

CERTIFICATION OF ENROLLMENT
ENGROSSED SECOND SUBSTITUTE HOUSE BILL 2222

54th Legislature
1996 Regular Session

Passed by the House March 7, 1996
Yeas 98 Nays 0

Speaker of the
House of Representatives

Passed by the Senate March 7, 1996
Yeas 45 Nays 2

President of the Senate

Approved

Governor of the State of Washington

CERTIFICATE

I, Timothy A. Martin, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SECOND SUBSTITUTE HOUSE BILL 2222** as passed by the House of Representatives and the Senate on the dates hereon set forth.

Chief Clerk

FILED

Secretary of State
State of Washington

ENGROSSED SECOND SUBSTITUTE HOUSE BILL 2222

AS AMENDED BY THE SENATE

Passed Legislature - 1996 Regular Session

State of Washington 54th Legislature 1996 Regular Session

By House Committee on Appropriations (originally sponsored by Representatives Backlund, Huff, Foreman, B. Thomas, Smith, Horn, Hymes, Honeyford, Fuhrman, Lambert, Thompson and McMahan)

Read first time 02/03/96. Referred to Committee on .

1 AN ACT Relating to legislative oversight of state and local
2 government programs; amending RCW 44.28.010, 44.28.020, 44.28.030,
3 44.28.040, 44.28.060, 44.28.140, 44.28.080, 44.28.180, 44.28.087,
4 44.28.100, 44.28.120, 44.28.130, 44.28.150, 43.88.020, 43.88.090,
5 43.88.160, 28A.630.830, 28B.20.382, 39.19.060, 39.29.016, 39.29.018,
6 39.29.025, 39.29.055, 41.06.070, 42.48.060, 43.09.310, 43.21J.800,
7 43.79.270, 43.79.280, 43.88.205, 43.88.230, 43.88.310, 43.88.510,
8 43.131.050, 43.131.060, 43.131.070, 43.131.080, 43.131.110, 43.250.080,
9 44.40.025, 67.70.310, 79.01.006, 44.--.-- (1996 c . . . (ESSB 6680) s
10 4), and 43.88.030; adding new sections to chapter 44.28 RCW; creating
11 new sections; recodifying RCW 44.28.140, 44.28.180, and 44.28.087; and
12 repealing RCW 44.28.085 and 44.28.086.

13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

14 NEW SECTION. **Sec. 1.** The public expects the legislature to
15 address citizens' increasing demand for the basic services of state
16 government, while limiting the growth in spending. The public demands
17 that public officials and state employees be accountable to provide
18 maximum value for every dollar entrusted to state government. The
19 public believes that it is possible to improve the responsiveness of

1 state government and to save the taxpayers' money, and that efficiency
2 and effectiveness should result in savings.

3 The legislature, public officials, state employees, and citizens
4 need to know the extent to which state agencies, programs, and
5 activities are achieving the purposes for which they were created. It
6 is essential to compare the conditions, problems, and priorities that
7 led to the creation of government programs with current conditions,
8 problems, and priorities, and to examine the need for and performance
9 of those programs in the current environment.

10 Along with examining the performance of state agencies and
11 programs, the legislature, public officials, state employees, and
12 citizens must also consider the effect that state government programs
13 can reasonably expect to have on citizens' lives, how the level of
14 programs and services of Washington state government compares with that
15 of other states, and alternatives for service delivery, including other
16 levels of government and the private sector including not-for-profit
17 organizations. It is essential that the legislature, public officials,
18 state employees, and citizens share a common understanding of the role
19 of state government. The performance and relative priority of state
20 agency programs and activities must be the basis for managing and
21 allocating resources within Washington state government.

22 It is the intent of the legislature to strengthen the role of the
23 current legislative budget committee so that it may more effectively
24 examine how efficiently state agencies perform their responsibilities
25 and whether the agencies are achieving their goals, and whether units
26 of local government are using state funds for their intended purpose in
27 an efficient and effective manner. It is also the intent of the
28 legislature to enact a clear set of definitions for different types of
29 audits in order to eliminate confusion with regard to government
30 reviews.

31 NEW SECTION. **Sec. 2.** Unless the context clearly requires
32 otherwise, the definitions in this section apply throughout this
33 chapter.

34 (1) "Legislative auditor" means the executive officer of the joint
35 legislative audit and review committee.

36 (2) "Economy and efficiency audits" means performance audits that
37 establish: (a) Whether a state agency or unit of local government
38 receiving state funds is acquiring, protecting, and using its resources

1 such as personnel, property, and space economically and efficiently;
2 (b) the causes of inefficiencies or uneconomical practices; and (c)
3 whether the state agency or local government has complied with
4 significant laws and rules in acquiring, protecting, and using its
5 resources.

6 (3) "Final compliance report" means a written document, as approved
7 by the joint committee, that states the specific actions a state agency
8 or unit of local government receiving state funds has taken to
9 implement recommendations contained in the final performance audit
10 report and the preliminary compliance report. Any recommendations,
11 including proposed legislation and changes in the agency's rules and
12 practices or the local government's practices, based on testimony
13 received, must be included in the final compliance report.

14 (4) "Final performance audit report" means a written document
15 adopted by the joint legislative audit and review committee that
16 contains the findings and proposed recommendations made in the
17 preliminary performance audit report, the final recommendations adopted
18 by the joint committee, any comments to the preliminary performance
19 audit report by the joint committee, and any comments to the
20 preliminary performance audit report by the state agency or local
21 government that was audited.

22 (5) "Joint committee" means the joint legislative audit and review
23 committee.

24 (6) "Local government" means a city, town, county, special purpose
25 district, political subdivision, municipal corporation, or quasi-
26 municipal corporation, including a public corporation created by such
27 an entity.

28 (7) "Performance audit" means an objective and systematic
29 assessment of a state agency or any of its programs, functions, or
30 activities, or a unit of local government receiving state funds, by an
31 independent evaluator in order to help public officials improve
32 efficiency, effectiveness, and accountability. Performance audits
33 include economy and efficiency audits and program audits. A
34 performance audit of a local government may only be made to determine
35 whether the local government is using state funds for their intended
36 purpose in an efficient and effective manner.

37 (8) "Performance measures" are a composite of key indicators of a
38 program's or activity's inputs, outputs, outcomes, productivity,
39 timeliness, and/or quality. They are means of evaluating policies and

1 programs by measuring results against agreed upon program goals or
2 standards.

3 (9) "Preliminary compliance report" means a written document that
4 states the specific actions a state agency or unit of local government
5 receiving state funds has taken to implement any recommendations
6 contained in the final performance audit report.

7 (10) "Preliminary performance audit report" means a written
8 document prepared for review and comment by the joint legislative audit
9 and review committee after the completion of a performance audit. The
10 preliminary performance audit report must contain the audit findings
11 and any proposed recommendations to improve the efficiency,
12 effectiveness, or accountability of the state agency or local
13 government audited.

14 (11) "Program audits" means performance audits that determine: (a)
15 The extent to which desired outcomes or results are being achieved; (b)
16 the causes for not achieving intended outcomes or results; and (c)
17 compliance with significant laws and rules applicable to the program.

18 (12) "State agency" or "agency" means a state agency, department,
19 office, officer, board, commission, bureau, division, institution, or
20 institution of higher education. "State agency" includes all elective
21 offices in the executive branch of state government.

22 **Sec. 3.** RCW 44.28.010 and 1983 c 52 s 1 are each amended to read
23 as follows:

24 (~~There is hereby created a~~) The joint legislative (~~(budget)~~)
25 audit and review committee is created, which shall consist of eight
26 senators and eight representatives from the legislature. The senate
27 members of the committee shall be appointed by the president of the
28 senate, and the house members of the committee shall be appointed by
29 the speaker of the house. Not more than four members from each house
30 shall be from the same political party. Members shall be appointed
31 before the close of each regular session of the legislature during an
32 odd-numbered year(~~(: PROVIDED, That if prior to)~~). If before
33 the close of a regular session during an odd-numbered year, the governor
34 issues a proclamation convening the legislature into special session,
35 or the legislature by resolution convenes the legislature into special
36 session, following such regular session, then such appointments shall
37 be made as a matter of closing business of such special session.
38 Members shall be subject to confirmation, as to the senate members by

1 the senate, and as to the house members by the house. In the event of
2 a failure to appoint or confirm joint committee members, (~~either on~~
3 ~~the part of the president of the senate or on the part of the speaker~~
4 ~~of the house, or in the event of a refusal by either the senate or the~~
5 ~~house to confirm appointments on the committee, then)) the members of~~
6 the joint committee from either house in which there is a failure to
7 appoint or confirm shall be elected (~~forthwith~~) by the members of
8 such house.

9 **Sec. 4.** RCW 44.28.020 and 1980 c 87 s 31 are each amended to read
10 as follows:

11 The term of office of the members of the joint committee who
12 continue to be members of the senate and house shall be from the close
13 of the session in which they were appointed or elected as provided in
14 RCW 44.28.010 until the close of the next regular session during an
15 odd-numbered year or special session following such regular session,
16 or, in the event that such appointments or elections are not made,
17 until the close of the next regular session during an odd-numbered year
18 during which successors are appointed or elected. The term of office
19 of (~~such~~) joint committee members (~~as shall~~) who do not continue to
20 be members of the senate and house (~~shall~~) ceases upon the convening
21 of the next regular session of the legislature during an odd-numbered
22 year after their confirmation, election or appointment. Vacancies on
23 the joint committee shall be filled by appointment by the remaining
24 members. All such vacancies shall be filled from the same political
25 party and from the same house as the member whose seat was vacated.

26 **Sec. 5.** RCW 44.28.030 and 1955 c 206 s 6 are each amended to read
27 as follows:

28 On and after the commencement of a succeeding general session of
29 the legislature, those members of the joint committee who continue to
30 be members of the senate and house, respectively, shall continue as
31 members of the joint committee as indicated in RCW 44.28.020 and the
32 joint committee shall continue with all its powers, duties,
33 authorities, records, papers, personnel and staff, and all funds made
34 available for its use.

35 **Sec. 6.** RCW 44.28.040 and 1975-'76 2nd ex.s. c 34 s 134 are each
36 amended to read as follows:

1 The members of the joint committee shall serve without additional
2 compensation, but shall be reimbursed for their travel expenses(~~(7)~~) in
3 accordance with RCW 44.04.120 (~~((as now existing or hereafter amended,~~
4 ~~incurred while))~~) for attending ((sessions)) meetings of the joint
5 committee or (~~((meetings of any))~~) a subcommittee of the joint committee,
6 or while engaged on other ((committee)) business authorized by the
7 joint committee(~~(, and while going to and coming from committee~~
8 ~~sessions or committee meetings))~~).

9 **Sec. 7.** RCW 44.28.060 and 1975 1st ex.s. c 293 s 13 are each
10 amended to read as follows:

11 The members of the joint committee shall (~~((have the power and duty~~
12 ~~to appoint its own chairman, vice chairman, and other officers; to make~~
13 ~~rules and regulations for orderly procedure; to perform, either through~~
14 ~~the legislative budget committee or through subcommittees of the~~
15 ~~legislative budget committee, all duties and functions relating to~~
16 ~~improving the economy, efficiency, and effectiveness of state agency~~
17 ~~management by performance audits and other staff studies of state~~
18 ~~government, its officers, boards, committees, commissions,~~
19 ~~institutions, and other state agencies))~~) form an executive committee
20 consisting of one member from each of the four major political
21 caucuses, which shall include a chair and a vice-chair. The chair and
22 vice-chair shall serve for a period not to exceed two years. The chair
23 and the vice-chair may not be members of the same political party. The
24 chair shall alternate between the members of the majority parties in
25 the senate and the house of representatives.

26 The executive committee is responsible for performing all general
27 administrative and personnel duties assigned to it in the rules and
28 procedures adopted by the joint committee, as well as other duties
29 delegated to it by the joint committee. The executive committee shall
30 recommend applicants for the position of the legislative auditor to the
31 membership of the joint committee. The legislative auditor shall be
32 hired with the approval of a majority of the membership of the joint
33 committee. The executive committee shall set the salary of the
34 legislative auditor.

35 The joint committee shall adopt rules and procedures for its
36 orderly operation. The joint committee may create subcommittees to
37 perform duties under this chapter.

1 **Sec. 8.** RCW 44.28.140 and 1975 1st ex.s. c 293 s 17 are each
2 amended to read as follows:

3 ~~((The committee is hereby authorized and empowered to appoint an
4 officer to be known as the legislative auditor, and to fix his
5 compensation, who shall be the executive officer of the committee and
6 assist in its duties and shall compile information for the committee.
7 The committee is hereby authorized and empowered to select and employ
8 other clerical, legal, accounting, research and other personnel that it
9 may deem desirable in the performance of its duties, and the
10 compensation and salaries shall be fixed by the legislative budget
11 committee.))~~

12 The ~~((duties of the))~~ legislative auditor shall ~~((be as follows))~~:

13 ~~(1) ((To ascertain the facts and make recommendations to the
14 committee and under their direction to the committees of the state
15 legislature concerning~~

16 ~~(a) revenues and expenditures of the state; and~~

17 ~~(b) the organization and functions of the state, its departments,
18 subdivisions and agencies.~~

19 ~~(2) To))~~ Establish and manage the office of the joint legislative
20 audit and review committee to carry out the functions of this chapter;

21 (2) Direct the audit and review functions described in this chapter
22 and ensure that performance audits are performed in accordance with the
23 "Government Auditing Standards" published by the comptroller general of
24 the United States as applicable to the scope of the audit;

25 (3) Make findings and recommendations to the joint committee and
26 under its direction to the committees of the state legislature
27 concerning the organization and operation of state agencies and the
28 expenditure of state funds by units of local government;

29 (4) In consultation with and with the approval of the executive
30 committee, hire staff necessary to carry out the purposes of this
31 chapter. Employee salaries, other than the legislative auditor, shall
32 be set by the legislative auditor with the approval of the executive
33 committee;

34 (5) Assist the several standing committees of the house and senate
35 in consideration of legislation affecting state departments and their
36 efficiency; ~~((to))~~ appear before other legislative committees; and
37 ~~((to))~~ assist any other legislative committee upon instruction by the
38 joint legislative ~~((budget))~~ audit and review committee.

1 (~~(3) To~~) (6) Provide the legislature with information obtained
2 under the direction of the joint legislative (~~budget~~) audit and
3 review committee(~~(-)~~);

4 (~~(4) To~~) (7) Maintain a record of all work performed by the
5 legislative auditor under the direction of the joint legislative
6 (~~budget~~) audit and review committee and (~~to~~) keep and make
7 available all documents, data, and reports submitted to (~~him~~) the
8 legislative auditor by any legislative committee.

9 NEW SECTION. Sec. 9. (1) In conducting performance audits and
10 other reviews, the legislative auditor shall work closely with the
11 chairs and staff of standing committees of the senate and house of
12 representatives, and may work in consultation with the state auditor
13 and the director of financial management.

14 (2) The legislative auditor may contract with and consult with
15 public and private independent professional and technical experts as
16 necessary in conducting the performance audits. The legislative
17 auditor should also involve front-line employees and internal auditors
18 in the performance audit process to the highest possible degree.

19 (3) The legislative auditor shall work with the legislative
20 evaluation and accountability program committee and the office of
21 financial management to develop information system capabilities
22 necessary for the performance audit requirements of this chapter.

23 (4) The legislative auditor shall work with the legislative office
24 of performance review and the office of financial management to
25 facilitate the implementation of effective performance measures
26 throughout state government. In agencies and programs where effective
27 systems for performance measurement exist, the measurements
28 incorporated into those systems should be a basis for performance
29 audits conducted under this chapter.

30 NEW SECTION. Sec. 10. (1) Subject to the requirements of the
31 performance audit work plan approved by the joint committee under RCW
32 44.28.180, as recodified by this act, performance audits may, in
33 addition to the determinations that may be made in such an audit as
34 specified in section 2 of this act, include the following:

35 (a) An examination of the costs and benefits of agency programs,
36 functions, and activities;

1 (b) Identification of viable alternatives for reducing costs or
2 improving service delivery;

3 (c) Identification of gaps and overlaps in service delivery, along
4 with corrective action; and

5 (d) Comparison with other states whose agencies perform similar
6 functions, as well as their relative funding levels and performance.

7 (2) As part of a performance audit, the legislative auditor may
8 review the costs of programs recently implemented by the legislature to
9 compare actual agency costs with the appropriations provided and the
10 cost estimates that were included in the fiscal note for the program at
11 the time the program was enacted.

12 **Sec. 11.** RCW 44.28.080 and 1975 1st ex.s. c 293 s 14 are each
13 amended to read as follows:

14 The joint committee (~~((shall have))~~) has the following powers:

15 (1) To make examinations and reports concerning whether or not
16 appropriations are being expended for the purposes and within the
17 statutory restrictions provided by the legislature; (~~((concerning the
18 economic outlook and estimates of revenue to meet expenditures;))~~) and
19 concerning the organization and operation of procedures necessary or
20 desirable to promote economy, efficiency, and effectiveness in state
21 government, its officers, boards, committees, commissions,
22 institutions, and other state agencies, and to make recommendations and
23 reports to the legislature.

24 (2) To make such other studies and examinations of economy,
25 efficiency, and effectiveness of state government and its state
26 agencies as it may find advisable, and to hear complaints, hold
27 hearings, gather information, and make findings of fact with respect
28 thereto.

29 (3) (~~((The committee shall have the power))~~) To conduct program and
30 fiscal reviews of any state agency or program scheduled for termination
31 under the process provided under chapter 43.131 RCW.

32 (4) To perform other legislative staff studies of state government
33 or the use of state funds.

34 (5) To conduct performance audits in accordance with the work plan
35 adopted by the joint committee under RCW 44.28.180.

36 (6) To receive a copy of each report of examination or audit issued
37 by the state auditor for examinations or audits that were conducted at

1 the request of the joint committee and to make recommendations as it
2 deems appropriate as a separate addendum to the report or audit.

3 (7) To develop internal tracking procedures that will allow the
4 legislature to measure the effectiveness of performance audits
5 conducted by the joint committee including, where appropriate,
6 measurements of cost-savings and increases in efficiency and
7 effectiveness in how state agencies deliver their services.

8 (8) To receive messages and reports in person or in writing from
9 the governor or any other state officials and to study generally any
10 and all business relating to economy, efficiency, and effectiveness in
11 state government and state agencies.

12 **Sec. 12.** RCW 44.28.180 and 1993 c 406 s 5 are each amended to read
13 as follows:

14 ~~((In conducting program evaluations as defined in RCW~~
15 ~~43.88.020, the legislative budget committee may establish a biennial~~
16 ~~work plan)) During the regular legislative session of each odd-numbered
17 year, beginning with 1997, the joint legislative audit and review
18 committee shall develop and approve a performance audit work plan for
19 the subsequent sixteen to twenty-four-month period and an overall work
20 plan that identifies state agency programs for which formal evaluation
21 appears necessary. Among the factors to be considered in preparing the
22 work plans are:~~

23 (a) Whether a program newly created or significantly altered by the
24 legislature warrants continued oversight because (i) the fiscal impact
25 of the program is significant, or (ii) the program represents a
26 relatively high degree of risk in terms of reaching the stated goals
27 and objectives for that program;

28 (b) Whether implementation of an existing program has failed to
29 meet its goals and objectives by any significant degree; and

30 (c) Whether a follow-up audit would help ensure that previously
31 identified recommendations for improvements were being implemented.

32 (2) The project description for each ~~((program evaluation shall))~~
33 performance audit must include start and completion dates, the proposed
34 ~~((research))~~ approach, and cost estimates.

35 (3) The legislative auditor may consult with the chairs and staff
36 of appropriate legislative committees, the state auditor, and the
37 director of financial management in developing the performance audit
38 work plan.

1 (4) The performance audit work plan and the overall work plan may
2 include proposals to employ contract ((evaluators)) resources. As
3 conditions warrant, the ((program evaluation)) performance audit work
4 plan and the overall work plan may be amended from time to time. All
5 ((biennial)) performance audit work plans shall be transmitted to the
6 appropriate fiscal and policy committees of the senate and the house of
7 representatives no later than the sixtieth day of the regular
8 legislative session of each odd-numbered year, beginning with 1997.
9 All overall work plans shall be transmitted to the appropriate fiscal
10 and policy committees of the senate and the house of representatives.

11 NEW SECTION. **Sec. 13.** (1) When the legislative auditor has
12 completed a performance audit authorized in the performance audit work
13 plan, the legislative auditor shall transmit the preliminary
14 performance audit report to the affected state agency or local
15 government and the office of financial management for comment. The
16 agency or local government and the office of financial management shall
17 provide any response to the legislative auditor within thirty days
18 after receipt of the preliminary performance audit report unless a
19 different time period is approved by the joint committee. The
20 legislative auditor shall incorporate the response of the agency or
21 local government and the office of financial management into the final
22 performance audit report.

23 (2) Before releasing the results of a performance audit to the
24 legislature or the public, the legislative auditor shall submit the
25 preliminary performance audit report to the joint committee for its
26 review, comments, and final recommendations. Any comments by the joint
27 committee must be included as a separate addendum to the final
28 performance audit report. Upon consideration and incorporation of the
29 review, comments, and recommendations of the joint committee, the
30 legislative auditor shall transmit the final performance audit report
31 to the affected agency or local government, the director of financial
32 management, the leadership of the senate and the house of
33 representatives, and the appropriate standing committees of the house
34 of representatives and the senate and shall publish the results and
35 make the report available to the public. For purposes of this section,
36 "leadership of the senate and the house of representatives" means the
37 speaker of the house, the majority leaders of the senate and the house
38 of representatives, the minority leaders of the senate and the house of

1 representatives, the caucus chairs of both major political parties of
2 the senate and the house of representatives, and the floor leaders of
3 both major political parties of the senate and the house of
4 representatives.

5 NEW SECTION. **Sec. 14.** (1) No later than nine months after the
6 final performance audit has been transmitted by the joint committee to
7 the appropriate standing committees of the house of representatives and
8 the senate, the joint committee in consultation with the standing
9 committees may produce a preliminary compliance report on the agency's
10 or local government's compliance with the final performance audit
11 recommendations. The agency or local government may attach its
12 comments to the joint committee's preliminary compliance report as a
13 separate addendum.

14 (2) Within three months after the issuance of the preliminary
15 compliance report, the joint committee may hold at least one public
16 hearing and receive public testimony regarding the findings and
17 recommendations contained in the preliminary compliance report. The
18 joint committee may waive the public hearing requirement if the
19 preliminary compliance report demonstrates that the agency or local
20 government is in compliance with the audit recommendations. The joint
21 committee shall issue any final compliance report within four weeks
22 after the public hearing or hearings. The legislative auditor shall
23 transmit the final compliance report in the same manner as a final
24 performance audit is transmitted under section 13 of this act.

25 NEW SECTION. **Sec. 15.** Subject to the joint committee's approval,
26 the office of the joint committee shall undergo an external quality
27 control review within three years of the effective date of this act and
28 at regular intervals thereafter. The review must be conducted by an
29 independent organization that has experience in conducting performance
30 audits. The quality control review must include, at a minimum, an
31 evaluation of the quality of the audits conducted by the joint
32 committee, an assessment of the audit procedures used by the joint
33 committee, and an assessment of the qualifications of the joint
34 committee staff to conduct performance audits.

35 NEW SECTION. **Sec. 16.** (1) The performance audit revolving fund is
36 established in the state treasury. Expenditures from the fund may only

1 be used for payment of the costs of performance audits performed
2 pursuant to the performance audit work plan approved by the joint
3 legislative audit and review committee under RCW 44.28.180. The costs
4 of a performance audit shall include all direct and indirect costs.
5 Moneys in the fund may only be spent after appropriation.

6 (2) The legislative auditor shall assess state agencies all or a
7 portion of the costs of a performance audit from funds appropriated to
8 the agencies for administrative expenses. Agencies operating in whole
9 or in part from nonappropriated funds must pay into the revolving fund
10 such funds as will fully reimburse for the costs of a performance
11 audit.

12 (3) The costs of performance audits may also be paid from
13 appropriations made for that purpose.

14 NEW SECTION. **Sec. 17.** To ensure the accuracy and timeliness of
15 information used as the basis for performance audits and other
16 responsibilities of the legislature, the legislative auditor or the
17 legislative auditor's staff must be provided direct access to
18 information held by any state agency. Agencies shall submit directly
19 to the joint legislative audit and review committee all data and other
20 information requested, including tax records and client data. Any
21 confidential data or information provided to the committee must be kept
22 confidential by the joint committee.

23 **Sec. 18.** RCW 44.28.087 and 1973 1st ex.s. c 197 s 2 are each
24 amended to read as follows:

25 All agency reports concerning program performance, including
26 administrative review, quality control, and other internal audit or
27 performance reports, as requested by the (~~legislative budget~~) joint
28 committee, shall be furnished by the agency requested to provide such
29 report.

30 **Sec. 19.** RCW 44.28.100 and 1987 c 505 s 45 are each amended to
31 read as follows:

32 The joint committee (~~shall have the power to~~) may make reports
33 from time to time to the members of the legislature and to the public
34 with respect to any of its findings or recommendations. The joint
35 committee shall keep complete minutes of its meetings.

1 **Sec. 20.** RCW 44.28.120 and 1951 c 43 s 9 are each amended to read
2 as follows:

3 In case of the failure on the part of any person to comply with any
4 subpoena issued in behalf of the joint committee, or on the refusal of
5 any witness to testify to any matters regarding which he or she may be
6 lawfully interrogated, it shall be the duty of the superior court of
7 any county, or of the judge thereof, on application of the joint
8 committee, to compel obedience by proceedings for contempt, as in the
9 case of disobedience of the requirements of a subpoena issued from such
10 court or a refusal to testify therein.

11 **Sec. 21.** RCW 44.28.130 and 1951 c 43 s 10 are each amended to read
12 as follows:

13 Each witness who appears before the joint committee by its order,
14 other than a state official or employee, shall receive for his or her
15 attendance the fees and mileage provided for witnesses in civil cases
16 in courts of record, which shall be audited and paid upon the
17 presentation of proper vouchers signed by such witness, verified by the
18 legislative auditor, and approved by the (~~secretary and chairman~~)
19 chair and the vice-chair of the joint committee.

20 **Sec. 22.** RCW 44.28.150 and 1975 1st ex.s. c 293 s 18 are each
21 amended to read as follows:

22 The joint committee shall cooperate, act, and function with
23 legislative committees and with the councils or committees of other
24 states similar to this joint committee and with other interstate
25 research organizations.

26 **Sec. 23.** RCW 43.88.020 and 1995 c 155 s 1 are each amended to read
27 as follows:

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

31 (2) "Budget document" means a formal statement, either written or
32 provided on any electronic media or both, offered by the governor to
33 the legislature, as provided in RCW 43.88.030.

34 (3) "Director of financial management" means the official appointed
35 by the governor to serve at the governor's pleasure and to whom the
36 governor may delegate necessary authority to carry out the governor's

1 duties as provided in this chapter. The director of financial
2 management shall be head of the office of financial management which
3 shall be in the office of the governor.

4 (4) "Agency" means and includes every state office, officer, each
5 institution, whether educational, correctional, or other, and every
6 department, division, board, and commission, except as otherwise
7 provided in this chapter.

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

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

18 (7) "Ensuing biennium" means the fiscal biennium beginning on July
19 1st of the same year in which a regular session of the legislature is
20 held during an odd-numbered year pursuant to Article II, section 12 of
21 the Constitution and which biennium next succeeds the current biennium.

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

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

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

37 (11) "Administrative expenses" means expenditures for: (a)
38 Salaries, wages, and related costs of personnel and (b) operations and

1 maintenance including but not limited to costs of supplies, materials,
2 services, and equipment.

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

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

7 (14) "Legislative fiscal committees" means the joint legislative
8 (~~budget~~) audit and review committee, the legislative evaluation and
9 accountability program committee, the ways and means committees of the
10 senate and house of representatives, and, where appropriate, the
11 legislative transportation committee.

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

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

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

22 (~~18~~)) "State tax revenue limit" means the limitation created by
23 chapter 43.135 RCW.

24 (~~(19)~~) (18) "General state revenues" means the revenues defined
25 by Article VIII, section 1(c) of the state Constitution.

26 (~~(20)~~) (19) "Annual growth rate in real personal income" means
27 the estimated percentage growth in personal income for the state during
28 the current fiscal year, expressed in constant value dollars, as
29 published by the office of financial management or its successor
30 agency.

31 (~~(21)~~) (20) "Estimated revenues" means estimates of revenue in
32 the most recent official economic and revenue forecast prepared under
33 RCW 82.33.020, and prepared by the office of financial management for
34 those funds, accounts, and sources for which the office of the economic
35 and revenue forecast council does not prepare an official forecast
36 including estimates of revenues to support financial plans under RCW
37 44.40.070, that are prepared by the office of financial management in
38 consultation with the interagency task force.

1 ~~((22))~~ (21) "Estimated receipts" means the estimated receipt of
2 cash in the most recent official economic and revenue forecast prepared
3 under RCW 82.33.020, and prepared by the office of financial management
4 for those funds, accounts, and sources for which the office of the
5 economic and revenue forecast council does not prepare an official
6 forecast.

7 ~~((23))~~ (22) "State budgeting, accounting, and reporting system"
8 means a system that gathers, maintains, and communicates fiscal
9 information. The system links fiscal information beginning with
10 development of agency budget requests through adoption of legislative
11 appropriations to tracking actual receipts and expenditures against
12 approved plans.

13 ~~((24))~~ (23) "Allotment of appropriation" means the agency's
14 statement of proposed expenditures, the director of financial
15 management's review of that statement, and the placement of the
16 approved statement into the state budgeting, accounting, and reporting
17 system.

18 ~~((25))~~ (24) "Statement of proposed expenditures" means a plan
19 prepared by each agency that breaks each appropriation out into monthly
20 detail representing the best estimate of how the appropriation will be
21 expended.

22 ~~((26))~~ (25) "Undesignated fund balance (or deficit)" means
23 unreserved and undesignated current assets or other resources available
24 for expenditure over and above any current liabilities which are
25 expected to be incurred by the close of the fiscal period.

26 ~~((27))~~ (26) "Internal audit" means an independent appraisal
27 activity within an agency for the review of operations as a service to
28 management, including a systematic examination of accounting and fiscal
29 controls to assure that human and material resources are guarded
30 against waste, loss, or misuse; and that reliable data are gathered,
31 maintained, and fairly disclosed in a written report of the audit
32 findings.

33 ~~((28))~~ (27) "Performance verification" means an analysis that (a)
34 verifies the accuracy of data used by state agencies in quantifying
35 intended results and measuring performance toward those results, and
36 (b) verifies whether or not the reported results were achieved.

37 ~~((29))~~ "Program evaluation" means the use of a variety of policy
38 and fiscal research methods to (a) determine the extent to which a
39 program is achieving its legislative intent in terms of producing the

1 ~~effects expected, and (b) make an objective judgment of the~~
2 ~~implementation, outcomes, and net cost or benefit impact of programs in~~
3 ~~the context of their goals and objectives. It includes the application~~
4 ~~of systematic methods to measure the results, intended or unintended,~~
5 ~~of program activities.)~~)

6 (28) "Performance audit" has the same meaning as it is defined in
7 section 2 of this act.

8 **Sec. 24.** RCW 43.88.090 and 1994 c 184 s 10 are each amended to
9 read as follows:

10 (1) For purposes of developing budget proposals to the legislature,
11 the governor shall have the power, and it shall be the governor's duty,
12 to require from proper agency officials such detailed estimates and
13 other information in such form and at such times as the governor shall
14 direct. The estimates for the legislature and the judiciary shall be
15 transmitted to the governor and shall be included in the budget without
16 revision. The estimates for state pension contributions shall be based
17 on the rates provided in chapter 41.45 RCW. Copies of all such
18 estimates shall be transmitted to the standing committees on ways and
19 means of the house and senate at the same time as they are filed with
20 the governor and the office of financial management.

21 The estimates shall include statements or tables which indicate, by
22 agency, the state funds which are required for the receipt of federal
23 matching revenues. The estimates shall be revised as necessary to
24 reflect legislative enactments and adopted appropriations and shall be
25 included with the initial biennial allotment submitted under RCW
26 43.88.110. The estimates must include consideration of findings made
27 by the legislative auditor of the office of the joint legislative audit
28 and review committee under a performance audit of the agency.

29 (2) In the year of the gubernatorial election, the governor shall
30 invite the governor-elect or the governor-elect's designee to attend
31 all hearings provided in RCW 43.88.100; and the governor shall furnish
32 the governor-elect or the governor-elect's designee with such
33 information as will enable the governor-elect or the governor-elect's
34 designee to gain an understanding of the state's budget requirements.
35 The governor-elect or the governor-elect's designee may ask such
36 questions during the hearings and require such information as the
37 governor-elect or the governor-elect's designee deems necessary and may
38 make recommendations in connection with any item of the budget which,

1 with the governor-elect's reasons therefor, shall be presented to the
2 legislature in writing with the budget document. Copies of all such
3 estimates and other required information shall also be submitted to the
4 standing committees on ways and means of the house and senate.

5 **Sec. 25.** RCW 43.88.160 and 1994 c 184 s 11 are each amended to
6 read as follows:

7 This section sets forth the major fiscal duties and
8 responsibilities of officers and agencies of the executive branch. The
9 regulations issued by the governor pursuant to this chapter shall
10 provide for a comprehensive, orderly basis for fiscal management and
11 control, including efficient accounting and reporting therefor, for the
12 executive branch of the state government and may include, in addition,
13 such requirements as will generally promote more efficient public
14 management in the state.

15 (1) Governor; director of financial management. The governor,
16 through the director of financial management, shall devise and
17 supervise a modern and complete accounting system for each agency to
18 the end that all revenues, expenditures, receipts, disbursements,
19 resources, and obligations of the state shall be properly and
20 systematically accounted for. The accounting system shall include the
21 development of accurate, timely records and reports of all financial
22 affairs of the state. The system shall also provide for central
23 accounts in the office of financial management at the level of detail
24 deemed necessary by the director to perform central financial
25 management. The director of financial management shall adopt and
26 periodically update an accounting procedures manual. Any agency
27 maintaining its own accounting and reporting system shall comply with
28 the updated accounting procedures manual and the rules of the director
29 adopted under this chapter. An agency may receive a waiver from
30 complying with this requirement if the waiver is approved by the
31 director. Waivers expire at the end of the fiscal biennium for which
32 they are granted. The director shall forward notice of waivers granted
33 to the appropriate legislative fiscal committees. The director of
34 financial management may require such financial, statistical, and other
35 reports as the director deems necessary from all agencies covering any
36 period.

37 (2) The director of financial management is responsible for
38 quarterly reporting of primary operating budget drivers such as

1 applicable workloads, caseload estimates, and appropriate unit cost
2 data. These reports shall be transmitted to the legislative fiscal
3 committees or by electronic means to the legislative evaluation and
4 accountability program committee. Quarterly reports shall include
5 actual monthly data and the variance between actual and estimated data
6 to date. The reports shall also include estimates of these items for
7 the remainder of the budget period.

8 (3) The director of financial management shall report at least
9 annually to the appropriate legislative committees regarding the status
10 of all appropriated capital projects, including transportation
11 projects, showing significant cost overruns or underruns. If funds are
12 shifted from one project to another, the office of financial management
13 shall also reflect this in the annual variance report. Once a project
14 is complete, the report shall provide a final summary showing estimated
15 start and completion dates of each project phase compared to actual
16 dates, estimated costs of each project phase compared to actual costs,
17 and whether or not there are any outstanding liabilities or unsettled
18 claims at the time of completion.

19 (4) In addition, the director of financial management, as agent of
20 the governor, shall:

21 (a) Develop and maintain a system of internal controls and internal
22 audits comprising methods and procedures to be adopted by each agency
23 that will safeguard its assets, check the accuracy and reliability of
24 its accounting data, promote operational efficiency, and encourage
25 adherence to prescribed managerial policies for accounting and
26 financial controls. The system developed by the director shall include
27 criteria for determining the scope and comprehensiveness of internal
28 controls required by classes of agencies, depending on the level of
29 resources at risk.

30 Each agency head or authorized designee shall be assigned the
31 responsibility and authority for establishing and maintaining internal
32 audits following the standards of internal auditing of the institute of
33 internal auditors;

34 (b) Make surveys and analyses of agencies with the object of
35 determining better methods and increased effectiveness in the use of
36 manpower and materials; and the director shall authorize expenditures
37 for employee training to the end that the state may benefit from
38 training facilities made available to state employees;

1 (c) Establish policies for allowing the contracting of child care
2 services;

3 (d) Report to the governor with regard to duplication of effort or
4 lack of coordination among agencies;

5 (e) Review any pay and classification plans, and changes
6 thereunder, developed by any agency for their fiscal impact: PROVIDED,
7 That none of the provisions of this subsection shall affect merit
8 systems of personnel management now existing or hereafter established
9 by statute relating to the fixing of qualifications requirements for
10 recruitment, appointment, or promotion of employees of any agency. The
11 director shall advise and confer with agencies including appropriate
12 standing committees of the legislature as may be designated by the
13 speaker of the house and the president of the senate regarding the
14 fiscal impact of such plans and may amend or alter said plans, except
15 that for the following agencies no amendment or alteration of said
16 plans may be made without the approval of the agency concerned:
17 Agencies headed by elective officials;

18 (f) Fix the number and classes of positions or authorized man years
19 of employment for each agency and during the fiscal period amend the
20 determinations previously fixed by the director except that the
21 director shall not be empowered to fix said number or said classes for
22 the following: Agencies headed by elective officials;

23 ~~(g) ((Provide for transfers and repayments between the budget
24 stabilization account and the general fund as directed by appropriation
25 and RCW 43.88.525 through 43.88.540;~~

26 ~~(h))~~ Adopt rules to effectuate provisions contained in (a) through
27 ~~((g))~~ (f) of this subsection.

28 (5) The treasurer shall:

29 (a) Receive, keep, and disburse all public funds of the state not
30 expressly required by law to be received, kept, and disbursed by some
31 other persons: PROVIDED, That this subsection shall not apply to those
32 public funds of the institutions of higher learning which are not
33 subject to appropriation;

34 (b) Receive, disburse, or transfer public funds under the
35 treasurer's supervision or custody;

36 (c) Keep a correct and current account of all moneys received and
37 disbursed by the treasurer, classified by fund or account;

1 (d) Coordinate agencies' acceptance and use of credit cards and
2 other payment methods, if the agencies have received authorization
3 under RCW 43.41.180;

4 (e) Perform such other duties as may be required by law or by
5 regulations issued pursuant to this law.

6 It shall be unlawful for the treasurer to disburse public funds in
7 the treasury except upon forms or by alternative means duly prescribed
8 by the director of financial management. These forms or alternative
9 means shall provide for authentication and certification by the agency
10 head or the agency head's designee that the services have been rendered
11 or the materials have been furnished; or, in the case of loans or
12 grants, that the loans or grants are authorized by law; or, in the case
13 of payments for periodic maintenance services to be performed on state
14 owned equipment, that a written contract for such periodic maintenance
15 services is currently in effect and copies thereof are on file with the
16 office of financial management; and the treasurer shall not be liable
17 under the treasurer's surety bond for erroneous or improper payments so
18 made. When services are lawfully paid for in advance of full
19 performance by any private individual or business entity other than as
20 provided for by RCW 42.24.035, such individual or entity other than
21 central stores rendering such services shall make a cash deposit or
22 furnish surety bond coverage to the state as shall be fixed in an
23 amount by law, or if not fixed by law, then in such amounts as shall be
24 fixed by the director of the department of general administration but
25 in no case shall such required cash deposit or surety bond be less than
26 an amount which will fully indemnify the state against any and all
27 losses on account of breach of promise to fully perform such services.
28 No payments shall be made in advance for any equipment maintenance
29 services to be performed more than three months after such payment.
30 Any such bond so furnished shall be conditioned that the person, firm
31 or corporation receiving the advance payment will apply it toward
32 performance of the contract. The responsibility for recovery of
33 erroneous or improper payments made under this section shall lie with
34 the agency head or the agency head's designee in accordance with
35 regulations issued pursuant to this chapter. Nothing in this section
36 shall be construed to permit a public body to advance funds to a
37 private service provider pursuant to a grant or loan before services
38 have been rendered or material furnished.

39 (6) The state auditor shall:

1 (a) Report to the legislature the results of current post audits
2 that have been made of the financial transactions of each agency; to
3 this end the auditor may, in the auditor's discretion, examine the
4 books and accounts of any agency, official, or employee charged with
5 the receipt, custody, or safekeeping of public funds. Where feasible
6 in conducting examinations, the auditor shall utilize data and findings
7 from the internal control system prescribed by the office of financial
8 management. The current post audit of each agency may include a
9 section on recommendations to the legislature as provided in (c) of
10 this subsection.

11 (b) Give information to the legislature, whenever required, upon
12 any subject relating to the financial affairs of the state.

13 (c) Make the auditor's official report on or before the thirty-
14 first of December which precedes the meeting of the legislature. The
15 report shall be for the last complete fiscal period and shall include
16 determinations as to whether agencies, in making expenditures, complied
17 with the laws of this state. The state auditor is authorized to
18 perform or participate in performance verifications ~~((only))~~ and
19 performance audits as expressly authorized by the legislature in the
20 omnibus biennial appropriations acts or in the performance audit work
21 plan approved by the joint legislative audit and review committee. The
22 state auditor, upon completing an audit for legal and financial
23 compliance under chapter 43.09 RCW or a performance verification, may
24 report to the joint legislative ~~((budget))~~ audit and review committee
25 or other appropriate committees of the legislature, in a manner
26 prescribed by the joint legislative ~~((budget))~~ audit and review
27 committee, on facts relating to the management or performance of
28 governmental programs where such facts are discovered incidental to the
29 legal and financial audit or performance verification. The auditor may
30 make such a report to a legislative committee only if the auditor has
31 determined that the agency has been given an opportunity and has failed
32 to resolve the management or performance issues raised by the auditor.
33 If the auditor makes a report to a legislative committee, the agency
34 may submit to the committee a response to the report. This subsection
35 (6) shall not be construed to authorize the auditor to allocate other
36 than de minimis resources to performance audits except as expressly
37 authorized in the appropriations acts or in the performance audit work
38 plan. The results of a performance audit conducted by the state
39 auditor that has been requested by the joint legislative audit and

1 review committee must only be transmitted to the joint legislative
2 audit and review committee.

3 (d) Be empowered to take exception to specific expenditures that
4 have been incurred by any agency or to take exception to other
5 practices related in any way to the agency's financial transactions and
6 to cause such exceptions to be made a matter of public record,
7 including disclosure to the agency concerned and to the director of
8 financial management. It shall be the duty of the director of
9 financial management to cause corrective action to be taken promptly,
10 such action to include, as appropriate, the withholding of funds as
11 provided in RCW 43.88.110.

12 (e) Promptly report any irregularities to the attorney general.

13 (f) Investigate improper governmental activity under chapter 42.40
14 RCW.

15 (7) The joint legislative (~~(budget)~~) audit and review committee
16 may:

17 (a) Make post audits of the financial transactions of any agency
18 and management surveys and program reviews as provided for in chapter
19 44.28 RCW (~~(44.28.085)~~) as well as performance audits and program
20 evaluations. To this end the joint committee may in its discretion
21 examine the books, accounts, and other records of any agency, official,
22 or employee.

23 (b) Give information to the legislature or any legislative
24 committee whenever required upon any subject relating to the
25 performance and management of state agencies.

26 (c) Make a report to the legislature which shall include at least
27 the following:

28 (i) Determinations as to the extent to which agencies in making
29 expenditures have complied with the will of the legislature and in this
30 connection, may take exception to specific expenditures or financial
31 practices of any agencies; and

32 (ii) Such plans as it deems expedient for the support of the
33 state's credit, for lessening expenditures, for promoting frugality and
34 economy in agency affairs, and generally for an improved level of
35 fiscal management.

36 **Sec. 26.** RCW 28A.630.830 and 1994 c 13 s 5 are each amended to
37 read as follows:

1 (1) The selection advisory committee is created. The committee
2 shall be composed of up to three members from the house of
3 representatives, up to three members from the senate, up to two members
4 from the office of the superintendent of public instruction, and one
5 member from each of the following: The office of financial management,
6 Washington state special education coalition, transitional bilingual
7 instruction educators, and Washington education association.

8 (2) The joint legislative ((budget)) audit and review committee and
9 the superintendent of public instruction shall provide staff for the
10 selection advisory committee.

11 (3) The selection advisory committee shall:

12 (a) Develop appropriate criteria for selecting demonstration
13 projects;

14 (b) Issue requests for proposals in accordance with RCW 28A.630.820
15 through 28A.630.845 for demonstration projects;

16 (c) Review proposals and recommend demonstration projects for
17 approval by the superintendent of public instruction; and

18 (d) Advise the superintendent of public instruction on the
19 evaluation design.

20 **Sec. 27.** RCW 28B.20.382 and 1987 c 505 s 13 are each amended to
21 read as follows:

22 Until authorized and empowered to do so by statute of the
23 legislature, the board of regents of the university, with respect to
24 that certain tract of land in the city of Seattle originally known as
25 the "old university grounds" and more recently known as the
26 "Metropolitan Tract" and any land contiguous thereto, shall not sell
27 ((said)) the land or any part thereof or any improvement thereon, or
28 lease ((said)) the land or any part thereof or any improvement thereon
29 or renew or extend any lease thereof for a term ending more than sixty
30 years beyond midnight, December 31, 1980. Any sale of ((said)) the
31 land or any part thereof or any improvement thereon, or any lease or
32 renewal or extension of any lease of ((said)) the land or any part
33 thereof or any improvement thereon for a term ending more than sixty
34 years after midnight, December 31, 1980, made or attempted to be made
35 by the board of regents shall be null and void unless and until the
36 same has been approved or ratified and confirmed by legislative act.

37 The board of regents shall have power from time to time to lease
38 ((said)) the land, or any part thereof or any improvement thereon for

1 a term ending not more than sixty years beyond midnight, December 31,
2 1980: PROVIDED, That the board of regents shall make a full, detailed
3 report of all leases and transactions pertaining to (~~said~~) the land
4 or any part thereof or any improvement thereon to the joint legislative
5 (~~budget~~) audit and review committee, including one copy to the staff
6 of the committee, during an odd-numbered year: PROVIDED FURTHER, That
7 any and all records, books, accounts (~~and/or~~), and agreements of any
8 lessee or sublessee under this section, pertaining to compliance with
9 the terms and conditions of such lease or sublease, shall be open to
10 inspection by the board of regents (~~and/or~~), the ways and means
11 committee(~~s~~) of the senate (~~or~~), the appropriations committee of
12 the house of representatives (~~or~~), and the joint legislative
13 (~~budget~~) audit and review committee or any successor committees. It
14 is not intended by this proviso that unrelated records, books, accounts
15 (~~and/or~~), and agreements of lessees, sublessees, or related companies
16 be open to such inspection.

17 **Sec. 28.** RCW 39.19.060 and 1993 c 512 s 9 are each amended to read
18 as follows:

19 Each state agency and educational institution shall comply with the
20 annual goals established for that agency or institution under this
21 chapter for public works and procuring goods or services. This chapter
22 applies to all public works and procurement by state agencies and
23 educational institutions, including all contracts and other procurement
24 under chapters 28B.10, 39.04, 39.29, 43.19, and 47.28 RCW. Each state
25 agency shall adopt a plan, developed in consultation with the director
26 and the advisory committee, to insure that minority and women-owned
27 businesses are afforded the maximum practicable opportunity to directly
28 and meaningfully participate in the execution of public contracts for
29 public works and goods and services. The plan shall include specific
30 measures the agency will undertake to increase the participation of
31 certified minority and women-owned businesses. The office shall
32 annually notify the governor, the state auditor, and the joint
33 legislative (~~budget~~) audit and review committee of all agencies and
34 educational institutions not in compliance with this chapter.

35 **Sec. 29.** RCW 39.29.016 and 1987 c 414 s 4 are each amended to read
36 as follows:

1 Emergency contracts shall be filed with the office of financial
2 management and the joint legislative (~~(budget)~~) audit and review
3 committee and made available for public inspection within three working
4 days following the commencement of work or execution of the contract,
5 whichever occurs first. Documented justification for emergency
6 contracts shall be provided to the office of financial management and
7 the joint legislative (~~(budget)~~) audit and review committee when the
8 contract is filed.

9 **Sec. 30.** RCW 39.29.018 and 1993 c 433 s 5 are each amended to read
10 as follows:

11 (1) Sole source contracts shall be filed with the office of
12 financial management and the joint legislative (~~(budget)~~) audit and
13 review committee and made available for public inspection at least ten
14 working days prior to the proposed starting date of the contract.
15 Documented justification for sole source contracts shall be provided to
16 the office of financial management and the joint legislative (~~(budget)~~)
17 audit and review committee when the contract is filed. For sole source
18 contracts of ten thousand dollars or more that are state funded,
19 documented justification shall include evidence that the agency
20 attempted to identify potential consultants by advertising through
21 state-wide or regional newspapers.

22 (2) The office of financial management shall approve sole source
23 contracts of ten thousand dollars or more that are state funded, before
24 any such contract becomes binding and before any services may be
25 performed under the contract. These requirements shall also apply to
26 sole source contracts of less than ten thousand dollars if the total
27 amount of such contracts between an agency and the same consultant is
28 ten thousand dollars or more within a fiscal year. Agencies shall
29 ensure that the costs, fees, or rates negotiated in filed sole source
30 contracts of ten thousand dollars or more are reasonable.

31 **Sec. 31.** RCW 39.29.025 and 1993 c 433 s 3 are each amended to read
32 as follows:

33 (1) Substantial changes in either the scope of work specified in
34 the contract or in the scope of work specified in the formal
35 solicitation document must generally be awarded as new contracts.
36 Substantial changes executed by contract amendments must be submitted
37 to the office of financial management and the joint legislative

1 ((~~budget~~)) audit and review committee, and are subject to approval by
2 the office of financial management.

3 (2) An amendment or amendments to personal service contracts, if
4 the value of the amendment or amendments, whether singly or
5 cumulatively, exceeds fifty percent of the value of the original
6 contract must be provided to the office of financial management and the
7 joint legislative ((~~budget~~)) audit and review committee.

8 (3) The office of financial management shall approve amendments
9 provided to it under this section before the amendments become binding
10 and before services may be performed under the amendments.

11 (4) The amendments must be filed with the office of financial
12 management and made available for public inspection at least ten
13 working days prior to the proposed starting date of services under the
14 amendments.

15 (5) The office of financial management shall approve amendments
16 provided to it under this section only if they meet the criteria for
17 approval of the amendments established by the director of the office of
18 financial management.

19 **Sec. 32.** RCW 39.29.055 and 1993 c 433 s 7 are each amended to read
20 as follows:

21 (1) State-funded personal service contracts subject to competitive
22 solicitation shall be filed with the office of financial management and
23 the joint legislative ((~~budget~~)) audit and review committee and made
24 available for public inspection at least ten working days before the
25 proposed starting date of the contract.

26 (2) The office of financial management shall review and approve
27 state-funded personal service contracts subject to competitive
28 solicitation that provide services relating to management consulting,
29 organizational development, marketing, communications, employee
30 training, or employee recruiting.

31 **Sec. 33.** RCW 41.06.070 and 1995 c 163 s 1 are each amended to read
32 as follows:

33 (1) The provisions of this chapter do not apply to:

34 (a) The members of the legislature or to any employee of, or
35 position in, the legislative branch of the state government including
36 members, officers, and employees of the legislative council, joint

1 legislative ((~~budget~~)) audit and review committee, statute law
2 committee, and any interim committee of the legislature;

3 (b) The justices of the supreme court, judges of the court of
4 appeals, judges of the superior courts or of the inferior courts, or to
5 any employee of, or position in the judicial branch of state
6 government;

7 (c) Officers, academic personnel, and employees of technical
8 colleges;

9 (d) The officers of the Washington state patrol;

10 (e) Elective officers of the state;

11 (f) The chief executive officer of each agency;

12 (g) In the departments of employment security and social and health
13 services, the director and the director's confidential secretary; in
14 all other departments, the executive head of which is an individual
15 appointed by the governor, the director, his or her confidential
16 secretary, and his or her statutory assistant directors;

17 (h) In the case of a multimember board, commission, or committee,
18 whether the members thereof are elected, appointed by the governor or
19 other authority, serve ex officio, or are otherwise chosen:

20 (i) All members of such boards, commissions, or committees;

21 (ii) If the members of the board, commission, or committee serve on
22 a part-time basis and there is a statutory executive officer: The
23 secretary of the board, commission, or committee; the chief executive
24 officer of the board, commission, or committee; and the confidential
25 secretary of the chief executive officer of the board, commission, or
26 committee;

27 (iii) If the members of the board, commission, or committee serve
28 on a full-time basis: The chief executive officer or administrative
29 officer as designated by the board, commission, or committee; and a
30 confidential secretary to the chair of the board, commission, or
31 committee;

32 (iv) If all members of the board, commission, or committee serve ex
33 officio: The chief executive officer; and the confidential secretary
34 of such chief executive officer;

35 (i) The confidential secretaries and administrative assistants in
36 the immediate offices of the elective officers of the state;

37 (j) Assistant attorneys general;

38 (k) Commissioned and enlisted personnel in the military service of
39 the state;

1 (l) Inmate, student, part-time, or temporary employees, and part-
2 time professional consultants, as defined by the Washington personnel
3 resources board;

4 (m) The public printer or to any employees of or positions in the
5 state printing plant;

6 (n) Officers and employees of the Washington state fruit
7 commission;

8 (o) Officers and employees of the Washington state apple
9 advertising commission;

10 (p) Officers and employees of the Washington state dairy products
11 commission;

12 (q) Officers and employees of the Washington tree fruit research
13 commission;

14 (r) Officers and employees of the Washington state beef commission;

15 (s) Officers and employees of any commission formed under chapter
16 15.66 RCW;

17 (t) Officers and employees of the state wheat commission formed
18 under chapter 15.63 RCW;

19 (u) Officers and employees of agricultural commissions formed under
20 chapter 15.65 RCW;

21 (v) Officers and employees of the nonprofit corporation formed
22 under chapter 67.40 RCW;

23 (w) Executive assistants for personnel administration and labor
24 relations in all state agencies employing such executive assistants
25 including but not limited to all departments, offices, commissions,
26 committees, boards, or other bodies subject to the provisions of this
27 chapter and this subsection shall prevail over any provision of law
28 inconsistent herewith unless specific exception is made in such law;

29 (x) In each agency with fifty or more employees: Deputy agency
30 heads, assistant directors or division directors, and not more than
31 three principal policy assistants who report directly to the agency
32 head or deputy agency heads;

33 (y) All employees of the marine employees' commission;

34 (z) Up to a total of five senior staff positions of the western
35 library network under chapter 27.26 RCW responsible for formulating
36 policy or for directing program management of a major administrative
37 unit. This subsection (1)(z) shall expire on June 30, 1997.

1 (2) The following classifications, positions, and employees of
2 institutions of higher education and related boards are hereby exempted
3 from coverage of this chapter:

4 (a) Members of the governing board of each institution of higher
5 education and related boards, all presidents, vice-presidents, and
6 their confidential secretaries, administrative, and personal
7 assistants; deans, directors, and chairs; academic personnel; and
8 executive heads of major administrative or academic divisions employed
9 by institutions of higher education; principal assistants to executive
10 heads of major administrative or academic divisions; other managerial
11 or professional employees in an institution or related board having
12 substantial responsibility for directing or controlling program
13 operations and accountable for allocation of resources and program
14 results, or for the formulation of institutional policy, or for
15 carrying out personnel administration or labor relations functions,
16 legislative relations, public information, development, senior computer
17 systems and network programming, or internal audits and investigations;
18 and any employee of a community college district whose place of work is
19 one which is physically located outside the state of Washington and who
20 is employed pursuant to RCW 28B.50.092 and assigned to an educational
21 program operating outside of the state of Washington;

22 (b) Student, part-time, or temporary employees, and part-time
23 professional consultants, as defined by the Washington personnel
24 resources board, employed by institutions of higher education and
25 related boards;

26 (c) The governing board of each institution, and related boards,
27 may also exempt from this chapter classifications involving research
28 activities, counseling of students, extension or continuing education
29 activities, graphic arts or publications activities requiring
30 prescribed academic preparation or special training as determined by
31 the board: PROVIDED, That no nonacademic employee engaged in office,
32 clerical, maintenance, or food and trade services may be exempted by
33 the board under this provision;

34 (d) Printing craft employees in the department of printing at the
35 University of Washington.

36 (3) In addition to the exemptions specifically provided by this
37 chapter, the Washington personnel resources board may provide for
38 further exemptions pursuant to the following procedures. The governor
39 or other appropriate elected official may submit requests for exemption

1 to the Washington personnel resources board stating the reasons for
2 requesting such exemptions. The Washington personnel resources board
3 shall hold a public hearing, after proper notice, on requests submitted
4 pursuant to this subsection. If the board determines that the position
5 for which exemption is requested is one involving substantial
6 responsibility for the formulation of basic agency or executive policy
7 or one involving directing and controlling program operations of an
8 agency or a major administrative division thereof, the Washington
9 personnel resources board shall grant the request and such
10 determination shall be final as to any decision made before July 1,
11 1993. The total number of additional exemptions permitted under this
12 subsection shall not exceed one percent of the number of employees in
13 the classified service not including employees of institutions of
14 higher education and related boards for those agencies not directly
15 under the authority of any elected public official other than the
16 governor, and shall not exceed a total of twenty-five for all agencies
17 under the authority of elected public officials other than the
18 governor. The Washington personnel resources board shall report to
19 each regular session of the legislature during an odd-numbered year all
20 exemptions granted under subsections (1)(w) and (x) and (2) of this
21 section, together with the reasons for such exemptions.

22 The salary and fringe benefits of all positions presently or
23 hereafter exempted except for the chief executive officer of each
24 agency, full-time members of boards and commissions, administrative
25 assistants and confidential secretaries in the immediate office of an
26 elected state official, and the personnel listed in subsections (1)(j)
27 through (v) and (2) of this section, shall be determined by the
28 Washington personnel resources board.

29 Any person holding a classified position subject to the provisions
30 of this chapter shall, when and if such position is subsequently
31 exempted from the application of this chapter, be afforded the
32 following rights: If such person previously held permanent status in
33 another classified position, such person shall have a right of
34 reversion to the highest class of position previously held, or to a
35 position of similar nature and salary.

36 Any classified employee having civil service status in a classified
37 position who accepts an appointment in an exempt position shall have
38 the right of reversion to the highest class of position previously
39 held, or to a position of similar nature and salary.

1 A person occupying an exempt position who is terminated from the
2 position for gross misconduct or malfeasance does not have the right of
3 reversion to a classified position as provided for in this section.

4 **Sec. 34.** RCW 42.48.060 and 1985 c 334 s 6 are each amended to read
5 as follows:

6 Nothing in this chapter is applicable to, or in any way affects,
7 the powers and duties of the state auditor or the joint legislative
8 (~~budget~~) audit and review committee.

9 **Sec. 35.** RCW 43.09.310 and 1995 c 301 s 22 are each amended to
10 read as follows:

11 The state auditor shall annually audit the state-wide combined
12 financial statements prepared by the office of financial management and
13 make post-audits of state agencies. Post-audits of state agencies
14 shall be made at such periodic intervals as is determined by the state
15 auditor. Audits of combined financial statements shall include
16 determinations as to the validity and accuracy of accounting methods,
17 procedures and standards utilized in their preparation, as well as the
18 accuracy of the financial statements themselves. A report shall be
19 made of each such audit and post-audit upon completion thereof, and one
20 copy shall be transmitted to the governor, one to the director of
21 financial management, one to the state agency audited, one to the joint
22 legislative (~~budget~~) audit and review committee, one each to the
23 standing committees on ways and means of the house and senate, one to
24 the chief clerk of the house, one to the secretary of the senate, and
25 at least one shall be kept on file in the office of the state auditor.
26 A copy of any report containing findings of noncompliance with state
27 law shall be transmitted to the attorney general.

28 **Sec. 36.** RCW 43.21J.800 and 1993 c 516 s 11 are each amended to
29 read as follows:

30 On or before June 30, 1998, the joint legislative (~~budget~~) audit
31 and review committee shall prepare a report to the legislature
32 evaluating the implementation of the environmental restoration jobs act
33 of 1993, chapter 516, Laws of 1993.

34 **Sec. 37.** RCW 43.79.270 and 1973 c 144 s 2 are each amended to read
35 as follows:

1 Whenever any money, from the federal government, or from other
2 sources, which was not anticipated in the budget approved by the
3 legislature has actually been received and is designated to be spent
4 for a specific purpose, the head of any department, agency, board, or
5 commission through which such expenditure shall be made is to submit to
6 the governor a statement which may be in the form of a request for an
7 allotment amendment setting forth the facts constituting the need for
8 such expenditure and the estimated amount to be expended: PROVIDED,
9 That no expenditure shall be made in excess of the actual amount
10 received, and no money shall be expended for any purpose except the
11 specific purpose for which it was received. A copy of any proposal
12 submitted to the governor to expend money from an appropriated fund or
13 account in excess of appropriations provided by law which is based on
14 the receipt of unanticipated revenues shall be submitted to the joint
15 legislative ((budget)) audit and review committee and also to the
16 standing committees on ways and means of the house and senate if the
17 legislature is in session at the same time as it is transmitted to the
18 governor.

19 **Sec. 38.** RCW 43.79.280 and 1973 c 144 s 3 are each amended to read
20 as follows:

21 If the governor approves such estimate in whole or part, he shall
22 endorse on each copy of the statement his approval, together with a
23 statement of the amount approved in the form of an allotment amendment,
24 and transmit one copy to the head of the department, agency, board, or
25 commission authorizing the expenditure. An identical copy of the
26 governor's statement of approval and a statement of the amount approved
27 for expenditure shall be transmitted simultaneously to the joint
28 legislative ((budget)) audit and review committee and also to the
29 standing committee on ways and means of the house and senate of all
30 executive approvals of proposals to expend money in excess of
31 appropriations provided by law.

32 **Sec. 39.** RCW 43.88.205 and 1979 c 151 s 141 are each amended to
33 read as follows:

34 (1) Whenever an agency makes application, enters into a contract or
35 agreement, or submits state plans for participation in, and for grants
36 of federal funds under any federal law, the agency making such
37 application shall at the time of such action, give notice in such form

1 and manner as the director of financial management may prescribe, or
2 the ((~~chairman~~)) chair of the joint legislative ((~~budget~~)) audit and
3 review committee, standing committees on ways and means of the house
4 and senate, the chief clerk of the house, or the secretary of the
5 senate may request.

6 (2) Whenever any such application, contract, agreement, or state
7 plan is amended, such agency shall notify each such officer of such
8 action in the same manner as prescribed or requested pursuant to
9 subsection (1) of this section.

10 (3) Such agency shall promptly furnish such progress reports in
11 relation to each such application, contract, agreement, or state plan
12 as may be requested following the date of the filing of the
13 application, contract, agreement, or state plan; and shall also file
14 with each such officer a final report as to the final disposition of
15 each such application, contract, agreement, or state plan if such is
16 requested.

17 **Sec. 40.** RCW 43.88.230 and 1981 c 270 s 12 are each amended to
18 read as follows:

19 For the purposes of this chapter, the statute law committee, the
20 joint legislative ((~~budget~~)) audit and review committee, the
21 legislative transportation committee, the legislative evaluation and
22 accountability program committee, the office of state actuary, and all
23 legislative standing committees of both houses shall be deemed a part
24 of the legislative branch of state government.

25 **Sec. 41.** RCW 43.88.310 and 1993 c 157 s 1 are each amended to read
26 as follows:

27 (1) The legislative auditor of the office of the joint legislative
28 audit and review committee, with the concurrence of the joint
29 legislative ((~~budget~~)) audit and review committee, may file with the
30 attorney general any audit exceptions or other findings of any
31 performance audit, management study, or special report prepared for the
32 joint legislative ((~~budget~~)) audit and review committee, any standing
33 or special committees of the house or senate, or the entire legislature
34 which indicate a violation of RCW 43.88.290, or any other act of
35 malfeasance, misfeasance, or nonfeasance on the part of any state
36 officer or employee.

1 (2) The attorney general shall promptly review each filing received
2 from the legislative auditor and may act thereon as provided in RCW
3 43.88.300, or any other applicable statute authorizing enforcement
4 proceedings by the attorney general. The attorney general shall advise
5 the joint legislative ((budget)) audit and review committee of the
6 status of exceptions or findings referred under this section.

7 **Sec. 42.** RCW 43.88.510 and 1987 c 505 s 37 are each amended to
8 read as follows:

9 Not later than ninety days after the beginning of each biennium,
10 the director of financial management shall submit the compiled list of
11 boards, commissions, councils, and committees, together with the
12 information on each such group, that is required by RCW 43.88.505 to:

13 (1) The speaker of the house and the president of the senate for
14 distribution to the appropriate standing committees, including one copy
15 to the staff of each of the committees;

16 (2) The chair of the joint legislative ((budget)) audit and review
17 committee, including a copy to the staff of the committee;

18 (3) The chairs of the committees on ways and means of the senate
19 and house of representatives; and

20 (4) Members of the state government committee of the house of
21 representatives and of the governmental operations committee of the
22 senate, including one copy to the staff of each of the committees.

23 **Sec. 43.** RCW 43.131.050 and 1990 c 297 s 2 are each amended to
24 read as follows:

25 The joint legislative ((budget)) audit and review committee shall
26 cause to be conducted a program and fiscal review of any state agency
27 or program scheduled for termination by the processes provided in this
28 chapter. Such program and fiscal review shall be completed and a
29 preliminary report prepared on or before June 30th of the year prior to
30 the date established for termination. Upon completion of its
31 preliminary report, the joint legislative ((budget)) audit and review
32 committee shall transmit copies of the report to the office of
33 financial management. The office of financial management may then
34 conduct its own program and fiscal review of the agency scheduled for
35 termination and shall prepare a report on or before September 30th of
36 the year prior to the date established for termination. Upon
37 completion of its report the office of financial management shall

1 transmit copies of its report to the joint legislative (~~(budget)~~) audit
2 and review committee. The joint legislative (~~(budget)~~) audit and
3 review committee shall prepare a final report that includes the reports
4 of both the office of financial management and the joint legislative
5 (~~(budget)~~) audit and review committee. The joint legislative
6 (~~(budget)~~) audit and review committee and the office of financial
7 management shall, upon request, make available to each other all
8 working papers, studies, and other documents which relate to reports
9 required under this section. The joint legislative (~~(budget)~~) audit
10 and review committee shall transmit the final report to the
11 legislature, to the state agency concerned, to the governor, and to the
12 state library.

13 **Sec. 44.** RCW 43.131.060 and 1988 c 17 s 1 are each amended to read
14 as follows:

15 In conducting the review of a regulatory entity, the joint
16 legislative (~~(budget)~~) audit and review committee shall consider, but
17 not be limited to, the following factors where applicable:

18 (1) The extent to which the regulatory entity has operated in the
19 public interest and fulfilled its statutory obligations;

20 (2) The duties of the regulatory entity and the costs incurred in
21 carrying out those duties;

22 (3) The extent to which the regulatory entity is operating in an
23 efficient, effective, and economical manner;

24 (4) The extent to which the regulatory entity inhibits competition
25 or otherwise adversely affects the state's economic climate;

26 (5) The extent to which the regulatory entity duplicates the
27 activities of other regulatory entities or of the private sector, where
28 appropriate; and

29 (6) The extent to which the absence or modification of regulation
30 would adversely affect, maintain, or improve the public health, safety,
31 or welfare.

32 **Sec. 45.** RCW 43.131.070 and 1977 ex.s. c 289 s 7 are each amended
33 to read as follows:

34 In conducting the review of a state agency other than a regulatory
35 entity, the joint legislative (~~(budget)~~) audit and review committee
36 shall consider, but not be limited to, the following factors where
37 applicable:

1 (1) The extent to which the state agency has complied with
2 legislative intent;

3 (2) The extent to which the state agency is operating in an
4 efficient and economical manner which results in optimum performance;

5 (3) The extent to which the state agency is operating in the public
6 interest by effectively providing a needed service that should be
7 continued rather than modified, consolidated, or eliminated;

8 (4) The extent to which the state agency duplicates the activities
9 of other state agencies or of the private sector, where appropriate;
10 and

11 (5) The extent to which the termination or modification of the
12 state agency would adversely affect the public health, safety, or
13 welfare.

14 **Sec. 46.** RCW 43.131.080 and 1989 c 175 s 109 are each amended to
15 read as follows:

16 (1) Following receipt of the final report from the joint
17 legislative (~~(budget)~~) audit and review committee, the appropriate
18 committees of reference in the senate and the house of representatives
19 shall each hold a public hearing, unless a joint hearing is held, to
20 consider the final report and any related data. The committees shall
21 also receive testimony from representatives of the state agency or
22 agencies involved, which shall have the burden of demonstrating a
23 public need for its continued existence; and from the governor or the
24 governor's designee, and other interested parties, including the
25 general public.

26 (2) When requested by either of the presiding members of the
27 appropriate senate and house committees of reference, a regulatory
28 entity under review shall mail an announcement of any hearing to the
29 persons it regulates who have requested notice of agency rule-making
30 proceedings as provided in RCW 34.05.320, or who have requested notice
31 of hearings held pursuant to the provisions of this section. On
32 request of either presiding member, such mailing shall include an
33 explanatory statement not exceeding one page in length prepared and
34 supplied by the member's committee.

35 (3) The presiding members of the senate committee on ways and means
36 and the house committee on appropriations may designate one or more
37 liaison members to each committee of reference in their respective
38 chambers for purposes of participating in any hearing and in subsequent

1 committee of reference discussions and to seek a coordinated approach
2 between the committee of reference and the committee they represent in
3 a liaison capacity.

4 (4) Following any hearing under subsection (1) of this section by
5 the committees of reference, such committees may hold additional
6 meetings or hearings to come to a final determination as to whether a
7 state agency has demonstrated a public need for its continued existence
8 or whether modifications in existing procedures are needed. In the
9 event that a committee of reference concludes that a state agency shall
10 be reestablished or modified or its functions transferred elsewhere, it
11 shall make such determination as a bill. No more than one state agency
12 shall be reestablished or modified in any one bill.

13 **Sec. 47.** RCW 43.131.110 and 1977 ex.s. c 289 s 11 are each amended
14 to read as follows:

15 Any reference in this chapter to a committee of the legislature
16 including the joint legislative ((budget)) audit and review committee
17 shall also refer to the successor of that committee.

18 **Sec. 48.** RCW 43.250.080 and 1986 c 294 s 8 are each amended to
19 read as follows:

20 At the end of each fiscal year, the state treasurer shall submit to
21 the governor, the state auditor, and the joint legislative ((budget))
22 audit and review committee a summary of the activity of the investment
23 pool. The summary shall indicate the quantity of funds deposited; the
24 earnings of the pool; the investments purchased, sold, or exchanged;
25 the administrative expenses of the investment pool; and such other
26 information as the state treasurer deems relevant.

27 **Sec. 49.** RCW 44.40.025 and 1981 c 270 s 15 are each amended to
28 read as follows:

29 In addition to the powers and duties authorized in RCW 44.40.020,
30 the committee and the standing committees on transportation of the
31 house and senate shall, in coordination with the joint legislative
32 ((budget)) audit and review committee, the legislative evaluation and
33 accountability program committee, and the ways and means committees of
34 the senate and house of representatives, ascertain, study, and/or
35 analyze all available facts and matters relating or pertaining to
36 sources of revenue, appropriations, expenditures, and financial

1 condition of the motor vehicle fund and accounts thereof, the highway
2 safety fund, and all other funds or accounts related to transportation
3 programs of the state.

4 The joint legislative (~~(budget)~~) audit and review committee, the
5 legislative evaluation and accountability program committee, and the
6 ways and means committees of the senate and house of representatives
7 shall coordinate their activities with the legislative transportation
8 committee in carrying out the committees' powers and duties under
9 chapter 43.88 RCW in matters relating to the transportation programs of
10 the state.

11 **Sec. 50.** RCW 67.70.310 and 1982 2nd ex.s. c 7 s 31 are each
12 amended to read as follows:

13 The director of financial management may conduct a management
14 review of the commission's lottery operations to assure that:

15 (1) The manner and time of payment of prizes to the holder of
16 winning tickets or shares is consistent with this chapter and the rules
17 adopted under this chapter;

18 (2) The apportionment of total revenues accruing from the sale of
19 lottery tickets or shares and from all other sources is consistent with
20 this chapter;

21 (3) The manner and type of lottery being conducted, and the
22 expenses incidental thereto, are the most efficient and cost-effective;
23 and

24 (4) The commission is not unnecessarily incurring operating and
25 administrative costs.

26 In conducting a management review, the director of financial
27 management may inspect the books, documents, and records of the
28 commission. Upon completion of a management review, all irregularities
29 shall be reported to the attorney general, the joint legislative
30 (~~(budget)~~) audit and review committee, and the state auditor. The
31 director of financial management shall make such recommendations as may
32 be necessary for the most efficient and cost-effective operation of the
33 lottery.

34 **Sec. 51.** RCW 79.01.006 and 1991 c 204 s 1 are each amended to read
35 as follows:

36 (1) Every five years the department of social and health services
37 and other state agencies that operate institutions shall conduct an

1 inventory of all real property subject to the charitable, educational,
2 penal, and reformatory institution account and other real property
3 acquired for institutional purposes or for the benefit of the blind,
4 deaf, mentally ill, developmentally disabled, or otherwise disabled.
5 The inventory shall identify which of those real properties are not
6 needed for state-provided residential care, custody, or treatment. By
7 December 1, 1992, and every five years thereafter the department shall
8 report the results of the inventory to the house of representatives
9 committee on capital facilities and financing, the senate committee on
10 ways and means, and the joint legislative ((budget)) audit and review
11 committee.

12 (2) Real property identified as not needed for state-provided
13 residential care, custody, or treatment shall be transferred to the
14 corpus of the charitable, educational, penal, and reformatory
15 institution account. This subsection shall not apply to real property
16 subject to binding conditions that conflict with the other provisions
17 of this subsection.

18 (3) The department of natural resources shall manage all property
19 subject to the charitable, educational, penal, and reformatory
20 institution account and, in consultation with the department of social
21 and health services and other affected agencies, shall adopt a plan for
22 the management of real property subject to the account and other real
23 property acquired for institutional purposes or for the benefit of the
24 blind, deaf, mentally ill, developmentally disabled, or otherwise
25 disabled.

26 (a) The plan shall be consistent with state trust land policies and
27 shall be compatible with the needs of institutions adjacent to real
28 property subject to the plan.

29 (b) The plan may be modified as necessary to ensure the quality of
30 future management and to address the acquisition of additional real
31 property.

32 **Sec. 52.** RCW 44.--.-- and 1996 c . . . (ESSB 6680) s 4 are each
33 amended to read as follows:

34 (1) Performance reviews under this chapter shall include a
35 rethinking of the programs and functions of state agencies to assess
36 whether or not they have a vital purpose or valid mission. The
37 director shall work to involve frontline employees, agency and program
38 managers, customers of the program or service, other taxpayers,

1 legislators, legislative staff, office of financial management staff,
2 and other external public and private sector experts as deemed
3 appropriate in conducting performance reviews. The director shall, as
4 necessary, contract with experts from either the private or public
5 sector to assist in performance reviews.

6 (2) In preparation for a performance review, a state agency shall
7 identify each of its discrete functions or activities, along with
8 associated costs and full-time equivalent staff, as requested by the
9 director. In reviewing the agency or program, the director shall
10 identify those activities and programs that should be strengthened,
11 those that should be abandoned, and those that need to be redirected or
12 other alternatives explored. The review should consider: (a) Whether
13 or not the purpose for which the agency or program was created is still
14 valid based on the circumstances under which the program was created
15 versus those that exist at the time of the review; (b) the extent to
16 which the particular activity or function is specifically authorized in
17 statute or is consistent with statutory direction and intent; (c)
18 whether or not the agency or program is achieving the results for which
19 it was established; (d) alternatives for delivering the program or
20 service, either in the public or private sector; (e) duplication of
21 services with other government programs or private enterprises or gaps
22 in services; (f) the relative priority of the program among the
23 agency's functions; ~~((e))~~ (g) costs or implications of not performing
24 the function; ~~((d))~~ (h) citizen's individual responsibilities and
25 freedoms; ~~((e))~~ (i) whether or not the mission of the agency or
26 program is attainable considering the effect of factors and
27 circumstances beyond the control of the agency; and ~~((f))~~ (j) in the
28 event of inadequate performance by the program, the potential for a
29 workable, affordable plan to improve performance.

30 (3) Performance reviews must also determine the existence and
31 utility of an agency or program strategic plan that includes a concise
32 statement of the agency's or program's mission, a vision for future
33 direction, measurable goals and objectives, and clear strategies and
34 specific timelines to achieve them. The director shall determine the
35 extent to which the plan: (a) Forms the basis of agency management
36 practices and continuous process reevaluation and improvement; (b) can
37 be used to clearly identify and prioritize agency functions; (c)
38 provides a valuable basis for legislative policy and budget
39 deliberations; (d) is used to ensure accountability of employees,

1 particularly managers, for achieving program goals, and is a primary
2 consideration in retention and promotion of staff; (e) is used to
3 assess the quality and effectiveness of the agency's programs and
4 activities; (f) appropriately balances cost objectives, quality
5 objectives, and performance objectives; and (g) is useful in
6 demonstrating public accountability. The agency strategic plan shall
7 provide for periodic self-assessment by the agency to determine whether
8 the agency is achieving the goals and objectives of its programs.
9 Where self-assessments have been completed by an agency, the
10 assessments must be incorporated into a performance review conducted
11 under this chapter.

12 (4) If the state agency or program being reviewed has not
13 identified acceptable organizations or programs in the public or
14 private sector to be used as benchmarks against which to measure its
15 performance, the director shall conduct a review sufficient to
16 recommend such benchmarks to the agency, the governor, and the
17 legislature.

18 (5) As a part of each performance review and in consultation with
19 the director of the agency being reviewed and the director of financial
20 management, the director of the legislative office of performance
21 review shall develop recommendations regarding statutes that inhibit or
22 do not contribute to the agency's ability to perform its functions
23 effectively and efficiently.

24 (6) Based on the information and conclusions compiled from the work
25 required in subsections (1) through (5) of this section, the director
26 shall develop an advisory recommendation for the governor and the
27 legislature regarding whether an agency, programs of an agency, or
28 activities within an agency should be continued, abandoned, or
29 restructured.

30 **Sec. 53.** RCW 43.88.030 and 1996 c . . . (ESSB 6680) s 9 are each
31 amended to read as follows:

32 (1) The director of financial management shall provide all agencies
33 with a complete set of instructions for submitting biennial budget
34 requests to the director at least three months before agency budget
35 documents are due into the office of financial management. The
36 director shall provide agencies that are required under RCW 44.40.070
37 to develop comprehensive six-year program and financial plans with a
38 complete set of instructions for submitting these program and financial

1 plans at the same time that instructions for submitting other budget
2 requests are provided. The budget document or documents shall consist
3 of the governor's budget message which shall be explanatory of the
4 budget and shall contain an outline of the proposed financial policies
5 of the state for the ensuing fiscal period, as well as an outline of
6 the proposed six-year financial policies where applicable, and shall
7 describe in connection therewith the important features of the budget.
8 The message shall set forth the reasons for salient changes from the
9 previous fiscal period in expenditure and revenue items and shall
10 explain any major changes in financial policy. Attached to the budget
11 message shall be such supporting schedules, exhibits and other
12 explanatory material in respect to both current operations and capital
13 improvements as the governor shall deem to be useful to the
14 legislature. The budget document or documents shall set forth a
15 proposal for expenditures in the ensuing fiscal period, or six-year
16 period where applicable, based upon the estimated revenues as approved
17 by the economic and revenue forecast council or upon the estimated
18 revenues of the office of financial management for those funds,
19 accounts, and sources for which the office of the economic and revenue
20 forecast council does not prepare an official forecast, including those
21 revenues anticipated to support the six-year programs and financial
22 plans under RCW 44.40.070. In estimating revenues to support financial
23 plans under RCW 44.40.070, the office of financial management shall
24 rely on information and advice from the interagency revenue task force.
25 Revenues shall be estimated for such fiscal period from the source and
26 at the rates existing by law at the time of submission of the budget
27 document, including the supplemental budgets submitted in the even-
28 numbered years of a biennium. However, the estimated revenues for use
29 in the governor's budget document may be adjusted to reflect budgetary
30 revenue transfers and revenue estimates dependent upon budgetary
31 assumptions of enrollments, workloads, and caseloads. All adjustments
32 to the approved estimated revenues must be set forth in the budget
33 document. The governor may additionally submit, as an appendix to each
34 supplemental, biennial, or six-year agency budget or to the budget
35 document or documents, a proposal for expenditures in the ensuing
36 fiscal period from revenue sources derived from proposed changes in
37 existing statutes.

38 Supplemental and biennial documents shall reflect a six-year
39 expenditure plan consistent with estimated revenues from existing

1 sources and at existing rates for those agencies required to submit
2 six-year program and financial plans under RCW 44.40.070. Any
3 additional revenue resulting from proposed changes to existing statutes
4 shall be separately identified within the document as well as related
5 expenditures for the six-year period.

6 The budget document or documents shall also contain:

7 (a) Revenues classified by fund and source for the immediately past
8 fiscal period, those received or anticipated for the current fiscal
9 period, those anticipated for the ensuing biennium, and those
10 anticipated for the ensuing six-year period to support the six-year
11 programs and financial plans required under RCW 44.40.070;

12 (b) The undesignated fund balance or deficit, by fund;

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

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

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

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

24 (g) Identification of all proposed direct expenditures to implement
25 the Puget Sound water quality plan under chapter 90.70 RCW, shown by
26 agency and in total; and

27 (h) Tabulations showing each postretirement adjustment by
28 retirement system established after fiscal year 1991, to include, but
29 not be limited to, estimated total payments made to the end of the
30 previous biennial period, estimated payments for the present biennium,
31 and estimated payments for the ensuing biennium.

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

- 1 (a) Interest, amortization and redemption charges on the state
2 debt;
- 3 (b) Payments of all reliefs, judgments and claims;
- 4 (c) Other statutory expenditures;
- 5 (d) Expenditures incident to the operation for each agency;
- 6 (e) Revenues derived from agency operations;
- 7 (f) Expenditures and revenues shall be given in comparative form
8 showing those incurred or received for the immediately past fiscal
9 period and those anticipated for the current biennium and next ensuing
10 biennium, as well as those required to support the six-year programs
11 and financial plans required under RCW 44.40.070;
- 12 (g) A showing and explanation of amounts of general fund and other
13 funds obligations for debt service and any transfers of moneys that
14 otherwise would have been available for appropriation;
- 15 (h) Common school expenditures on a fiscal-year basis;
- 16 (i) A showing, by agency, of the value and purpose of financing
17 contracts for the lease/purchase or acquisition of personal or real
18 property for the current and ensuing fiscal periods;
- 19 (j) A showing and explanation of anticipated amounts of general
20 fund and other funds required to amortize the unfunded actuarial
21 accrued liability of the retirement system specified under chapter
22 41.45 RCW, and the contributions to meet such amortization, stated in
23 total dollars and as a level percentage of total compensation; and
- 24 (k) For each agency, a description of the findings and
25 recommendations of any applicable review by the legislative office of
26 performance review conducted during the prior fiscal period. The
27 budget document must describe the potential costs and savings
28 associated with implementing the findings and recommendations,
29 including any recommendations for program eliminations and alternative
30 delivery methods.

31 (3) A separate capital budget document or schedule shall be
32 submitted that will contain the following:

33 (a) A statement setting forth a long-range facilities plan for the
34 state that identifies and includes the highest priority needs within
35 affordable spending levels;

36 (b) A capital program consisting of proposed capital projects for
37 the next biennium and the two biennia succeeding the next biennium
38 consistent with the long-range facilities plan. Inasmuch as is
39 practical, and recognizing emergent needs, the capital program shall

1 reflect the priorities, projects, and spending levels proposed in
2 previously submitted capital budget documents in order to provide a
3 reliable long-range planning tool for the legislature and state
4 agencies;

5 (c) A capital plan consisting of proposed capital spending for at
6 least four biennia succeeding the next biennium;

7 (d) A statement of the reason or purpose for a project;

8 (e) Verification that a project is consistent with the provisions
9 set forth in chapter 36.70A RCW;

10 (f) A statement about the proposed site, size, and estimated life
11 of the project, if applicable;

12 (g) Estimated total project cost;

13 (h) For major projects valued over five million dollars, estimated
14 costs for the following project components: Acquisition, consultant
15 services, construction, equipment, project management, and other costs
16 included as part of the project. Project component costs shall be
17 displayed in a standard format defined by the office of financial
18 management to allow comparisons between projects;

19 (i) Estimated total project cost for each phase of the project as
20 defined by the office of financial management;

21 (j) Estimated ensuing biennium costs;

22 (k) Estimated costs beyond the ensuing biennium;

23 (l) Estimated construction start and completion dates;

24 (m) Source and type of funds proposed;

25 (n) Estimated ongoing operating budget costs or savings resulting
26 from the project, including staffing and maintenance costs;

27 (o) For any capital appropriation requested for a state agency for
28 the acquisition of land or the capital improvement of land in which the
29 primary purpose of the acquisition or improvement is recreation or
30 wildlife habitat conservation, the capital budget document, or an
31 omnibus list of recreation and habitat acquisitions provided with the
32 governor's budget document, shall identify the projected costs of
33 operation and maintenance for at least the two biennia succeeding the
34 next biennium. Omnibus lists of habitat and recreation land
35 acquisitions shall include individual project cost estimates for
36 operation and maintenance as well as a total for all state projects
37 included in the list. The document shall identify the source of funds
38 from which the operation and maintenance costs are proposed to be
39 funded;

1 (p) Such other information bearing upon capital projects as the
2 governor deems to be useful;

3 (q) Standard terms, including a standard and uniform definition of
4 maintenance for all capital projects;

5 (r) Such other information as the legislature may direct by law or
6 concurrent resolution.

7 For purposes of this subsection (3), the term "capital project"
8 shall be defined subsequent to the analysis, findings, and
9 recommendations of a joint committee comprised of representatives from
10 the house capital appropriations committee, senate ways and means
11 committee, legislative transportation committee, legislative evaluation
12 and accountability program committee, and office of financial
13 management.

14 (4) No change affecting the comparability of agency or program
15 information relating to expenditures, revenues, workload, performance
16 and personnel shall be made in the format of any budget document or
17 report presented to the legislature under this section or RCW
18 43.88.160(1) relative to the format of the budget document or report
19 which was presented to the previous regular session of the legislature
20 during an odd-numbered year without prior legislative concurrence.
21 Prior legislative concurrence shall consist of (a) a favorable majority
22 vote on the proposal by the standing committees on ways and means of
23 both houses if the legislature is in session or (b) a favorable
24 majority vote on the proposal by members of the legislative evaluation
25 and accountability program committee if the legislature is not in
26 session.

27 NEW SECTION. **Sec. 54.** Sections 2, 9, 10, and 13 through 17 of
28 this act are each added to chapter 44.28 RCW.

29 NEW SECTION. **Sec. 55.** RCW 44.28.140, 44.28.180, and 44.28.087, as
30 amended by this act, are each recodified within chapter 44.28 RCW in
31 the order in which they appear in this act.

32 NEW SECTION. **Sec. 56.** If sections 4 and 9 of chapter . . . , Laws
33 of 1996 (ESSB 6680) do not become law, sections 52 and 53 of this act
34 are null and void.

1 NEW SECTION. **Sec. 57.** The following acts or parts of acts are
2 each repealed:

3 (1) RCW 44.28.085 and 1993 c 406 s 6, 1975 1st ex.s. c 293 s 15, &
4 1971 ex.s. c 170 s 3; and

5 (2) RCW 44.28.086 and 1973 1st ex.s. c 197 s 1.

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