



CITY OF KIRKLAND
City Manager's Office
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MEMORANDUM

To: Kurt Triplett, City Manager
From: Lorrie McKay, Intergovernmental Relations Manager
Date: April 4, 2014
Subject: 2014 LEGISLATIVE UPDATE #5

RECOMMENDATION:

Council should receive its fifth and final update on the 2014 legislative session.

BACKGROUND DISCUSSION:

This is the final update on the City's legislative interests for the 2014 regular session.

March 13 was the last day of the 60-day regular 2014 session. This session, while "short" was exhausting. This session was primarily about the McCleary decision and education funding. As a result this session was not one conducive to achieving the City's stated priorities. Rather, it turned out that this session was about staying on our toes and playing solid defense and protecting the City's interests.

Summary – Final Status - of the City's 2014 legislative priorities (Attachment A)

Statewide Transportation Revenue:

Despite widespread recognition for the need for a transportation package and despite that the House passed a package (HB 1954) in 2013, the legislature could not reach agreement on a package. On March 3, the Senate introduced a bill concerning transportation revenue (SB 6577) but the bill was never moved.

Transportation Revenue in King County - The board of the King County Transportation Benefit District has placed Proposition 1 on the April 22, 2014 special election ballot to ask voters to support funding for transportation (transit & local roads). The Kirkland City Council has endorsed this measure. It remains to be seen how this regional effort will impact statewide transportation revenue efforts in the near future.

Continued state financial assistance and other tools that further the development of the CKC:

The City's request for \$200,000 in funding for the multimodal span project between the South Kirkland Park and Ride Garage and the Cross Kirkland Corridor was not in the Senate version of the Capital Budget (ESSB 6020). While the House amended 6020 and included the City's funding request, the Senate refused to concur with the House amendments and for the first time in 18 years, the legislature failed to enact a Capital Budget.

Restoring funding to the Public Works Assistance Account:

The bill to end the diversion of tax proceeds from the PWAA never receives a hearing in the Senate, despite a bi-partisan vote of n 87yeas to 11 nays in the House.

Restoring local liquor revenue sharing formulas:

Lawmakers did not even give a hearing to a bill (HB 2314) that sought to gradually restore the growth of liquor revolving account monies, even though the bill had 43 bi-partisan sponsors on it.

Sharing marijuana revenue:

The revenue sharing piece of SSSB 5887 was stripped from the bill on March 8. 5887 was then passed by the Senate and read into House Rules, where it died.

Harmonize medical marijuana regulations to reflect recreational marijuana regulations:

SSSB 5887: Merging the medical marijuana system with the recreational marijuana system died. See above.

Note: At least 50 marijuana related bills were introduced by lawmakers in the 2014 session. City staff reviewed and began tracking 25 of these bills. At the end of the day, while there may be others that staff is unaware of, only one of the 25 bills was passed by the legislature this session. Sponsored by Representative Moscoso, ESHB 2304 - concerning marijuana processing and retail licenses, adds a new category of product – marijuana concentrates, to the list of recreational marijuana products and adds a limitation of 7 grams of "marijuana concentrate" to the amount able to be sold to any one person over 21.

Oppose legislation that proposes lending products or practices that adversely impact the middle class and the poor:

The legislative proposal associated with this priority "died" in committee, which the Council's Legislative Committee considers a success in achieving this priority.

COUNCIL LEGISLATIVE COMMITTEE:

The Council's Legislative Committee (Mayor Walen, Councilmember Asher and Councilmember Marchione) met weekly on Friday's at 3:30pm. The Legislative Committee met on March 21 to discuss the final status of the city's 2014 legislative priorities and other bills of interest to the City (Attachment B).

Week 9 (3/8 – 3/14)

The primary focus in week 9

1. Status of City's legislative priorities
2. SB 6577, SB 6020, ESSB 5887
3. HB 2368; SHB 2414; ESBH 2246; ESSBH 2347; SB 6008; SHB 2331; and HB 1654

Week 10+ (3/14 – 3/25)

The primary focus in week 10

1. Veto Letter HB 1287
2. Partial Veto Letter SB 6002

The following bills are associated with the City's 2014 Support Agenda and are ones that the City provided support on through the end of session:

SB 5875: Concerning a surcharge for local homeless housing and assistance.

SB 5875 (formerly ESHB 2368) was a priority bill of the Eastside Human Services Forum. This "11th Hour Bill" passed the Senate at 10:30pm on March 13 and the House shortly thereafter. 5875 will continue – rather than reduce – the \$40 recording fee on certain real estate documents through June of 2019. The bill also includes a private land-lord set aside (45% quota) and an audit or workgroup. Councilmember Marchione worked incredibly hard on ensuring the passage of this legislation.

ESHB 2246: Regarding financing for stewardship of mercury-containing lights.

ESHB 2246 was a priority bill of the Environmental Priorities Coalition. The bill requires all producers of mercury-containing lights sold in the state must participate in a stewardship program operated by a stewardship organization. 2246 was passed by both chambers and was signed by the Governor on March 28.

ESHB 2414: Concerning water conservation appliances.

ESHB 2414 was a priority bill of the Cascade Water Alliance. 2414 "died."

ESHB 1654: Establishing a regional fire protection service authority within the boundaries of a single city.

ESHB 1654 was a priority bill of the Washington Fire Chief's Association and is also supported by the Washington Council of Firefighters. 1654 "died." Staff may recommend this as a Kirkland priority bill for 2015.

The following legislative proposals ran contrary to the City's general principles of legislation that promote the City Council's goals and protect the City's ability to provide basic municipal services to its citizens. The City took steps to try to amend and/or oppose these proposals.

SHB 2175: Removing barriers to economic development in the telecommunications industry.

The original bill mandated local governments to allow a telecomm applicant to file a consolidated application and receive a single permit for small cell networks, involving multiple individual small cell facilities, in a single geographical area. This bill was opposed by the cities of Kirkland, Bellevue, Seattle, Tacoma and Renton. As originally written, the bill would apply this new policy to a "single geographical area" meaning across jurisdictional boundaries.

This bill was amended to provide a little more permitting control to cities, thanks to hard work of Mayor Walen, the City's planning staff, and our consultants on the ground in Olympia.

Ultimately, late in the evening on March 11, House and Senate leadership agreed to an amendment that Kirkland proposed that was acceptable to the cities of Bellevue, Seattle, Tacoma and Renton.

ESSB 6008: Modifying water-sewer district provisions.

The City opposed ESSB 6008, which would add a new section to RCW 35.13A governing the assumption of utility districts by cities. Councilmember Kloba testified in opposition to this bill. ESSB 6008 "died."

SHB 2428: Authorizations of proposals for emergency medical care and service levies.

While the City supported the underlying principle of SHB 2428 (to make it easier to continue an EMS levy by specifying that any levy being continued - at a lower rate than initially voted in - would require just 50% +1, not a 60% vote) there was an additional proposed change that was unacceptable. The change sought to strip the approval requirement from cities with populations over 50K on countywide EMS levies. Kirkland proposed amendments to strip out the change but pass the underlying bill. SHB 2428 "died."

Kirkland intends to work with Representative Springer and key stakeholders on this issue in the interim.

CORRESPONDENCE:

As the 2014 session ended, the City sent two veto request letters to the Governor.

ESHB 1287, Subjecting federally recognized Indian tribes to the same conditions as state and local governments for property owned exclusively by the tribe for non-reservation properties purchased by the tribes. Believing that this bill is bad public policy, the City of Kirkland, along with several other cities, sent

a letter to the Governor requesting he veto this bill. As of the writing of this memo, the Governor has not taken action on this bill. (Attachment C)

SB 6002, 2014 supplemental operating budget. The City of Kirkland, along with many other stakeholders, sent a letter requesting a partial veto (Attachment D) to strike all language from the 2014 supplemental operating budget that eliminated current and future funding for the Life Sciences Discovery Fund (LSDF). LSDF grants help to drive innovation to create the future of health care and have an important footprint in Kirkland. As of the writing of this memo, the Governor did follow-through with much of this partial veto request. (Attachment E)

2014 Interim and 2015 Legislative Session

The legislative committee will take a break for a bit to recuperate. Sometime in the next few months the staff, contract lobbyists and legislative committee will reconvene to begin development of the 2015 legislative agenda. The legislative committee has set a goal of having the 2015 agenda adopted by the full Council in the fall of 2014, rather than in the traditional January Council meeting, in order to use a fully adopted agenda during the legislative breakfasts that occur in October, November and December with Kirkland's State Representatives and Senators. Councilmembers can suggest legislative items to Intergovernmental Relations Manager Lorrie McKay at any time and she will bring those suggestions to the legislative committee for review and recommendation back to the full Council. The City Manager's office will also solicit input from all Departments for suggested legislative items, as well as work with the Association of Washington Cities, other partner organizations and our contract lobbyists to help inform Kirkland's agenda.

Attachments: A. Final status of City's 2014 legislative priorities (March 14)
B. Final Summary tracking list of the City's positions on bills (March 15)
C. Kirkland's Veto Request Letter ESHB 1287
D. Kirkland's Partial Veto Request Letter SB 6002
E. Governor Inslee's Partial Veto of SB 6002

2014 Legislative Priorities and Status – City of Kirkland

Attachment A

Final Update: March 14, 2014

	Legislative Priority	Bill #	Prime Sponsor	Status
1	State & local transportation revenue	HB-1954 SB-6577	Rep. Clibborn Sen. King	6/29/13— Returned to House Rules 3/3— Referred to Senate Transportation
2	\$5M for the next phase of the I-405 / NE 132nd Interchange ramp design <i>Rep. Moscoso's 2013 amendment in House version</i>	HB-1954 SB-6578	Rep. Clibborn Sen. King	Project & \$5M is included in House package HB-1954 3/3— Referred to Senate Transportation
3	Continued state financial assistance and other tools that further the development of the CKC <i>Rep. Habib - \$200,000 included in 2013-15 Capital Budget</i>	HB-2224 ESSB-6020	Rep. Dunshee Sen. Honeyford	2/28— Passed to Rules for 2 nd reading 2/28— Passed Senate; 31 yeas, 18 nays 3/4— Amended and Passed by House; 92 yeas, 4 nays 3/13— Concurrence vote failed 26-23 party line (MCC/D)
4	Restoration of funding to the Public Works Assistance Account that was swept in 2013	HB-2244 SB-6546	Rep. Stanford Sen. Rivers	2/18— Passed House; 87 yeas, 11 nays 2/20— Referred to Senate Ways & Means 2/4— Referred to Ways & Means
5	Restoration of local liquor revenue sharing formulas to adequately fund public safety & other local impacts of liquor consumption	HB-2067 HB-2314 SB-6361	Rep. Tharinger Rep. Tharinger Sen. Angel	1/13— Retained in Appropriations 1/15— Referred to Appropriations 1/22— Referred to Ways & Means
6	Support sharing marijuana revenue to address public safety needs and other local impacts	SB-5887	Sen. Rivers	3/8— Passed Senate; 34 yeas, 15 nays (considered NTIB) 3/13— (revenue stripped) By resolution, returned to Senate Rules for 3 rd reading
7	Harmonize medical marijuana regulations to reflect recreational marijuana regulations	SHB-2149 SB-5887	Rep. Cody Sen. Rivers	2/17— Passed House; 67 yeas, 29 nays 2/28— Referred to Ways & Means 3/8— Passed Senate; 34 yeas, 15 nays (considered NTIB) 3/13— By resolution, returned to Senate Rules for 3 rd reading
8	Oppose legislation that proposes lending products or practices that adversely impact the middle class and the poor	HB-2670	Rep. Kirby	1/28— Heard in Business & Financial Services.

Bill	Title	Position	Status
Support			
HB 2105	Promoting transparency by requiring public agencies post their agendas online in advance of meetings	Support	2/12 - PASSED 85yeas; 13nays 3/5 - PASSED 41yeas, 6nays, 1abs, 1xcsd
HB 2192	Promoting economic development through enhancing transparency and predictability of state agency permitting and review processes.	Support	2/14 - PASSED 96yeas; 2excscd 3/5 - PASSED 48yeas; 0nays; 0abs; 0 xcscd
HB 2224	2013-2015 supplemental capital budget.	Support	1/28 - Passed to Rules for 2nd reading
HB 2246	Regarding financing for stewardship of mercury-containing lights.	Support	2/13 - PASSED 56yeas; 41nays; & 1xcscd 3/7 - PASSED 31yeas; 18nays
HB 2296	Addressing duplicate signatures on petitions in cities, towns, and code cities.	Support	2/12 - PASSED 98yeas 3/4 - PASSED 49yeas
ESHB 2304	Concerning marijuana processing and retail licenses	Support	3/13 - PASSED 91yeas; 7nays 3/13 - PASSED 42yeas; 7nays
HB 2368	Concerning a surcharge for local homeless housing and assistance.	Support	2/13 - PASSED 62yeas; 36nays 2/25 - Heard in Finan Inst. and Housing & Ins
HB 2515	Concerning the treatment of population enumeration data, including exempting it from public inspection and copying.	Support	2/14 - PASSED 96yeas; 2excscd 2/26 - PASSED 49yeas
Neutral			
Oppose			
HB 1287	Subjecting federally recognized Indian tribes to the same conditions as state and local governments for property owned exclusively by the tribe.	Oppose	2/14 - PASSED 63yeas; 34nay; 1excscd 3/7 - - PASSED 37yeas; 12nays > City Requested Veto
HB 2151	Concerning recreational trails.	Oppose	2/12 - PASSED 97yeas; 1nay 3/7 - - PASSED 48yeas; 1abs
SHB 2175	Removing barriers to economic development in the telecommunications industry.	Oppose (Kirkland supported 3/13 amendment)	2/14 - PASSED 96yeas; 2xcscd 3/6 - Amended & PASSED 34yeas; 15nays 3/12 - House refused to Concurr 3/13 - Sen Amd & Passed - 47yeas; 2nay 3/13 - House concurred - 95yeas; 3nay

Bill	Title	Position	Status
Support			
ESSB 5875	Concerning a surcharge for local homeless housing and assistance.	Support with Concerns	3/13 - PASSED Sen: 41yeas; 8nays 3/13 - PASSED: 74yeas; 22nays; 2xcsd
SB 5887	Concerning the medical use of cannabis.	Support	3/8 - PASSED Sen: 34yeas; 15nays 3/13 - By resolution, returned to Senate Rules for 3rd reading.
SB 5964	Training pub officials & employees re: public records, records mngmnt, & open public mtgs	Support	2/7 - PASSED Sen: 45yeas; 2nays; 2xcsd 3/7 - PASSED: 66yeas; 31nays; 1xcsd
SB 6001	Making 2013-2015 supplemental transportation appropriations.	Support (or neutral)	3/4 - PASSED Sen: 44yeas; 5nays 3/11 - Amd & PASSED: 65yeas; 33nays 3/12 - PASSED Sen: 44yeas; 4nays; 1xcsd
SB 6002	Making 2014 supplemental operating appropriations.	Support (or Neutral)	2/27 - PASSED Sen: 41yeas; 8nays 3/4 - PASSED: 53yeas; 44nays; 1xcsd 3/13 - CnfComm: Passed Hou - 85yeas; 13nay 3/13 - CnfCmm: Passed Sen - 48yeas; 1nay > City Requested Partial Veto
SB 6020	2013-2015 supplemental capital budget.	Support	2/28 - PASSED: 31yeas; 18nays 3/4 - PASSED: 92yeas; 4nays; 0abs; 2xsd 3/13 - Concurrence vote failed 26-23
SB 6430	Extending tax preferences for high-technology research and development.	Support	3/11 - PASSED: 36yeas; 13nays 3/13 - Referred to Finance. By resolution, returned to Senate Rules for 3rd reading.
Neutral			
Oppose			



March 15, 2014

The Honorable Jay Inslee
Governor of the State of Washington
PO Box 40002
Olympia, Washington 98504-0002

RE: Request Veto of ESHB 1287

Dear Governor Inslee,

On behalf of the City of Kirkland, I am writing to express our concerns with ESHB 1287, Subjecting federally recognized Indian tribes to the same conditions as state and local governments for property owned exclusively by the tribe for non-reservation properties purchased by the tribes. The City of Kirkland believes that this bill is bad public policy and it should be vetoed.

ESHB 1287 shifts property taxes currently paid by tribes to homeowners and small businesses in cities where off-reservation properties are owned or have been purchased, purely for economic development purposes. Placing this additional financial burden on the backs of homeowners and business-owners in these communities is not reasonable.

ESHB 1287 puts small business-owners, realtors, developers and others at a disadvantage. These businesses and individuals work hard, make and sell products, provide jobs and health care benefits – and they pay their share of property taxes.

Finally, this bill deprives local government of needed revenues to provide police, fire, water, sewer and other general government services to the tribes' developments. The value of new, tax-exempt tribal development will never come on to the tax rolls. Cities, towns and special purpose districts will never receive their share of this lost revenue – which would otherwise be considered "new construction" property tax exempt from the statutory 1% levy limit – because the new development's value will never be added to the cities' overall property tax base.

Washington's communities are still struggling to regain financial stability in the wake of the financial crisis that began in 2008. ESHB 1287 does not help. Rather, this bill threatens the financial recovery of those communities where off-reservation properties are currently owned or have been purchased. We urge you veto ESHB 2178 and return it to the Legislature for further study and additional input from affected stakeholders.

Thank you for your consideration. Should you have any questions, please don't hesitate to contact Lorrie McKay, Intergovernmental Relations Manager at 206-587-3009.

Sincerely,
KIRKLAND CITY COUNCIL

A handwritten signature in blue ink that reads "Amy Walen". The signature is written in a cursive style with a long horizontal flourish extending to the right.

By Amy Walen, Mayor



March 24, 2014

The Honorable Jay Inslee
Governor of the State of Washington
PO Box 40002
Olympia, Washington 98504-0002

RE: Restore the Life Sciences Discovery Fund in the final budget

Dear Governor Inslee,

On behalf of the City of Kirkland, I am writing to respectfully request a partial veto to strike all language from the 2014 supplemental operating budget (ESSB 6002) that eliminates current and future funding for the Life Sciences Discovery Fund (LSDF).

Governor Gregoire created the Fund in 2005 to support research and development in Washington to promote life sciences competitiveness, enhance economic vitality, and improve health and health care. If enacted, this budget would reverse our state's commitment to LSDF and severely compromise Washington's efforts to attract and retain the jobs and investment that this sector brings to our state and communities.

The Fund has an important footprint in Kirkland. LSDF grants support several startup companies including Aqueduct Neurosciences, Stasys Medical, Epoch Medical Innovations and OtoMetrix (two of these companies are located in the Mercury Incubator at the Lake Washington Institute of Technology). Along with more established companies such as, Cardiac Dimensions, Genome Rx, CisThera and ProteoTech, new jobs are being created for Washingtonians in areas such as research and development, manufacturing, and sales, and new revenue streams are emerging for the state. Further, Evergreen Hospital Medical Center in Kirkland participates in the Surgical Care and Outcomes Assessment Program, an LSDF-funded initiative that has saved at least \$67 million in health-care costs statewide, while also saving lives and improving patient safety.

LSDF grants are helping to drive the innovation that will create the future of health care. The \$19 million appropriated for the LSDF last spring for this biennium is critical for Washington's non-profit research organizations and startup companies to develop the proof of concept needed to attract investment to translate their innovative technologies from the laboratory to the marketplace.

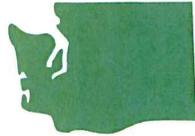
Thank you for considering the importance of the LSDF and using your veto power to maintain its current funding level in the final budget.

Sincerely,
KIRKLAND CITY COUNCIL

A handwritten signature in blue ink that reads "Amy Walen". The signature is fluid and cursive, with a long horizontal stroke at the end.

By Amy Walen, Mayor

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

April 4, 2014

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(11); 106, lines 13-16 and lines 22-28; 116(5); 125(14); 126; 135(9); 138(3); 140(3); 146(10); 202(15); 205(1)(l); 219(30); 220(3)(e); 502(21); 505(12); 505(13); 705, page 257, lines 23-24; 805, page 267, lines 32-38, and page 268, line 1; 805, page 268, lines 11-38, and page 269, lines 1-15; 805, page 270, lines 12-16; 917; and 919, Engrossed Substitute Senate Bill No. 6002 entitled:

“AN ACT Relating to fiscal matters.”

Section 103(11), page 7, Joint Legislative Audit and Review Committee, Study of Medicaid Dispensing Methods

This proviso directs the Joint Legislative Audit and Review Committee to conduct an analysis of the assumed budget savings as a result of the state's change to dispensing a one-year supply of contraceptive drugs for Medicaid recipients under Section 213, Chapter 4, Laws of 2013, 2nd Special Session. Individuals need convenient access to contraceptive drugs, as these drugs prevent unintended pregnancies and reduce Medicaid births. For this reason, I have vetoed Section 103(11).

The Health Care Authority will track savings resulting from dispensing a one-year supply of contraceptive drugs, and will report savings to the Office of Financial Management.

Section 106, page 8, lines 13-16 and lines 22-28, Office of the State Actuary, Actuarial Analysis of State Medicaid and PEB Programs

Funding is provided to the Office of the State Actuary to improve the Legislature's access to independent and objective health care actuarial analysis for the state Medicaid and Public Employee Benefits programs. The funding provided includes federal funds that cannot be used for this purpose. For this reason, I have vetoed Section 106, page 8, lines 13-16 and lines 22-28.

However, I recognize the importance of legislative review and access to actuarial analyses. Therefore, I am directing the Health Care Authority to collaborate with the Office of Financial Management, the Office of the State Actuary, and legislative staff on the establishment of health care rates. The Health Care Authority is further directed to include a requirement in actuarial services contracts that will require the vendor to provide information in response to questions from the Office of Financial Management, the Office of the State Actuary, and legislative staff.

Sections 116(5), page 17, Office of the Governor, Transfer of Special Education Ombuds

The appropriation in this section increases funding to the Governor's Office of the Education Ombuds (OEO) for special education ombuds services currently provided by the Office of the Superintendent of Public Instruction (OSPI). Funding for the special education ombuds is removed from the OSPI budget in Section 505(12). OSPI is required to provide special education ombuds services to comply with federal law. Therefore, the transfer of funding for this function would result in a reduction in funding to OSPI without a corresponding reduction in responsibilities and workload. In addition, this section requires OSPI to enter into an interagency agreement with OEO to provide support for additional special education ombuds services using federal funds. OEO services are not an allowable use of federal funds. For these reasons, I have vetoed Section 116(5).

Section 125(14), page 27, Office of the Attorney General, Medical and Recreational Marijuana (E3SSB 5887)

This proviso provides appropriation authority for the implementation of Engrossed Third Substitute Senate Bill 5887, medical and recreational marijuana. E3SSB 5887 did not pass, so this subsection is unnecessary. For this reason, I have vetoed Section 125(14).

Section 126, page 27, Caseload Forecast Council, Self-Insurance Premiums

This section reduces appropriations to the Caseload Forecast Council (CFC). Statewide adjustments for self-insurance premiums submitted to the Office of Financial Management (OFM) mistakenly included a \$78,000 reduction for CFC. These premiums were already adjusted in the 2012 supplemental budget. As CFC is a small agency, the reduction is too large for the agency to absorb. For this reason, I have vetoed Section 126.

I am directing OFM to work with CFC to adjust allotments to levels consistent with the supplemental budget excluding the self-insurance premium reduction.

Section 135(9), page 44, Department of Revenue, Study of State Revenue Impact

This proviso directs the Department of Revenue (DOR) to consult with counties affected by the United States Open golf championship to estimate the additional state sales tax revenue attributable to the event. Large events around the state generate sales tax revenues for the state and local governments. This proviso establishes an unwise precedent of attempting to identify only state sales tax revenue attributable to a particular event. Further, no additional appropriation was provided to complete the study. As DOR must absorb more than \$267,000 of implementation costs for various revenue-related measures passed by the 2014 Legislature, the agency cannot be expected to absorb additional costs for this study. For these reasons, I have vetoed Section 135(9).

Section 138(3), page 46, Office of the Insurance Commissioner, Insurance Company Solvency (SHB 2461)

This proviso provides appropriation authority for the implementation of Substitute House Bill 2461, insurance company solvency. SHB 2461 did not pass, so this subsection is unnecessary. For this reason, I have vetoed Section 138(3).

Section 140(3), page 47, Liquor Control Board, Medical and Recreational Marijuana (E3SSB 5887)

This proviso provides appropriation authority for the implementation of Engrossed Third Substitute

Senate Bill 5887, medical and recreational marijuana. E3SSB 5887 did not pass, so this subsection is unnecessary. For this reason, I have vetoed Section 140(3).

Section 146(10), page 53, Department of Enterprise Services, Small Agency Services and Printer Rates

This proviso directs the Department of Enterprise Services (DES) to revise central services rates charged to state agencies to reflect a transfer of Small Agency Client Services to the Office of Financial Management (OFM), the elimination of funding for Small Agency Human Resource Services, and establishment of the Print and Imaging program rates at levels sufficient to fully recover costs. I understand the legislative intent was not to eliminate services for small agencies, but to provide such services with a smaller budget. I am concerned about the unnecessary disruption of services for small agencies as a result of this proviso. For this reason, I have vetoed Section 146(10).

However, to fully and responsibly capture the assumed budget savings for small agency services and accomplish the policy goal of setting printer rates at levels sufficient to recover all costs, I am directing DES and OFM to take the following actions:

- DES will provide both finance and human resource services to current small agency customers within the \$1.845 million provided to OFM in the operating budget. DES may not use any other fund sources or projected fund balances from any of its operating accounts to provide small agency services. To maximize the use of limited resources, DES and OFM shall convene a meeting of small agency customers to receive their input on the structure, service offerings, and rates for small agency services in light of the reduced budget.
- DES shall immediately set its rates for the Print and Imaging program to fully recover costs for the services provided to prevent any operating loss for the current and future fiscal years. By June 1, 2014, DES must submit to OFM a comparative rate sheet showing rates for the program as of April 1, 2014, and the new rates along with a long-term financial plan for the Print and Imaging program.

Section 202(15), page 63, Department of Social and Health Services, Children's Long-Term Inpatient Program Placement Waitlist

This proviso provides appropriation authority for a rate add-on paid to residential facilities providing behavioral rehabilitation services (BRS) to youth who have been assessed as needing mental health services through the children's long-term inpatient program (CLIP). I am concerned that a rate add-on for this population will create an incentive to send youth served by BRS to CLIP, thereby driving up costs in CLIP and placing foster youth in unnecessarily restrictive settings. For this reason, I have vetoed Section 202(15).

However, I recognize the need to review the level of funding provided to BRS agencies serving youth with psychological and psychiatric needs. Therefore, I am directing the Children's Administration and the Behavioral Health and Integrated Services Administration to work with BRS providers over the interim to examine this issue and determine viable solutions.

Section 205(1)(f), pages 82-83, Department of Social and Health Services, Report from Developmental Disabilities Administration

This proviso directs the Department of Social and Health Services to meet with stakeholders and

report to the Legislature by January 1, 2015, on fourteen key areas related to developmental disabilities. No funding was provided to the Department for this work. For this reason, I have vetoed Section 205(1)(l).

The Developmental Disabilities Administration will be working with stakeholders in the development of the Individual and Family Services waiver and the Community First Choice Medicaid state plan revision. Therefore, many of the areas identified in the proviso will be discussed and addressed.

Section 219(30), page 139, Department of Health, Medical and Recreational Marijuana (E3SSB 5887)

This proviso provides appropriation authority for the implementation of Engrossed Third Substitute Senate Bill 5887, medical and recreational marijuana. E3SSB 5887 did not pass, so this subsection is unnecessary. For this reason, I have vetoed Section 219(30).

Section 220(3)(e), page 149, Department of Corrections, Expanding Categories of Offenses Eligible for Community Parenting Alternative Program Within Department of Corrections (SB 6327)

This proviso provides appropriation authority for the implementation of Senate Bill 6327, expanding the categories of offenses eligible for the community parenting alternative program within the Department of Corrections. SB 6327 did not pass, so this subsection is unnecessary. For this reason, I have vetoed Section 220(3)(e).

Section 502(21), page 205, Office of the Superintendent of Public Instruction, Federal Forest Revenue (E2SHB 2207)

This proviso provides appropriation authority for the purpose of Engrossed Second Substitute House Bill 2207, federal forest revenue. E2SHB 2207 partially eliminates the current state offset to state general apportionment funds for federal timber revenues paid to school districts. The calculation for the timber revenue offset includes federal funding allocated to school districts through the federal Secure and Rural Schools and Community Self-Determination Act (SRSA). Federal authority to make SRSA payments expires at the end of federal fiscal year 2014.

Because the original 2013-15 state operating budget assumes no federal SRSA payments after September 30, 2014, underlying general apportionment appropriations are sufficient to fully fund apportionment payments to school districts without any offset for potential SRSA timber revenues to districts. Therefore, if the federal government reauthorizes SRSA beyond September 30, 2014, eligible school districts will receive the benefits of increased combined state and local funding under E2SHB 2207, and state general apportionment appropriations in this budget bill will be more than sufficient to fully fund state general apportionment without the appropriation provided in this subsection. The appropriation in this subsection is redundant. For this reason, I have vetoed Section 502(21).

Section 505(12) and Section 505(13), page 211, Office of the Superintendent of Public Instruction, Special Education Ombuds Services

Section 505(12) reduces appropriations for special education ombuds services at the Office of the Superintendent of Public Instruction (OSPI). Section 116(5) provides an increased appropriation to the Governor's Office of the Education Ombuds (OEO) for these services. OSPI is required to

provide the special education ombuds services to comply with federal law. Therefore, the transfer of funding for this function would result in a reduction in funding to OSPI without a corresponding reduction to responsibilities and workload. Section 505(13) requires OSPI to enter into an interagency agreement with OEO to provide support for additional special education ombuds services using federal funds. OEO services are not an allowable use of federal funds. For these reasons, I have vetoed Sections 505(12) and (13).

Section 705, page 257, lines 23-24, Disaster Response Account

This line item reduces General Fund-State appropriations into the Disaster Response Account by \$1.5 million in fiscal year 2015 based on a projected excess fund balance. Earlier this year, it appeared the account would not need these funds. However, the tragic mudslide that occurred in Oso on March 22, 2014, will greatly strain these resources. The Military Department has activated the State Emergency Operations Center, and other state agencies are engaged in rescue and recovery efforts. For these reasons, I have vetoed Section 705, page 257, lines 23-24.

Section 805, page 267, lines 32-38, and page 268, line 1; Section 805, page 268, lines 11-38, and page 269, lines 1-15; Office of the State Treasurer, Revenue Transfers to Life Sciences Discovery Fund

These sections together transfer a total of \$20 million from the Tobacco Settlement Account and the Life Sciences Discovery Fund to the Education Legacy Trust Account. As a result of these transfers, funding for the Life Sciences Discovery Fund Authority (LSDFA) is effectively ended for the remainder of the 2013-15 biennium. The LSDFA has helped make Washington a global innovation leader in life sciences research. Returning this funding to the LSDFA will allow for the issuance of more than \$15 million of new grants in the 2013-15 biennium on top of the nearly \$92 million in grants already made, continue support for the Global Health Technologies and Products program, and cover necessary administrative costs. For this reason, I have vetoed Section 805, page 267, lines 32-38, and page 268, line 1; Section 805, page 268, lines 11-38, and page 269, lines 1-15.

I am aware that this veto reduces revenue to the Education Legacy Trust Account. However, this veto will not affect any education spending as there are sufficient resources in the budget to cover any projected shortfalls in the Education Legacy Trust Account in the 2015 supplemental budget.

I am not vetoing the legislative intent language for transfer of the strategic tobacco contribution payments in 2015-17 as it has no impact on returning \$20 million to the LSDFA in 2013-15. The actual use of the 2015-17 strategic tobacco contribution payments will be made in the 2015 legislative session. We look forward to working with the Legislature to continue some level of funding for the LSDFA into the future so we do not lose the value of this important and innovative research.

Section 805, page 270, lines 12-16, Office of the State Treasurer, Energy Freedom Account

Section 805 increases the transfer from the Energy Freedom Account to the state General Fund by \$500,000 in fiscal year 2014 and by \$500,000 in fiscal year 2015. The enacted biennial budget transfers \$1 million from the Energy Freedom Account to the General Fund in each fiscal year. I am concerned about the uncertainty of when revenues will be deposited into the Energy Freedom Account. Current deposits are lower than anticipated. Vetoing the additional \$1 million transfer in this section will ensure the account's ending fund balance remains positive. For this reason, I have vetoed Section 805, page 270, lines 12-16.

Section 917, page 281, Transfer of Strategic Contribution Payments

This section authorizes the transfer of strategic contribution payments from the Tobacco Settlement Account to the Education Legacy Trust Account. As I have vetoed the transfers to the Education Legacy Trust Account in Section 805, the authority provided in this section is unnecessary. For this reason, I have vetoed Section 917.

Section 919, page 282, Account Transfers from Life Sciences Discovery Fund

This section authorizes the transfer of balances in the Life Sciences Discovery Fund to other state funds or accounts in the 2013-15 biennium. Because I have vetoed the transfers to the Education Legacy Trust Account in Section 805, the authority provided in this section is unnecessary. For this reason, I have vetoed Section 919.

I am not vetoing Section 123(2), which appropriates \$300,000 from the State Auditing Services Revolving Account for a contract with a private firm to conduct an audit of the use of the state's higher education accounts. However, I am concerned that the short time frame and lack of sufficient funding for such a comprehensive audit may act as a disincentive for firms to bid on the contract, thereby limiting the information the audit can provide for policy makers and budget writers. Unfortunately, a veto would eliminate the funding entirely and no audit would occur. I have therefore asked the State Auditor to use this limited funding and time frame to focus on the state's largest public four-year institution and conduct a focused audit that meets the requirements of the proviso.

For these reasons I have vetoed Sections 103(11); 106, lines 13-16 and lines 22-28; 116(5); 125(14); 126; 135(9); 138(3); 140(3); 146(10); 202(15); 205(1)(l); 219(30); 220(3)(e); 502(21); 505(12); 505(13); 705, page 257, lines 23-24; 805, page 267, lines 32-38, and page 268, line 1; 805, page 268, lines 11-38, and page 269, lines 1-15; 805, page 270, lines 12-16; 917; and 919 of Engrossed Substitute Senate Bill No. 6002.

With the exception of Sections 103(11); 106, lines 13-16 and lines 22-28; 116(5); 125(14); 126; 135(9); 138(3); 140(3); 146(10); 202(15); 205(1)(l); 219(30); 220(3)(e); 502(21); 505(12); 505(13); 705, page 257, lines 23-24; 805, page 267, lines 32-38, and page 268, line 1; 805, page 268, lines 11-38, and page 269, lines 1-15; 805, page 270, lines 12-16; 917; and 919, Engrossed Substitute Senate Bill No. 6002 is approved.

Respectfully submitted,

Jay Inslee
Governor