, there shall be assessed a total penalty of ten percent of the amount of the tax; and if the tax is not received within sixty days after the due date, there shall be assessed a total penalty of twenty percent of the amount of the tax. No penalty so added shall be less than two dollars.

~~((If payment of any tax is received within the first ten days of the month next succeeding the month in which the tax is payable, the amount of such payment shall be credited to, and shall be treated for all purposes as having been collected during, the fiscal year which includes the month preceding the month in which such due date falls. Effective June 30, 1985, and thereafter if the payment of any tax is received during the first ten days in July, the amount of such payment shall be credited to, and shall be treated for all purposes as having been collected during, the preceding fiscal year.))~~

If a warrant be issued by the department of revenue for the collection of taxes, increases, and penalties, there shall be added thereto a penalty of five percent of the amount of the tax, but not less than five dollars.

Notwithstanding the foregoing, the aggregate of penalties imposed under this chapter for failure to file a return, late payment of any tax, increase, or penalty, or issuance of a warrant shall not exceed twenty-five percent of the tax due, or seven dollars, whichever is greater.

Sec. 10. Section 1, chapter 138, Laws of 1984 as amended by section 2, chapter 112, Laws of 1986 and RCW 82.01.120 are each amended to read as follows:

(1) The director shall employ an economic and revenue forecast supervisor to supervise the preparation of all economic and revenue forecasts. As used in this section and RCW 82.01.125 and 82.01.130, "supervisor" means the economic and revenue forecast supervisor. Approval by an affirmative vote of at least five members of the economic and revenue forecast council is required for any decisions regarding employment of the supervisor. Employment of the supervisor shall terminate after each term of three years, unless the supervisor is reappointed by the director and approved by the economic and revenue forecast council for another three years. The supervisor shall employ staff sufficient to accomplish the purposes of this section.

(2) Four times each year the supervisor shall prepare, subject to the approval of the economic and revenue forecast council under RCW 82.01.130(2):

(a) An official state economic and revenue forecast;

(b) An unofficial state economic and revenue forecast based on optimistic economic and revenue projections; and

(c) An unofficial state economic and revenue forecast based on pessimistic economic and revenue projections.

(3) The supervisor shall submit forecasts prepared under this section, along with any unofficial forecasts provided under RCW 82.01.130(3), to the governor and the legislature on or before November 20th, February 20th in the even-numbered years, March 20th in the odd-numbered years, June 20th, and September 20th. All forecasts shall include both estimated receipts and estimated revenues in conformance with generally accepted accounting principles as provided by RCW 43.88.037.

NEW SECTION. Sec. 11. Section 43.88.040, chapter 8, Laws of 1965 and RCW 43.88.040 are each repealed.

****NEW SECTION. Sec. 12. Section 7 of this act is necessary for the immediate preservation of the public peace, health, and safety, the support of the state government and its existing public institutions, and shall take effect immediately. The remainder of this act shall take effect August 1, 1987.***

*Sec. 12 was vetoed, see message at end of chapter.

Passed the Senate April 21, 1987.

Passed the House April 17, 1987.

Approved by the Governor May 19, 1987, with the exception of certain items which were vetoed.

Filed in Office of Secretary of State May 19, 1987.

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

"I am returning herewith, without my approval as to sections 2(2)(g) and 12, Substitute Senate Bill No. 5606, entitled:

"AN ACT Relating to budget and accounting."

Section 2(2)(g) requires that the Governor's budget document display specific objects of expenditures for major programs. Current practice is to display all objects at the agency level, and selected objects at the program level.

By creating additional statutory requirements, the Legislature will increase the cost and size of what is already a 900-page document. Detailed object information is available from the Office of Financial Management; it is not necessary that this same information be incorporated into the published budget. For these reasons, I am vetoing Section 2(2)(g).

Section 12 specifies that the bill will be effective on August 1, 1987, except for section 7, which is to take effect immediately.

The immediate implementation of section 7 is impractical. Section 7 places restrictions on fund and account deficiencies. The restrictions are complex and comprehensive. Additional time is required to fully implement the provisions of this section. Accordingly, I am vetoing section 12 so that the entire bill will become effective 90 days after the adjournment of the regular session.

With the exceptions of sections 2(2)(g) and 12, Substitute Senate Bill No. 5606 is approved."

CHAPTER 503

[Engrossed Second Substitute House Bill No. 586]

CHILD ABUSE AND NEGLECT—SERVICES PILOT PROJECT—CASEWORKER STANDARDS—FOSTER PARENT TRAINING—THERAPEUTIC DAY CARE AND TREATMENT—COUNSELING—REPORTING OF ABUSE

AN ACT Relating to child abuse and neglect; amending RCW 9.69.100; adding a new chapter to Title 74 RCW; creating new sections; prescribing penalties; providing an effective date; providing an expiration date; and declaring an emergency.

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

NEW SECTION. Sec. 1. CHILDREN'S PILOT PROJECT. The legislature finds that the protection and positive development of children is paramount to the successful functioning and future of this state.

(1) The purpose of this act is to prevent child abuse and neglect and to promote the delivery of cost-effective child and family services through the establishment of a pilot project in order to guide the state in establishing a comprehensive system of children and family services state-wide by 1990. The department of social and health services shall implement the pilot project.

(2) The goals of the pilot project are:

(a) To demonstrate delivery of a continuum of services for children and families that will maximize problem prevention, early problem intervention and resolution, and family independence while maintaining the physical safety and emotional well-being of the child;

(b) To demonstrate the use of outcome measures to determine the cost-effectiveness of service components and the system as a whole;

(c) To demonstrate that services can be designed to be appropriate, accessible, and sensitive to the needs of all populations within the community, including minority cultures and ethnic groups;