JAY INSLEE
Governor

STATE OF WASHINGTON
OFFICE OF THE GOVERNOR
P.O. Box 40002 • Olympia, Washington 98504-0002 • (360) 902-4111 • www.governor.wa.gov

June 30, 2013

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 103(10); 103(11); 114(3); 124(2); 124(3); 124(4); 124(5); 130(5); 148(4); 150, page 37, lines 33-36 and page 38, lines 1-7; 205(1)(e); 208(7); 213(35); 213(36); 217(5); 219(25); 302(8); 307(15); 501(1)(a)(v); 610(1); 610 (2); and 610(8), Third Engrossed Substitute Senate Bill 5034 entitled:

"AN ACT Relating to fiscal matters."

Section 103(10), page 6, Joint Legislative Audit and Review Committee, Study of State Agency Performance Indicators and Performance Measurement Process
This proviso directs the Joint Legislative Audit and Review Committee to study the effectiveness of state agency performance indicators and performance measurement processes established in Chapter 43.88 RCW, the state Budget and Accounting Act. My administration is already conducting a thorough and rigorous review of state agency performance indicators and measurements through our Results Washington initiative. I appreciate the Legislature's interest in performance management, but this review would be unnecessarily duplicative. For these reasons, I have vetoed Section 103(10).

Section 103(11), page 6, Joint Legislative Audit and Review Committee, Study of Electricity Cost Impacts from Renewable Energy Standards
This proviso directs the Joint Legislative Audit and Review Committee to assess the cost impacts of the state's renewable electricity standards without also evaluating the economic and environmental benefits of renewable energy. The study is unnecessary, as there are cost controls built into the standards. In addition, improvements to the Energy Independence Act will also be considered through the ongoing efforts of the Climate Legislative and Executive Workgroup created in Chapter 6, Laws 2013 (E2SSB 5802). For these reasons, I have vetoed Section 103(11).

Section 114(3), page 9, Administrator for the Courts, Office of Chief Information Officer Approval of Judicial Technology Expenditures

This proviso requires the Administrative Office of the Courts (AOC) to work with the Office of the Chief Information Officer (OCIO) to analyze the feasibility of moving judicial branch information technology equipment into the state data center. AOC is willing to undertake this analysis, in conjunction with the OCIO, as requested. However, the proviso also prohibits AOC from expending funds appropriated for an information network hub project and computer equipment replacement unless approved by the OCIO. This limitation on AOC's appropriation authority is not necessary given AOC's commitment to work cooperatively with the OCIO. I am willing to revisit this issue, however, should the necessary analysis not proceed in a timely and efficient manner. For this reason, I have vetoed Section 114(3).

Sections 124(2), 124(3), 124(4), 124(5), pages 16-17, State Auditor, Audit and Evaluation Requests

The State Auditor's is requested by the Legislature to conduct various audits and evaluations on actuarial functions, managed care systems, federal compliance and fraud activity, and inmate intake and reception processes. The budget reduces the State Auditor's ability to conduct performance audits by diverting nearly $10 million from the Performance Audits of Government Account to funds to other activities, including $5.6 million of funding for the Joint Legislative Audit and Review Committee (JLARC). Initiative 900 created the Performance Audits of Government Account to fund comprehensive performance audits independently chosen by the State Auditor. Therefore, the State Auditor should select the audits he will perform within his limited funds. Legislatively directed audits should be performed by JLARC. For these reasons, I have vetoed Sections 124(2), 124(3), 124(4), 125(5).

Section 130(5), page 28, Office of Financial Management, One-Stop Portal Monitoring

This proviso requires the Office of the Chief Information Officer to submit a plan to establish performance benchmarks and measuring results of implementing a one-stop integrated system for business interactions with government. A similar reporting requirement is contained in Substitute Senate Bill 5718, which passed the Legislature, making this proviso unnecessary. For this reason, I have vetoed Section 130(5).

Section 148(4), page 36, Department of Enterprise Services, Building Code Council Aspirational Codes

This proviso prohibits the State Building Code Council from working on aspirational codes, which are voluntary codes that offer builders options to demonstrate new energy efficiency measures that are economically and technically feasible. Energy efficiency is the cheapest, quickest, and cleanest way to meet rising energy needs, confront climate change, and boost our economy. Therefore, I believe the Building Code Council should continue this work for the benefit of our state's taxpayers. For this reason, I have vetoed Section 148(4). Moreover, while I have not vetoed subsection (3) of this section, the proviso attempts to amend substantive law through the budget by "modifying" the Council's statutory authority and by restricting member compensation as allowed under RCW 19.27.070. Therefore, this improper proviso does not restrict the appropriation authority or activities of the Building Code Council.

Section 150, page 37, lines 33-36 and page 38, lines 1-7, Department of Archaeology and Historic Preservation, Agency Survey and Inventory Processes

The Department of Archaeology and Historic Preservation is directed to report to the Legislature by December 1, 2013, and a second report by December 1, 2014, regarding the agency's survey and inventory processes No funding was provided to compile the necessary data, which is not readily available to the Department, to complete these reports. For this reason, I have vetoed Section 150, page 37, lines 33-36 and page 38, lines 1-7. However, I am directing the Department to work with interested stakeholders to provide useful and available information about the survey and inventory processes within existing resources.

Section 205(1)(e), page 61, Department of Social and Health Services, Rate Disparity Report

The Department of Social and Health Services is directed to report to the Legislature by December 31, 2013, with a strategy to reduce the rate disparity between urban and suburban residential service providers. No funding was provided to the Department and it does not currently collect the data necessary to complete the report. For this reason I have vetoed Section 205(1)(e).

Section 208(7), page 73, Department of Social and Health Services, Chemical Dependency Treatment Study

This proviso requires the Department of Social and Health Services to contract with the Washington State Institute for Public Policy (WSIPP) to study the long-term efficacy of the chemical dependency treatment program. Under Chapter 338, Laws of 2013 (2SSB 5732), WSIPP will develop an inventory of evidence-based and research-based prevention and intervention services for the Department to use in preparing a behavioral health improvement strategy. Additionally, no funding is provided to the Department to contract for this study. For these reasons, I have vetoed Section 208(7).

Section 213(35), page 88, Health Care Authority, Rebates for Brand Name Drugs

This proviso requires the Health Care Authority to purchase brand name drugs when it determines the cost of the brand name drug after rebate is less than the cost of generic alternatives and that the purchase of the brand rather than generic version can save at least $250,000. The state has made a concerted effort to reduce pharmaceutical drug costs through increasing generic drug use when clinically appropriate. This requirement is administratively burdensome to implement and will likely result in increased costs rather than savings. For these reasons I have vetoed section 213(35).

Section 213(36), page 88, Health Care Authority, Preferred Drug List Exclusions

This proviso prohibits the Health Care Authority from including specific drugs in the Medicaid preferred drug list for the fee-for-service population. This proviso is in direct conflict with the state's goal of ensuring that our expenditures on services, devices, and medications provide the greatest health benefit for employees and clients. Excluding classes of drugs from evidence-based medicine is inconsistent with improving health care quality and reducing costs. For this reason I have vetoed Section 213(36).

Section 217(5), page 96, Department of Labor and Industries; Section 219(25), page 105, Department of Health; Section 302(8), pages 119-120, Department of Ecology; Formal Review Process Existing Rules

These provisos require the Departments of Labor and Industries, Health, and Ecology to establish and perform a formal review process of its existing rules within existing funds. A similar reporting requirement is included in SSB 5679, which passed the Legislature, making these provisos unnecessary. For this reason, I have vetoed Sections 217(5), 219(25), and 302(8).

Section 307(15), pages 126-127, Department of Fish and Wildlife. Payments in Lieu of Taxes Methodology

The Department of Fish and Wildlife is directed to develop and submit a revised payment methodology for certain counties that receive payments in lieu of taxes (PILT) for game lands managed by the Department. The revised methodology is directed to provide supplemental payments to these counties. I believe a comprehensive review of PILT for game lands should be conducted without any predetermined outcome. Therefore, I am directing the Department of Revenue to work with the Department of Fish and Wildlife and the Office of Financial Management to examine the current PILT methodologies, as well as methodologies used by other states and the federal government, to develop by December 1, 2013, options and recommendations to revise the PILT program. For this reason, I have vetoed Section 307(15).

Section 501(1)(a)(v), page 136, Superintendent of Public Instruction

This proviso requires the Office of the Superintendent of Public Instruction to review career and technical education and skill center formulas by October 1, 2013. The due date does not provide enough time for staff to accomplish the task. The Superintendent has expressed a commitment to completing the review by June 1, 2014. For these reasons, I have vetoed Section 501(1)(a)(v).

Section 610(1), page 190, The Evergreen State College, Extraordinary Foster Care Cost Study

This proviso directs the Washington State Institute for Public Policy to examine the extraordinary costs of individual foster care children to identify whether the cost of placements is consistent across similarly acute children. The Children's Administration of the Department of Social and Health Services routinely evaluates high cost placements and services but must make decisions based on the unique needs of each child. A study is not necessary at this time. For this reason, I have vetoed Section 610(1).

Section 610(2), page 190, The Evergreen State College, Safety Assessment Tool Study

This proviso directs the Washington State Institute for Public Policy to conduct an empirical study of the validity and reliability of the safety assessment tool used by the Children's Administration of the Department of Social and Health Services. The Department is currently evaluating the assessment tool as it implements the family assessment response system required by Chapter 259, Laws 2012 (ESSB 6555). A study at this time would be premature when the Department has not yet determined whether the assessment tool will continue to be used, modified or maintained. For this reason, I have vetoed Section 610(2).

Section 610(8), page 191-192, The Evergreen State College, K-12 Funding Task Force
This proviso establishes an eleven member task force on K-12 funding, to be staffed by the Washington State Institute for Public Policy. The task force is to examine and provide options on the following topics: salary allocation methodologies, career and technical education, and the appropriate use of state and local property taxes to finance public schools. Within the past three years, legislatively authorized working groups have conducted thorough reviews of compensation, career and technical education, and use of local levies. Another task force is duplicative of proposals from recent workgroups. For this reason, I have vetoed Section 610(8).

For these reasons I have vetoed Sections 103(10); 103(11); 114(3); 124(2); 124(3); 124(4); 124(5); 130(5); 148(4); 150, page 37, lines 33-36 and page 38, lines 1-7; 205(1)(e); 208(7); 213(35); 213(36); 217(5); 219(25); 302(8); 307(15); 501(1)(a)(v); 610 (1); 610 (2); and 610(8) of Third Engrossed Substitute Senate Bill 5034.

With the exception of Sections 103(10); 103(11); 114(3); 124(2); 124(3); 124(4); 124(5); 130(5); 148(4); 150, page 37, lines 33-36 and page 38, lines 1-7; 205(1)(e); 208(7); 213(35); 213(36); 217(5); 219(25); 302(8); 307(15); 501(1)(a)(v); 610 (1); 610 (2); and 610(8), Third Engrossed Substitute Senate Bill 5034 is approved.

Respectfully submitted,

Jay Inslee
Governor