

# SENATE BILL REPORT

## SB 6450

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As Passed Senate, February 28, 2008

**Title:** An act relating to costs of school district and educational service district performance audits.

**Brief Description:** Regarding reimbursement for school district and educational service district costs for performance audits.

**Sponsors:** Senators Tom, McAuliffe, Jacobsen, Kauffman, Kilmer, McDermott and Rasmussen.

**Brief History:**

**Committee Activity:** Early Learning & K-12 Education: 2/6/08, 2/7/08 [DP, DNP].

Ways & Means: 2/11/08, 2/12/08 [DP, DNP, w/oRec].

Passed Senate: 2/28/08, 26-22.

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### SENATE COMMITTEE ON EARLY LEARNING & K-12 EDUCATION

**Majority Report:** Do pass.

Signed by Senators McAuliffe, Chair; Tom, Vice Chair; Brandland, Eide, Hobbs, Kauffman, McDermott, Oemig and Weinstein.

**Minority Report:** Do not pass.

Signed by Senators King, Ranking Minority Member; Holmquist and Zarelli.

**Staff:** Roman Dixon (786-7438)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Brandland, Hatfield, Hewitt, Hobbs, Honeyford, Keiser, Kohl-Welles, Regala, Rockefeller and Tom.

**Minority Report:** Do not pass.

Signed by Senators Zarelli, Ranking Minority Member; Parlette and Roach.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Carrell and Schoesler.

**Staff:** Bryon Moore (786-7726)

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Background:** Under current law, Initiative 900 requires that the State Auditor perform, or contract for the performance of, audits of state and local government agencies, accounts, and programs. The auditor also has authority to perform audits of both the legislative and judicial branches of government. The audits are to include a review and analysis of the economy, efficiency, and effectiveness of governmental policies, management, fiscal affairs, and operations. The audit results and the auditor's recommendations must be submitted to the appropriate legislative body and the public. The legislative body is required to hold a public hearing on the audit's results. A performance audit was conducted on the Educational Service Districts in 2007.

**Summary of Bill:** Revenues from the performance audits of government account must be used for the cost of the performance audits, including reimbursing school districts and educational service districts for the costs incurred by school districts and educational service districts to gather or assemble the information requested by the performance audit team.

**Appropriation:** None.

**Fiscal Note:** Requested on January 30, 2008.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony (Early Learning & K-12 Education):** PRO: This bill is not about gutting the audit process established by I-900. The Legislature constantly hears about promoting unfunded mandates. This is a simple bill that operates on the premise that if you take hours out of a teacher's developmental staff time and training, there are costs, and that money needs to be reimbursed. We have been very specific in drafting the bill to prevent over-application. The theory of opportunity costs dictates that being required to do one thing means something else won't get done. Resources used for audits are resources taken away from students.

CON: If this bill was enacted, the effect would be to allow school entities to calculate their expenses, and essentially hand the auditor's office a bill at the end of the audit. This is not what the founders of this state had in mind. Such a bill encourages delays and limits the auditor's ability to conduct the next audit. This bill is about certain government entities seeking to obscure their records from public scrutiny. Any costs to the school districts and ESDs will be negligible because the information requested by the audit team is information they already have.

OTHER: There is no precedent for this type of reimbursement. It is problematic to reimburse one audited public entity and not another. Similar requests will quickly bankrupt the auditor's fund. The ramifications of this bill go beyond cost to the ESDs.

**Persons Testifying (Early Learning & K-12 Education):** PRO: Senator Tom, prime sponsor; Jerry Bender, Association of Washington School Principals; Jim Shoemake, Educational Service Districts (ESDs); Mitch Denning, Alliance of Education Association; Barbara Mertens, Washington Association of School Administrators.

CON: Brian Sonntag, Washington State Auditor; Mike Dunmire, retired citizen; Tim Eyman, I-985.

OTHER: Amber Gunn, Evergreen Freedom Foundation.

**Staff Summary of Public Testimony (Ways & Means):** PRO: This is a simple bill about providing funding for the very real impacts on school districts of performance audits.

CON: The State Auditor's office attempts to minimize the costs and disruption associated with complying with audits, including performance audits. The costs to establish the reimbursement system will exceed the actual amount reimbursed.

**Persons Testifying (Ways & Means):** PRO: Senator Tom, prime sponsor.

CON: Linda Long, Washington State Auditor's Office.