

Executive Request Legislation

Governor Mike Lowry

December 1995

For further information or to
request this document in an
alternate format contact:

Office of Financial Management
(360)753-5459

Table of Contents

INTRODUCTION.....	2
TAX INCENTIVES TO CREATE JOBS AND HELP HOMEOWNERS.....	4
HELPING THE STATE’S LOWEST PAID WORKERS.....	7
RAILS TO BUILD TRAILS.....	9
WATERSHED INITIATIVE/TAX CREDITS.....	11
CONTINUING THE PROTECTION OF PUGET SOUND.....	13
JUVENILE SENTENCING AND REHABILITATION.....	16
INCREASING BRAILLE LITERACY.....	19
STRENGTHENING SENTENCING FOR DOMESTIC VIOLENCE.....	21
REDUCING HOSPITAL TAXES THROUGH ALTERNATIVE FUNDING.....	24
INCREASING RESTRICRTIONS ON TOBACCO SALES TO MINORS.....	25
PERSONNEL SYSTEM REFORM TO IMPROVE EFFICIENCY.....	28
ESTABLISHNG A CITIZENS WHILSTLEBLOWER ACT.....	31
RESHAPING AND REDUCING ENERGY PROGRAMS.....	33
IMPROVING ACCESS TO ELECTED OFFICIALS.....	35

INTRODUCTION

Governor's Proposed 1996 Executive Request Legislation

Governor Mike Lowry's 1996 executive request bills, as summarized in this document, continue his strong commitment to kids, jobs, and the environment. The Governor's legislative initiatives, together with his supplemental budget proposal, emphasize living-wage jobs, tax incentives that create jobs and help homeowners, protection of children, and strong environmental safeguards. These efforts are supported by additional legislation that achieves innovative, cost-conscious management of state government.

In summary, the Governor's legislative proposals:

- ◆ Help homeowners and provide job-creating tax incentives. They include a Business and Occupation (B&O) tax credit to stimulate worker training and retraining; sales and use tax exemptions on specified machinery and equipment to spur long-term economic and job growth; a property tax deferral that allows homeowners to remain in their homes yet still meet their tax obligations; and a reduction in hospital taxes.
- ◆ Support living-wage jobs and the state's lowest paid workers by increasing the state's minimum wage from the current \$4.90 per hour to \$5.30 per hour by 1997, and providing B&O tax credits to businesses that hire and provide training to people on public assistance.
- ◆ Protect the environment by again requesting reauthorization and funding of the Puget Sound Water Quality Authority, promoting watershed planning, implementing already completed watershed plans, and providing tax credits to promote water utility conservation efforts and to protect and restore lands next to rivers and streams.
- ◆ Stimulate economic development and expand recreational opportunities by creating a legal framework that would reopen the Stampede Pass rail corridor to freight rail and expand rail access to Eastern Washington communities. At the same time, the legislation would enable the completion of a cross-state trail from Puget Sound to the Idaho border.
- ◆ Improve laws that protect and serve our children by reforming the juvenile sentencing laws so that sentences are proportionate to the seriousness of the crime, and juvenile offenders have opportunities for early intervention and rehabilitation. Other legislation further restricts sales of tobacco to minors and increases Braille instruction for blind or low-vision students.

- ◆ Toughen sentences for domestic violence crimes by making domestic violence a basis for imposing an exceptional sentence.

- ◆ Continue innovative, cost-conscious management of state government by establishing a citizens' whistleblower act to expose fraudulent claims against taxpayer dollars, and reforming state personnel laws to eliminate restrictions on contracting for state services and to allow collective bargaining on economic issues. Other legislation would reshape and reduce the size and cost of energy programs by eliminating the Energy Office and delivering services on a self-sustaining, market-driven basis, and improve citizen access to elected officials by encouraging the listing of their offices' telephone numbers in telephone directories around the state.

Tax Incentives to Create Jobs and Help Homeowners

Background

In the past two years, Governor Mike Lowry introduced several major initiatives to reduce taxes. These tax initiatives were specifically designed to stimulate economic growth and assist in the creation of family wage jobs. In 1994, the Legislature approved three measures that are expected to save businesses \$184 million over two years. Those measures included a sales tax exemption on new facilities or equipment installed by manufacturing companies in economically distressed areas of the state, a sales tax deferral and Business and Occupation (B&O) tax credit for specified research-and-development activities by high-technology companies, and a B&O tax credit for small businesses.

The Governor targeted manufacturing companies for a tax incentive again in 1995. That measure exempted all new manufacturing machinery and equipment purchases from sales tax. Charges for labor and services for installing the machinery and equipment are also exempt from the sales and use tax. The exemption will reduce the tax burden on manufacturers by \$148 million in the 1995-97 biennium, encouraging established businesses to expand and attracting several new manufacturing businesses to the state.

Proposed Legislation

Encouraged by the success of these measures, Governor Lowry has proposed four new business tax incentive programs, designed to boost economic growth by bolstering investment in both equipment and worker training, for consideration by the 1996 Legislature. He has also proposed a new property tax deferral program for homeowners. Together, these measures would reduce taxes by \$62.8 million during the remainder of the current biennium, and \$147.4 million in the 1997-99 biennium.

***** Sales and Use Tax Exemption for Research & Development Machinery and Equipment***

Current law provides a sales and use tax exemption for the purchase of new machinery and equipment, excluding structures, used directly in a manufacturing operation. Installation charges are also eligible for the exemption. The Governor's plan would extend that exemption to include purchases of new machinery and equipment used for research and development (R&D). Increased R&D would spur the long-term growth of the state economy, helping young start-up companies, and reducing Washington's business tax rates relative to other states, particularly

Oregon. Up to 2,700 firms are expected to benefit from tax incentives totaling \$11.6 million for the remainder of the 1995-97 biennium.

•• ***Sales and Use Tax Exemption for the Repair and Replacement of Manufacturing Machinery and Equipment***

Under the Governor's proposal, the sales and use tax exemption on new machinery and equipment used for manufacturing would be extended to include repair and replacement parts and labor if they extend the useful life, efficiency or productivity of existing machinery and equipment. The exemption would be capped at \$9 million per firm per year. As many as 10,000 manufacturing firms would benefit from the \$18.3 million in exemptions in the remainder of the 1995-97 biennium. This incentive would also help maintain employment by extending the useful life of equipment and would encourage manufacturers to upgrade their facilities.

•• ***Property Tax Deferrals***

Property owners would be allowed to defer paying property taxes on the amount of their property tax bill that exceeds 5 percent of their adjusted gross income, up to an income limit of \$50,000. This would benefit homeowners whose property taxes are rising faster than their incomes, or whose financial situations make it difficult to meet all their obligations. It would allow people to remain in their homes yet still meet their property tax obligations by deferring payment of the taxes, plus interest, until they die or sell their homes. For example, a homeowner with an annual income of \$25,000 could defer paying \$780, or nearly 40 percent, of the annual taxes due on a \$150,000 home. About 55 percent of all homeowners could qualify for this program, and an estimated 29,000 - or 8.7 percent of those eligible - are expected to participate. The fiscal impact of this program is projected at \$18.6 million for the remainder of the 1995-97 biennium.

•• ***B&O Tax Credit for Investment in Training***

A business-and-occupation tax credit would be granted to manufacturers that train their employees through approved basic skills or workforce training programs. New and expanding businesses and firms making capital investments would qualify for the credit. Manufacturers would get a credit equal to 75 percent of their qualified training expenditures, to a limit of \$250,000 per year of credit. The annual statewide credit cap would be \$10 million per fiscal year. Training credits not used in a given year can be carried forward to future years. Companies would be provided with an incentive to upgrade employee skill levels and training as well as increase their productivity. From 2,000 to 5,000 firms are expected to participate.

•• ***Tax Incentive Partnership (TIP)***

Many recipients of income assistance through the state's Aid to Families with Dependent Children (AFDC) program lack the experience, training, and education required to succeed in the workplace. Under the Governor's ***Tax Incentive Partnership*** proposal, businesses that hire and train AFDC clients could qualify for a B&O tax credit equal to 120 percent of the cost of training.

This tax incentive would give businesses a chance to train employees to meet their own specific needs, while providing AFDC clients the skills and experience necessary to become self-sufficient members of society. Maximum tax credits would range from \$1,200 to \$3,600 for any employee in a given year, and could be claimed for one to three years, depending on the employee's qualifications and training needs. The program would cost \$4.3 million for the remainder of the 1995-97 biennium, and would be limited to \$15 million per biennium in future years. Eligible employees must be hired prior to the end of fiscal year 2000 and the tax credits would terminate at the end of calendar year 2003.

Staff Contact

Len McComb, Department of Revenue, (360)753-5574

Jim Schmidt, Office of Financial Management, (360)753-0258

Helping the State's Lowest Paid Workers By Raising the Minimum Wage

Background

After strong and steady growth in the 30 years after World War II, the real average earnings of U.S. and Washington workers have stagnated. Despite strong economic growth in the late 1980s and a partial rebound in wage growth in the early 1990s, the real average annual earnings of Washington workers in 1994 were nearly \$800 below the level of 1979. In the same period, U.S. workers gained a modest \$630 in real annual earnings (earnings include employer contributions to health, life insurance, and pension benefits). The decline in earnings, together with social changes affecting families and children, have contributed to increased poverty, dependence on government, and the general slowdown in economic growth.

The youngest and least educated members of the workforce, whose wage levels are most affected by the state minimum wage, have been hit the hardest by the earnings decline. The youngest Washington workers (ages 20-24) saw their real average earnings drop 19 percent during the 1980s. Workers with less than a high school education experienced a 27 percent decline. High school graduates, whose real earnings dropped 12 percent during the 1980s, did not fare much better.

Failure of the national and state minimum wage to keep pace with inflation contributed to the steep decline in real wages among these groups. In 1976, the national and state minimum wage stood at \$2.30 per hour. It remained there through 1988 despite sharp increases in inflation. In 1988, Washington voters approved Initiative 518, which raised the state minimum wage to \$3.85 per hour in 1989, and to \$4.25 per hour in 1990. In 1993, the Legislature increased the state minimum wage to its current level of \$4.90 per hour beginning January 1994.

If the state minimum wage had kept pace with inflation since 1976, the minimum wage would be \$6.08 per hour in 1995. Because the minimum wage has not kept pace with inflation, the purchasing power of minimum wage workers in Washington has fallen nearly 25 percent since 1976. Based on a 1991 study of changes in the state minimum wage by the Northwest Policy Center, it is estimated that the wages of 200,000 to 250,000 Washington workers are directly or indirectly affected by state minimum wage policies.

Proposed Legislation

Governor Lowry believes that the erosion of workers' wages is one of the most serious economic problems facing families and children in Washington. As part of a broader package of tax and economic reforms aimed at improving the wages of Washington workers, the Governor recommends increasing the state minimum wage from the current \$4.90 per hour to \$5.30 per hour beginning January 1, 1997. This increase will allow the wages of Washington's lowest paid workers to keep pace with changes in the cost of living since January 1994, when the current state minimum wage was set. Based on the experience of previous changes in the minimum wage, the proposed increase is expected to impact between 200,000 and 250,000 low wage workers in Washington.

Fiscal Impact

The increase in the minimum wage will have a small impact on wages for state government workers and payments made by state government to vendors. No budget increase will be necessary for the 1995-97 biennium.

Staff Contact

Office of the Governor, Steve Hodes, (360)586-6771

Rails To Build Trails

Developing a Cross State Trail System and Expanding Rail Resources

Background

In 1981 the state purchased portions of a rail right of way once owned by the bankrupt Milwaukee Railroad. This right of way was dedicated to trail use by the legislature. Trail users believed this land eventually could provide the foundation for a complete cross-state trail from the Puget Sound to the Idaho border.

Today, much of the Old Milwaukee line is used as a trail, but resources have never been available to complete the proposed cross-state system. Major gaps in the trail exist where the line remains in rail use or where the adjacent property owners have re-acquired control of the right of way. Resources have never materialized to fill the gaps in the system or to develop amenities such as water and camping facilities.

The state now has an opportunity to finish the trail system by returning a portion of the Milwaukee right of way to rail use. Revenues charged for the use of these state owned properties can be dedicated to filling gaps in the trail, developing the trail itself, and providing associated facilities and maintenance.

Washington's ports rely on rail corridors to compete for international trade. As world wide markets have expanded, Washington's rail systems have become crowded and improved passenger rail programs are pressuring their capacity. The state's major rail links to national markets run through Stevens Pass and the Columbia Gorge. Because it is extremely difficult to increase the capacity of rail routes in such environmentally sensitive areas port and rail interests have made efforts to re-open the old route across the Cascades through Stampede Pass.

Re-opening Stampede Pass provides the state a unique opportunity to marry strong economic development with a major expansion of recreational services. By returning portions of the Old Milwaukee line to rail use, the state can obtain needed resources to complete the cross state trail system, provide an improved freight corridor, and expand access to rails for the communities of Eastern Washington.

Proposed legislation

The governor proposes that the state provide the legal framework to acquire resources for the cross state trail system by making it possible to franchise portions of the state owned right of way for rail use. The legislation has four main components.

Consolidating Right of Way Ownership

Three separate state departments own state properties that might be affected by a return to rail use: Natural Resources, Transportation, and the Parks and Recreation Commission. This multiple ownership seriously complicates the state's ability to negotiate other uses for the corridor. The legislation would make it possible to place these properties under the exclusive ownership of the Department of Natural Resources.

Franchising for Rail Use

The most advantageous method for changing the use of the affected right of way is to develop a franchise for rail use. The legislation permits the Department of Natural Resources, in conjunction with the Parks and Recreation Commission and the Department of Transportation, to negotiate such a franchise. The bill establishes criteria for the duration, construction, financing, operation and regulation of a rail franchise.

Cross-State Trail Financing

The Governor proposes that revenues charged for the proposed rail franchise be placed in a dedicated fund for the Parks and Recreation Commission to acquire property and to build and maintain the cross state trail. The legislation establishes a fund for this purpose and provides criteria for its use.

Reversion to Existing State Ownership

Since it is possible that an acceptable agreement to re-open the Old Milwaukee Railroad may not be achieved, the legislation provides that existing ownership and uses for the affected state properties will be maintained until agreement on a franchise is reached. If a franchise is not agreed to by July 1, 1998, the changes provided for in the legislation will lapse.

Staff Contact

Bill Daley, Office of the Governor, (360)586-0829

Watershed Initiative/Tax Credits

Background

Washington state faces major decisions about how to manage its water resources. Conflicts over water and the federal listings of threatened and endangered species jeopardize the state's quality of life and economic future.

The recent *Endangered Species Act* listing for coastal coho narrowly missed Washington waters. New *Endangered Species Act* listings are possible on salmon and steelhead stocks in Puget Sound, the Columbia Basin, and the coast. With the declines of salmon stocks, western and eastern Washington treaty tribes may feel forced to go back to the federal courts under U.S. vs. Washington and U.S. vs. Oregon to secure water and habitat for treaty fish.

Lack of funding, uncertainty about water uses, and lack of water information continue to slow the processing of pending water rights. Clear water shortages exist. Population and economic growth increase competition for water. Uncertainty about water stifles new projects. An estimated 40 percent of the state's watersheds have streams in which flow is too low during parts of the year. In some areas, groundwater is removed faster than nature can replace it; in others, saltwater intrusion is a growing problem. Urban areas are increasingly concerned about where they will obtain water to meet expanding growth. Citizen complaints about slow processing of water rights applications continue to increase and the program remains drastically underfunded.

Beyond that, it is necessary to restore our anadromous fish stocks to revive the economies of communities dependent upon the commercial, recreational, and environmental benefits of salmon and steelhead. In a recent assessment of 435 stocks of salmon and steelhead in Washington, 122 were found to be depressed, and another 12 were found to be in critical condition.

To do nothing now would fail to reserve water for the state's economic future and would put the state in economic peril as federal courts and legal disputes tie our economic and environmental future in knots.

Proposed Legislation

Governor Lowry shares the position held by many that water problems can best be solved through a watershed-by-watershed approach. A number of locally driven planning processes are currently underway. The Governor wishes to recognize and support efforts that demonstrate a financial commitment to an inclusive planning

process. In addition to partially funding the planning process, the state will provide data and technical assistance through its agencies that deal with water and habitat.

Watershed plans, negotiated at the local level through the planning process, will provide certainty for economic and population growth and will protect the unique environment of the watershed by resolving water related problems.

Governor Lowry also proposes tax credits and deductions for protection of our water and habitat resources:

The Landowner Stewardship program offers a credit against the state share of property taxes to landowners who undertake measures to protect or restore riparian habitat. The objective is to provide an incentive to maintain and improve areas along rivers and streams which might otherwise be degraded as a result of growth or past practices. This program will be administered through the Conservation Commission.

The Public Water Systems Water Conservation program offers a deduction against the public utility tax for projects undertaken to replace or repair leaky mains and other fixtures. Credits could be used up over ten years to provide an incentive to water systems to conserve water rather than to look for new sources. Public water systems will also have the opportunity to offer credits to consumers who install low flow devices to reduce water usage.

It is clearly time for Washington to take control of the future of its water resources through coordinated and focused steps that will result in guarding the state's water and salmon resources and improving the state's ability to properly manage those resources.

Fiscal Impact

The Governor's proposed tax credit package for water conservation and landowner stewardship totals \$16 million for the current biennium.

The Governor's proposed supplemental budget for his watershed initiative totals \$9,286,000. This includes \$1 million for local planning, \$3 million for implementation of watershed plans, and \$598,000 for state support of planning and implementation. In addition, the budget includes \$500,000 to administer the landowner stewardship program, \$754,000 to process water rights applications, \$1,525,000 for additional information and data management, \$334,000 for basin assessments, \$575,000 for the Trust Water Program and \$1 million for incentive payments to landowners to conserve key watershed areas.

Staff Contact

Terry Surguine, Office of the Governor, (360)753-5463

Continuing the Protection of Puget Sound

Background

The Puget Sound Water Quality Authority is the state agency responsible for planning and coordinating how to clean and protect Puget Sound. It provides direct technical assistance to private businesses, local government, state agencies, the federal government and nonprofit organizations to protect Puget Sound, including its economic and recreational uses.

The agency has 21 staff people and is funded with a mix of state and federal money, which includes grant pass-through funds for education purposes. Under the sunset law, it will terminate after June 30, 1996, unless the Legislature acts to continue it. If the agency terminates, its statutes would be repealed and its programs discontinued.

Under the sunset law, the Legislative Budget Committee (LBC) and the Office of Financial Management (OFM) reviewed the structure, operations and performance of the authority. LBC members voted to accept the results of the review and forward a recommendation to the full Legislature to continue the authority as a separate agency.

The LBC auditors and OFM found that:

- ◆ The Puget Sound Water Quality Authority fulfills its statutory duties as the lead agency for protecting water quality in Puget Sound.
- ◆ The authority is considered a model of regulatory reform principles because it operates without specific mandates and regulatory powers. Instead, it uses research, education, technical assistance, mediation, coordination, and partnerships with businesses and non-profit groups to ensure that cleanup occurs. In carrying out these duties, it does not duplicate functions of other agencies.
- ◆ The authority is a state leader and pioneer in the watershed approach to environmental protection. It works directly with citizens, community groups, businesses, and local governments to develop and implement watershed action plans.
- ◆ The Puget Sound Plan was the first in the nation to be approved under the National Estuary Program, which makes the authority eligible for federal funding to assist with administering the plan.

- ◆ The authority and the Puget Sound Plan are considered national models for intergovernmental cooperation and public-private partnerships for estuary management.
- ◆ The authority is still needed to ensure that ongoing cleanup and protection efforts are performed in a coordinated and efficient manner by the hundreds of public agencies and jurisdictions responsible for a clean Sound.
- ◆ The Water Quality Authority, its plan, and its programs represent an important and highly visible state commitment to clean and protect Puget Sound. Without the authority as the focal point for this effort, the energy and commitment of public and private agencies and citizens to continue protecting the Sound would diminish.

Based on these findings, the LBC recommended that the authority be maintained as a separate agency and not be terminated or have its programs transferred to another department.

It should devote even more attention to implementing the Puget Sound Plan, including coordinating and overseeing efforts, and strengthening technical assistance to agencies and local governments.

The authority should focus on assessing the results of plan implementation to answer the question: “Is Puget Sound cleaner as a result of efforts by implementing agencies?” In the future, less time should be spent on developing and revising the Puget Sound Plan.

Legislation

ESB 5194 implements recommendations of the LBC and OFM sunset reviews. This bill was introduced at the Governor’s request in 1995. Specifically, the bill:

- ◆ Recognizes the critical importance of Puget Sound to the state and ensures a continued and coordinated state focus on cleanup efforts by re-authorizing the Puget Sound Water Quality Authority, with a sunset date of June 30, 2002.
- ◆ Further concentrates efforts and resources of the authority on timely and efficient implementation of the Puget Sound Plan by: (1) directing the agency to provide technical assistance, research, education and other services to public agencies and other organizations; and (2) extending the plan revision cycle from four to six years.
- ◆ Builds in performance accountability by requiring the authority to prepare and track quantifiable performance measures. With these measures, the legislature will be better able to determine if actions to protect the water quality and marine life of Puget Sound are doing the job.

- ◆ Improves management and operation of the authority by (1) eliminating and consolidating reporting requirements; (2) redirecting reporting and documentation to tracking results of implementation; (3) providing greater flexibility in appointing ad-hoc advisory groups; and (4) requiring that the appointment of authority members be based on geographical balance and diversity.

Fiscal Impact

Reauthorization of the authority would continue programs at current levels, which include an annual appropriation of \$1,340,000 state general fund and \$225,000 in federal funds.

Staff Contact

Fred Hellberg, Office of the Governor, (360)586-1649

Tom Cowan, Puget Sound Water Quality Authority, (360)407-7330

Juvenile Sentencing and Rehabilitation

Background

Violent juvenile crime continues to be a major concern to Washington residents. Between 1983 and 1993, the juvenile arrest rate for serious violent crime increased by 146 percent. This rate is expected to rise sharply over the next decade due to expected growth in the teenage population. The juvenile justice system is already feeling the impact of this alarming trend. The number of juvenile offenders in state institutions increased 31 percent during the 1993-95 biennium, reaching a historical high of 1,406 offenders. These statistics demonstrate the need to strengthen and improve the state's juvenile justice system, not only to protect public safety, but to stem the tide of young people entering the system by deterring teens from choosing a life of violent crime.

This legislation contains many of the recommendations of the Council on Families, Youth and Justice relating to juvenile offenders. The council was established in June 1994 by Governor Lowry, with Attorney General Christine Gregoire. They directed the council to review the state's juvenile laws and recommend ways to improve the juvenile justice system. The council was made up of approximately 70 individuals with diverse backgrounds from across the state who have interest, expertise, or experience in the juvenile system or general juvenile issues. These individuals analyzed the goals of the 1977 *Juvenile Justice Act* and related laws, identified problems in the juvenile system, and evaluated the system's fiscal impact. In developing its recommendations, the council received extensive input from all-day workshops and community forums across the state.

This legislation proposes to strengthen and improve the juvenile justice system by ensuring that sentences will be proportionate to the severity of the crime, and by providing juvenile offenders with meaningful early intervention and rehabilitation. Specifically, this bill would revise the juvenile sentencing grid over the next year to emphasize confinement for violent and repeat offenders. It also would lengthen sentences for certain juvenile sex offenders, and provide judges more flexibility in sentencing first-time and minor offenders. It would establish sentencing alternatives for "youthful offenders" and for certain chemically-dependent offenders, and would significantly strengthen rehabilitation efforts. This legislation also addresses issues relating to parental involvement and racial disproportionality.

Proposed Legislation

Sentencing Guidelines Commission (SGC)

- ◆ Expedites the transfer of functions from the Juvenile Disposition Standards Commission to the SGC effective June 1996.
- ◆ Expands the SGC and directs it to revise the entire juvenile justice sentencing grid over the next year to ensure that sentences are more proportionate to the seriousness of the crime and cannot be manipulated by offenders.

Juvenile Sentencing

- ◆ Increases the minimum sentences for *Rape of a Child I* and *Child Molestation I*.
- ◆ Expands judges' authority to impose a longer "manifest injustice" sentence when the juvenile is sentenced under the *Special Sex Offender Disposition Alternative* (SSODA).
- ◆ Ranks the following offenses: (1) failure to register as a sex offender; (2) first and second degree reckless endangerment; (3) stalking; and (4) theft of a firearm.
- ◆ Expands the sentencing ranges for first-time and minor offenders, providing judges with greater flexibility in sentencing.
- ◆ Increases the sentences for offenders (18 and older) who commit crimes while on parole.
- ◆ Creates a new sentencing option that allows judges to suspend the sentence of certain chemically dependent, non-violent offenders and order treatment for up to 90 days.
- ◆ Creates a new "youthful offender" sentencing option that would combine juvenile and adult sentences for certain juvenile offenders. The court would be allowed to impose the adult sentence when the offender turns 21 if it determines that the offender failed to rehabilitate while serving his or her juvenile sentence.

Early Intervention and Rehabilitation

- ◆ Expands options for diversion agreements to include more time for informational/educational classes and participation in adult mentoring and community monitoring programs.
- ◆ Adds "home detention" as a component of community supervision.

- ◆ Expands parole conditions to include participation in substance abuse and mental health treatment, and other offense-related services.

Parental Involvement

- ◆ Requires the parents of juvenile offenders to attend their children's detention, adjudication and disposition hearings. Parents may be held in contempt of court for not attending.
- ◆ Encourages courts to hold hearings during nonstandard hours to make it easier for parents to participate.
- ◆ Creates a new parent-child-attorney privilege allowing parents to participate in discussions between their child and their child's attorney.
- ◆ Authorizes the Department of Social and Health Services to collect from parents the cost of parole supervision.

Court Process

- ◆ Emphasizes that a goal of the *Juvenile Justice Act* is to ensure that racial and ethnic minority families are not disproportionately affected by the juvenile justice system.
- ◆ Provides for the transfer of sentencing hearings for committable offenders to the county where the juvenile resides.
- ◆ Recommends prosecuting standards for charging and plea dispositions to guide prosecutors.

Fiscal Impact

The Governor's supplemental budget recommendation for this legislative proposal totals \$2,129,000 general fund state.

The Governor's supplemental budget also includes a request for \$6,589,000 general fund state and \$1,600,000 in Violence Reduction and Drug Education account funds to strengthen state and local juvenile rehabilitation and early intervention services

Staff Contact

Lorraine Lee, Office of the Governor, (360)753-1022

Increasing Braille Literacy

Background

Federal and state laws require that students with disabilities receive the additional services and supports necessary to provide them equal access to an educational opportunity. An Individualized Education Plan outlining these services and supports is developed for each special education student.

The population of students identified with blindness or visual impairment is extremely diverse. This group includes children who are totally blind or who have minimal light perception as well as children with high levels of functional vision, though less than the norm. For some students, visual impairment is their only disability, while others have one or more additional disabilities that may affect their learning and growth.

Regardless of the degree of the student's vision loss or ability to adapt to that loss, there is general agreement that blind and visually impaired students must acquire the skills necessary to function in school and future work settings. These skills include the ability to read, write, compose, and obtain access to information contained in printed materials.

To teach reading and composition, instructional methods could include Braille, large print or regular print with or without low vision optical devices, or a combination of the two methods. Audio tapes and devices that utilize computer generated speech could also be helpful tools. However, in recent years, school districts have emphasized the use of technology to teach blind and visually impaired children to read and write, and Braille instruction has declined sharply.

Historically, Braille has been a very effective reading and writing medium for many blind and visually impaired persons. In addition to its use in teaching reading and writing skills, Braille is useful in assisting students to label documents and take notes in situations where computer hardware and other technology is not available. In fact, data from a recent study demonstrates that blind and visually impaired adults who know Braille are more likely to be employed than those who do not.

Currently, however, only ten percent, or 118 of the state's 960 legally blind students age six to 21 have been identified as receiving instruction in Braille.

Proposed Legislation

The Governor's proposal seeks to increase Braille literacy rates among the state's blind and low vision student population by creating a presumption that the Individualized Education Plan for blind or low-vision students will include instruction in Braille. This means that blind and low-vision students would be provided Braille instruction unless the plan specifies a valid reason not to do so.

Fiscal Impact

The Governor's supplemental budget request includes \$56,000 general fund state for this proposal.

Staff Contact

Stephen Smith, Office of the Governor, (360)586-4158

Strengthening Sentencing for Domestic Violence

Background

Washington residents continue to be concerned over the destructive impact of domestic violence on our families and our communities. This concern is understandable given the growing incidence of domestic violence in our state. In 1994, 15 percent of all murders committed in our state were family-related, and 30 percent of the children murdered were victims of child abuse. Between 1988 and 1993, the number of adult arrests associated with domestic violence increased by 93 percent.

Although all violent crime is harmful, the effect of domestic violence is especially pernicious. It undermines family stability, often destroying entire families. Moreover, children who are abused, or who live in homes where parents are battered, learn at an impressionable age that violence is acceptable. Tragically these children are at high risk of perpetuating the cycle of violence by becoming abusers or abuse victims themselves.

To achieve lasting impact in reducing this scourge, a comprehensive approach is required which emphasizes public education and awareness, a coordinated systems response, and accountability. Washington state already has begun to move in this direction. A recent Domestic Violence Summit brought together the leaders from the executive, legislative and judicial branches, as well as representatives from law enforcement, victim advocacy groups, and treatment providers to coordinate a comprehensive state-wide response. Moreover, ESSB 5219 signed by Governor Lowry last session provides for a more effective response to domestic violence issues by the courts and prosecutors.

This proposal builds on these efforts by emphasizing the accountability aspect of the comprehensive approach. Under current law, judges may impose a sentence beyond the standard range only if there are aggravating circumstances justifying an exceptional sentence. Presently domestic violence is not on the statutory list of aggravating circumstances. Thus, an offender who has committed a crime involving domestic violence may not be given an exceptional sentence even though the nature of the offense was particularly egregious. Adding domestic violence to the statutory list of aggravating circumstances would ensure that offenders who have committed crimes involving domestic violence can be held accountable for their crimes.

Proposed Legislation

This proposal makes domestic violence, as defined in RCW 10.99.020, an aggravating circumstance in sentencing adult offenders. Judges would be able to impose an exceptional sentence above the standard range for offenses committed against family or household members.

Staff Contact

Lorraine Lee, Office of the Governor, (360)753-1022

Reducing Hospital Taxes Through Alternative Funding

Background

The Department of Health maintains comprehensive health information on hospital discharges and financial data. The agency assesses a fee from hospitals to maintain the operation of these data systems. The data are used by a wide array of public and private entities, such as:

- ◆ Department of Health and local health jurisdictions to identify epidemiological trends and to implement the Public Health Improvement Plan.
- ◆ Elected officials to develop health-related public policy strategies around such issues as violence, emergency medical services, and early release of mothers and babies from hospitals.
- ◆ Hospitals and other health care providers to develop strategic plans and to assess community health status to determine need for new or existing services.
- ◆ State agencies, including the Department of Social and Health Services, Labor and Industries, the Health Care Authority and others, to develop policy, determine reimbursement rates, assess health insurance coverage, and review issues associated with work-related injuries.
- ◆ Universities and research organizations to assist in performing clinical research, financial research on costs of conditions or trends, and support data for other databases.

Because this data is widely used for both public and private research and analysis, hospitals should not be the only source of funding for these information systems. These efforts should be funded from the Health Services Account.

Proposed Legislation

The legislation eliminates the data assessment fee on hospitals. The expenditures for hospital data collection activities are transferred to the Health Services Account. Any balances remaining in the Hospital Commission Account after June 30, 1996 would be moved to the Health Services Account. In the event that Health Services Account funding is no longer available, the hospital assessment will be reinstated under RCW 70.71.080.

Fiscal Impact

Expenditures for compiling and analyzing the data will now be made from the Health Services Account, saving hospitals \$1,683,000 in taxes in the 1995-97 biennium.

Staff Contact

Robin Zukoski, Office of the Governor, (360)586-0907

Increasing Restrictions on Tobacco Sales to Minors

Background

More than 80 percent of smokers begin smoking before age 18. The average teenage smoker starts smoking at age 14 and becomes a daily smoker by age 18. Nationally, each day, another 3,000 young people become regular smokers. Nearly a third of these people will eventually die as a result of their smoking. Currently, more than three million children and adolescents smoke cigarettes, and one million adolescent boys use chewing tobacco.

Smoking by children and adolescents is on the rise. Between 1991 and 1994, the percentage of eighth graders who smoke increased 30 percent, and the percentage of tenth graders who smoke increased 22 percent.

Studies show that youth underestimate the likelihood they will become addicted to these products. Although only five percent of daily smokers surveyed in high school said they would definitely be smoking five years later, nearly 75 percent were found to be smoking seven to nine years later. A 1992 survey found that two-thirds of adolescents who smoked said they wanted to quit and 70 percent said if they could make the choice again, they would not start smoking.

Tobacco products are responsible for more than 400,000 deaths each year from cancer, respiratory illness, heart disease and other health problems. Cigarettes kill more Americans each year than AIDS, alcohol, car accidents, murders, suicides, illegal drugs and fires combined. On average, smokers who die as a result of smoking would have lived another 12 to 15 years longer if they had not smoked. The Centers for Disease Control estimated the health care costs associated with smoking totaled \$50 billion in 1993.

Under current law, youth under 18 may not purchase tobacco products. However, the state can and must do more to reduce the access and appeal of tobacco products for children and adolescents.

One area of access is mail order sales. It is impossible to verify age of the recipient for tobacco sales by mail. Current law requires coupons and samples to be provided via face-to-face transactions, but the law does not address sales of tobacco by mail. Eliminating sales by mail will reduce access for children and youth.

Current law allows tobacco sampling, but requires the sampling area to be off limits to minors. Samplers must obtain a license from the Liquor Control Board (LCB) and are requested to provide the dates and times of all sampling events, such as rodeos, auto or boat races. At these events samples are restricted to a roped off area. Licensed samplers can provide an unrestricted number of chewing tobacco cans to interested individuals. However, numerous events have been conducted without pre-notification, making enforcement and monitoring difficult. Youth can obtain large quantities of free samples that are then passed on to other youth. Elimination of tobacco sampling will aid enforcement and help keep free samples out of the hands of minors.

Another area of easy access for youth is the sale of single cigarettes or “kiddie” packs. At 25 cents per cigarette, the sale of single cigarettes makes them affordable for youth experimentation. Previous law requiring that cigarettes be sold in their original, unopened package attempted to eliminate the sale of single cigarettes. However, several manufacturers have attempted to by-pass the intent of the law by packaging individual cigarettes in plastic tubes. The U.S. Food and Drug Administration has recommended the requirement that cigarettes be sold in packages of no less than 20.

Finally, in the area of enforcement, two issues emerge. Retailers who sell chewing tobacco, but not cigarettes, are currently not licensed by the LCB. Thus, the LCB has no authority to enforce the law against sales to minors. The second issue involves giving the LCB some discretion in imposing penalties within a range. This provides the LCB with some flexibility in making the penalty fit the circumstances.

Given the constraints on government in regulating commercial speech, the appeal of tobacco is a more difficult issue to address. However, the state has greater freedom to enact limitations on advertising in facilities it owns or has funded. State schools, institutions, and sports facilities should be free from advertisement that may encourage children and youth to join the ranks of those addicted to nicotine.

Proposed Legislation

The Governor proposes enactment of *The Tobacco Sales to Minors Act* to strengthen current prohibitions and address each of these issues by:

- ◆ Broadening the requirement for special licensure to include the sale of all tobacco products.
- ◆ Eliminating mail order purchases of tobacco products.
- ◆ Requiring that cigarettes must be sold in original, unopened containers of 20 cigarettes or more.
- ◆ Prohibiting the distribution of all free samples of tobacco products.

- ◆ Clarifying the authority of the LCB to impose a range of penalties.
- ◆ Prohibiting advertising of tobacco products in facilities owned or funded by the state.

Staff Contact

Mary McKnew, Office of the Governor, (360)753-1084

Personnel System Reform to Improve Efficiency

Background

The most potent tool to promote efficiency is the collective insight of those who actually do the work. The nation's successful corporations apply employee-involvement techniques to cut waste and to improve productivity. However, the state's efforts to use similar tools to save tax dollars are impeded by current personnel laws, an ineffective collective bargaining system, and legal barriers that prohibit contracting for services.

In 1993, the Governor convinced the Legislature to make the first major revision of the civil service law in more than 30 years by creating a flexible system for hiring and promoting managers. However, the ponderous structure of 2,000 state job categories for the remaining portion of state service provides a model of red tape. Over 500 of these job categories exist to classify only one employee each. The civil service system needs reform.

The state's poorly balanced, department-by-department collective bargaining system also needs reform. The system has failed to promote either service efficiency or employee morale. Cooperative agency employee involvement programs collide with competition over control of the workplace and with inappropriate bargaining over managerial decisions.

The need to "right-size" state government will require new administrative tools. The current legal prohibition against contracting out of state work impedes efforts of workers and managers who are challenging themselves to be more competitive. Eliminating this statutory prohibition will create opportunities for a more efficient and competitive state government.

Because efficiencies cannot occur without a creative and supportive dialogue with state employees, the Governor's proposals have been structured with the cooperation of the major public sector unions.

Proposed Legislation

The Governor proposes to renovate the state's personnel laws. His legislative recommendations include comprehensive changes for the civil service system, reform of the laws governing collective bargaining, and elimination of the prohibition on contracting out for state services.

Civil Service Reform: Creating a Flexible Personnel System

The job classification system, which specifies the responsibilities and qualifications for state jobs, is the heart of the civil service system. Continuing reforms begun in 1993, the Governor's proposal would greatly increase flexibility in the classification system for more than 50,000 state civil service jobs. Its main provisions are:

- ◆ The Legislature would direct that reform of the system be completed by March 1997.
- ◆ The new job classification system would not be subject to collective bargaining.
- ◆ A new, flexible and streamlined system would economize, make better use of employee skills, adapt to changing technologies, and promote diversity.
- ◆ The reforms would remove from current law such barriers to flexibility as required seniority preferences. Employees would have to bargain for seniority.
- ◆ Administration of employee hiring would become a managerial prerogative.

Reforming Collective Bargaining: Re-Balancing the Table

Under current law, agency directors must negotiate with unions about all personnel matters under an agency's discretion. This bargaining does not include wages and benefits. Bargaining is fragmented, with personnel decisions appearing in 82 separate contracts. Confusion about the scope of bargaining has forced departmental management issues onto the bargaining table. The Governor proposes to reform this system, as follows:

- ◆ Bargaining would be consolidated so that the state would have to deal with only a dozen contracts, not 82 separate ones.
- ◆ Wage and benefit increases would be bargained so that, just as in the private sector, they can be used to promote efficiency.
- ◆ No existing contracts would continue under the new system, permitting the state to work with employees to build new, more efficient programs and systems.
- ◆ Agency directors would no longer be required to bargain. Bargaining would be consolidated in the Governor's office for better coordination and greater public accountability.
- ◆ Management decisions would cease to be on the bargaining table.
- ◆ To protect the fiscal integrity of the state, no binding arbitration over financial interests would be authorized.

This proposal would not legalize public employee strikes.

Removing the Prohibition on Contracting Out

Statutes and judicial interpretations have prohibited the state from contracting out for any services traditionally provided by members of the civil service system. This prohibition has frustrated efforts to reduce state employment, adapt to new technologies, and explore more efficient ways to provide services. The Governor's proposal would remove this prohibition from law. Employee groups could bargain about what happens to the employees affected by such contracts, but contracting would become a managerial prerogative.

Staff Contact

Bill Daley, Office of the Governor, (360)586-0829

Establishing a Citizens Whistleblower Act

Background

The growing loss of confidence in government can, in part, be traced to continuing fraud and abuse in government contracts. The public has the right to expect a strict accounting of public funds. However, without adequate legal remedies, including protection for private sector employees who agree to blow the whistle on fraud, government is less able to identify and prosecute fraud.

While public employees who blow the whistle on fraud within government are protected, there are no laws to protect citizen whistleblowers. Without protection, these whistleblowers are not likely to come forward with the information necessary to identify fraudulent transactions, such as excessive charges for services or goods by anyone doing business with the state. Although state government can prosecute this type of fraud under criminal statutes, the procedures and remedies found in criminal law are often cumbersome and ill-suited to this type of activity.

The *Washington State Citizens Whistleblower Act* is modeled after the federal *False Claims Act* and similar laws passed by five other states. These laws have been successful in bringing to light significant fraudulent claims on taxpayers dollars. For example, more than \$1 billion in funds was recouped last year under the federal act.

Proposed Legislation

The Washington State Citizens Whistleblower Act is a joint proposal of the Governor and the State Auditor. The act would help the state rein in fraudulent claims by protecting whistleblowers from retaliation when they report fraud. It will also provide a financial incentive to report these activities and give the State Attorney General greater latitude in pursuing fraudulent activities. Major features of the legislation include:

- ◆ Protection from retaliation for whistleblowers who are private sector employees, subcontractors or others.
- ◆ A lower standard of proof (as a civil rather than criminal action), as well as resolution through mediation and settlement.
- ◆ Establishing the State Auditor's office as the initial contact point for whistleblowers. The Auditor would investigate and turn its findings over to the Attorney General to determine whether the state should prosecute the case or allow the citizen to prosecute on behalf of the state.

- ◆ A financial incentive for private sector employees and citizens to report information by letting whistleblowers share in the damages collected if a case is based on information initially provided by the citizen.
- ◆ Allowing private citizens to prosecute cases the state decides not to pursue, with the state and citizen sharing in any subsequent damages.
- ◆ Damages of three times the amount of the fraudulent claim made, and additional penalties against people who knowingly make a false record or statement under the law.

Fiscal Impact

The Auditor's Office would require an additional one-half FTE and \$57,515 in funds for the start-up costs. Costs for subsequent years would be covered by damages collected under the law.

Staff Contact

Mary McKnew, Office of the Governor, (360)753-1084
Linda Sheler, Office of the State Auditor, (360)586-8501

Reshaping and Reducing Energy Programs

Background

The Washington State Energy Office is the lead agency for energy policy. It administers the state's energy efficiency programs and houses the Energy Facility Site Evaluation Council (EFSEC).

The 1995 Legislature directed the Washington State Institute for Public Policy, in consultation with the Office of Financial Management and the State Energy Office, to develop an implementation plan to close the Energy Office and distribute its functions to other agencies. The Institute for Public Policy report proposed three restructuring options, ranging from retaining critical energy functions at the state level to eliminating most funding and programs altogether. This report was delivered to the Legislature in November.

Affordable and reliable energy supplies are critical to the health and vitality of the state's economy. Profound changes are sweeping through the energy industry today. Since these changes could threaten the state's competitive advantage in energy costs, the state should remain engaged in energy-related matters. The Governor's proposal to reshape and retain some state energy functions recognizes this essential state role and is consistent with options developed by the Institute for Public Policy.

Proposed Legislation

Based on the institute's recommendations, the Governor's proposal restructures the delivery of those energy efficiency services that have been most effective, while substantially reducing the state bureaucracy. The Energy Office, as a separate agency, would be eliminated. Current programs would be restructured, redesigned, downsized, transferred to other agencies, or eliminated. Most of the remaining direct service energy efficiency activities would be provided on a market-driven, self-sustaining basis through Washington State University's (WSU) Cooperative Extension program. Support for these programs would be provided by clients who value the services and are willing to pay for them. Staffing levels, compared to FY 1996 allotments, would be reduced by nearly 60 percent.

Under the Governor's proposal:

- ◆ Staff for energy policy analysis and EFSEC administrative support would be moved to the Department of Community, Trade, and Economic Development.

- ◆ The Department of General Administration would receive staff and resources for the energy efficiency in public buildings program, including life cycle cost analyses of new construction.
- ◆ The Department of Transportation would administer the Commute Trip Reduction program.
- ◆ Energy efficiency services, constituting two-thirds of the new staffing level, would be transferred to WSU's Cooperative Extension program. Examples include: energy software, industrial energy efficiency, renewable energy, education and information, telecommunications, and the energy ideas clearinghouse. Programs operated by WSU would transition to a market-driven, self-sustaining structure.

Fiscal Impact

The Governor's proposal reduces the number of state employees involved in energy issues by nearly 60 percent, from the 1996 allotted level of 156 FTEs to approximately 66 FTEs in 1997. Funding in the second year of the biennium is reduced by approximately 36 percent or a total of \$7.2 million.

Staff Contacts

Gerry O'Keefe, Office of Financial Management, (360)586-4704
Carole Washburn, Washington State Energy Office, (360)956-2005

Improving Access to Elected Officials

Background

Citizens all across Washington elect and are served by nine statewide elected officials including the Governor, Lieutenant Governor, Secretary of State, Attorney General, Treasurer, Auditor, Superintendent of Public Instruction, Commissioner of Public Lands, and the Insurance Commissioner. Yet, access to the offices of these elected officials is unequal across the state. Citizens living in cities and towns without offices of elected officials face a barrier to contacting these officials by one of the most common means, the telephone. Published directories do not carry telephone numbers for offices located outside their geographic area. Access to these elected officials is hampered by the need for citizens to call an operator for the number, thereby incurring a fee for this basic information.

To help connect citizens to their government, this legislation would encourage the listing of the telephone numbers of officials' offices in published directories across the state.

RCW 80.36.130 currently forbids any telecommunications company from charging different amounts for tariffed services to any person or corporation. This proposal would authorize telecommunications companies to list offices of elected officials, in spite of tariffs usually charged to entities that do not have a physical office in that locale. It would enable telecommunications and information service providers to list free of charge telephone numbers for offices of elected officials in all directories in the state, even though a physical office for that elected official may not be located in that city or town. This effort would improve access for all citizens to their elected officials.

This legislation would not require directories to list elected representatives, but would rely on the motivation of publishers to provide a useful product or service to customers. Just as publishers have taken initiative to provide maps, zip codes, and other useful information for directory users, telecommunications companies may want to publish "they represent you" listings to provide citizens with useful information about their government.

While this proposal does not go so far as to provide "toll free" access from anywhere in the state, it does remove the fee for directory assistance for those living outside Olympia, Spokane, Seattle and Vancouver, on top of the toll to call the offices of elected officials. The listing of elected officials also provides citizens a clearer picture of who they can contact regarding issues of importance to them.

This effort makes a small but significant step to more equitably connect Washington citizens to their government.

Proposed Legislation

This legislation would authorize the listing of telephone numbers for the offices of elected officials in published directories across the state, whether or not a physical office for that official is in that locale. By creating an option for tariff-free listing of elected officials, this legislation would allow more equitable access by all citizens via the most common telecommunications tool, the telephone.

Staff Contact

Kathy Kelly, Office of the Governor, (360)586-2464