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SECOND SUBSTITUTE HOUSE BILL 2222

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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, and 79.01.006; adding new sections to chapter  
10 44.28 RCW; creating a new section; recodifying RCW 44.28.140,  
11 44.28.180, and 44.28.087; and repealing RCW 44.28.050, 44.28.085, and  
12 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 and the state auditor so that they  
24 may more effectively examine how efficiently state agencies perform  
25 their responsibilities and whether the agencies are achieving their  
26 goals, and whether units of local government are using state funds for  
27 their intended purpose in an efficient and effective manner. It is  
28 also the intent of the legislature to enact a clear set of definitions  
29 for different types of audits in order to eliminate confusion with  
30 regard to government 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) "Director" means the director of the office 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, program audits, and performance  
34 verifications. A performance audit of a local government may only be  
35 made to determine whether the local government is using state funds for  
36 their intended purpose in an efficient and effective manner.

37 (8) "Performance measures" means realistic estimates, generally in  
38 quantifiable terms, of what a state agency or a unit of local

1 government receiving state funds is expected to achieve in a program,  
2 function, or activity.

3 (9) "Performance verification" means an analysis that verifies: (a)  
4 The accuracy of data used by a state agency or a unit of local  
5 government receiving state funds in quantifying intended results and  
6 measuring performance toward those results; and (b) whether the  
7 reported results were achieved.

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

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

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

23 (13) "State agency" or "agency" means a state agency, department,  
24 office, officer, board, commission, bureau, division, institution, or  
25 institution of higher education. "State agency" includes all elective  
26 offices in the executive branch of state government.

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

29 (~~(There is hereby created a)~~) (1) The joint legislative ((budget))  
30 audit and review committee is created, which shall consist of eight  
31 senators and eight representatives from the legislature, and two  
32 nonvoting members of the general public appointed under subsection (2)  
33 of this section. The senate members of the committee shall be  
34 appointed by the president of the senate, and the house members of the  
35 committee shall be appointed by the speaker of the house. Not more  
36 than four members from each house shall be from the same political  
37 party. Members shall be appointed before the close of each regular  
38 session of the legislature during an odd-numbered year(~~—PROVIDED,~~

1 ~~That if prior to~~). If before the close of a regular session during an  
2 odd-numbered year, the governor issues a proclamation convening the  
3 legislature into special session, or the legislature by resolution  
4 convenes the legislature into special session, following such regular  
5 session, then such appointments shall be made as a matter of closing  
6 business of such special session. Members shall be subject to  
7 confirmation, as to the senate members by the senate, and as to the  
8 house members by the house. In the event of a failure to appoint or  
9 confirm joint committee members, (~~either on the part of the president~~  
10 ~~of the senate or on the part of the speaker of the house, or in the~~  
11 ~~event of a refusal by either the senate or the house to confirm~~  
12 ~~appointments on the committee, then~~) the members of the joint  
13 committee from either house in which there is a failure to appoint or  
14 confirm shall be elected (~~forthwith~~) by the members of such house.

15 (2) The speaker of the house shall appoint one of the members  
16 representing the general public, and the president of the senate shall  
17 appoint the other member representing the general public. The general  
18 public members must be appointed before the close of each regular  
19 session of the legislature during an odd-numbered year. The term for  
20 the general public members commences upon appointment and expires at  
21 the close of session in the next odd-numbered year and continues until  
22 a successor is appointed. The speaker of the house or the president of  
23 the senate, as appropriate, shall make an appointment to fill a vacancy  
24 in the general public member positions for the unexpired term.

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

27 The term of office of the members of the joint committee who  
28 continue to be members of the senate and house shall be from the close  
29 of the session in which they were appointed or elected as provided in  
30 RCW 44.28.010 until the close of the next regular session during an  
31 odd-numbered year or special session following such regular session,  
32 or, in the event that such appointments or elections are not made,  
33 until the close of the next regular session during an odd-numbered year  
34 during which successors are appointed or elected. The term of office  
35 of (~~such~~) joint committee members (~~as shall~~) who do not continue to  
36 be members of the senate and house (~~shall~~) ceases upon the convening  
37 of the next regular session of the legislature during an odd-numbered  
38 year after their confirmation, election or appointment. Vacancies on

1 the joint committee, except for vacancies in the positions designated  
2 for members of the general public, shall be filled by appointment by  
3 the remaining members. All such vacancies shall be filled from the  
4 same political party and from the same house as the member whose seat  
5 was vacated.

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

8 On and after the commencement of a succeeding general session of  
9 the legislature, those members of the joint committee who continue to  
10 be members of the senate and house, respectively, shall continue as  
11 members of the joint committee as indicated in RCW 44.28.020 and the  
12 joint committee shall continue with all its powers, duties,  
13 authorities, records, papers, personnel and staff, and all funds made  
14 available for its use.

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

17 The legislative members of the joint committee shall serve without  
18 additional compensation, but shall be reimbursed for their travel  
19 expenses(~~(,)~~) in accordance with RCW 44.04.120 (~~((as now existing or~~  
20 ~~hereafter amended, incurred while))~~ for attending ((sessions)) meetings  
21 of the joint committee or ((meetings of any)) a subcommittee of the  
22 joint committee, or while engaged on other ((committee)) business  
23 authorized by the joint committee(~~(, and while going to and coming from~~  
24 ~~committee sessions or committee meetings)).~~ The general public members  
25 of the joint committee shall serve without compensation but shall be  
26 reimbursed for their travel expenses in accordance with RCW 43.03.050  
27 and 43.03.060.

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

30 The members of the joint committee shall ((have the power and duty  
31 to appoint its own chairman, vice chairman, and other officers; to make  
32 rules and regulations for orderly procedure; to perform, either through  
33 the legislative budget committee or through subcommittees of the  
34 legislative budget committee, all duties and functions relating to  
35 improving the economy, efficiency, and effectiveness of state agency  
36 management by performance audits and other staff studies of state

1 government, — its — officers, — boards, — committees, — commissions,  
2 institutions, and other state agencies)) select a chair and a  
3 vice-chair, to serve for a period not to exceed one year. The chair  
4 and the vice-chair may not be members of the same political party. The  
5 chair shall alternate between the members of the senate and the house  
6 of representatives, and between each political party. The general  
7 public members of the joint committee may not serve as chair or vice-  
8 chair.

9 The chair shall appoint an executive committee consisting of two  
10 senators and two representatives from the members of the joint  
11 committee. The two senate members of the executive committee must be  
12 from different political parties, and the two executive committee  
13 members from the house of representatives must be from different  
14 political parties. The function of the executive committee is to  
15 appoint the director. Approval by an affirmative vote of at least  
16 three members of the executive committee is required for a decision  
17 regarding employment of the director. The executive committee shall  
18 set the salary of the director.

19 The joint committee shall adopt rules and procedures for its  
20 orderly operation. The joint committee may create subcommittees to  
21 perform duties under this chapter.

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

24 ~~((The committee is hereby authorized and empowered to appoint an~~  
25 ~~officer to be known as the legislative auditor, and to fix his~~  
26 ~~compensation, who shall be the executive officer of the committee and~~  
27 ~~assist in its duties and shall compile information for the committee.~~  
28 ~~The committee is hereby authorized and empowered to select and employ~~  
29 ~~other clerical, legal, accounting, research and other personnel that it~~  
30 ~~may deem desirable in the performance of its duties, and the~~  
31 ~~compensation and salaries shall be fixed by the legislative budget~~  
32 ~~committee.))~~

33 The ~~((duties of the legislative auditor))~~ director shall ~~((be as~~  
34 ~~follows))~~:

35 (1) ~~((To ascertain the facts and make recommendations to the~~  
36 ~~committee and under their direction to the committees of the state~~  
37 ~~legislature concerning~~

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

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

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

5 (2) Direct the audit and review functions described in this chapter  
6 and ensure that all audits are performed in accordance with the  
7 "Government Auditing Standards" published by the comptroller general of  
8 the United States;

9 (3) Make findings and recommendations to the joint committee and  
10 under its direction to the committees of the state legislature  
11 concerning the organization and operation of state agencies and the  
12 expenditure of state funds by units of local government;

13 (4) In consultation with and with the approval of the executive  
14 committee, hire staff necessary to carry out the purposes of this  
15 chapter. Employee salaries, other than the director, shall be set by  
16 the director with the approval of the executive committee, the  
17 secretary of the senate, and the chief clerk of the house of  
18 representatives;

19 (5) Assist the several standing committees of the house and senate  
20 in consideration of legislation affecting state departments and their  
21 efficiency; ~~((to))~~ appear before other legislative committees; and  
22 ~~((to))~~ assist any other legislative committee upon instruction by the  
23 joint legislative ~~((budget))~~ audit and review committee.

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

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

32 NEW SECTION. Sec. 9. (1) In conducting performance audits, the  
33 director shall work in consultation with the state auditor. The  
34 director shall also work closely with the chairs and staff of standing  
35 committees of the senate and house of representatives.

36 (2) The director shall contract with and consult with public and  
37 private independent professional and technical experts as necessary in  
38 conducting the performance audits. The director shall also involve



1 front-line employees and internal auditors in the performance audit  
2 process to the highest possible degree.

3 (3) The director shall work with the legislative evaluation and  
4 accountability program committee to develop information system  
5 capabilities necessary for the performance audit requirements of this  
6 chapter.

7 (4) The director shall work with the Washington performance  
8 partnership and the office of financial management to facilitate the  
9 implementation of effective performance measures throughout state  
10 government. In agencies and programs where effective systems for  
11 performance measurement exist, the measurements incorporated into those  
12 systems must be the basis for performance audits conducted under this  
13 chapter.

14 NEW SECTION. **Sec. 10.** (1) Subject to the requirements of the  
15 annual performance audit work plan approved by the joint committee  
16 under RCW 44.28.180, as recodified by this act, performance audits may,  
17 in addition to the determinations that may be made in such an audit as  
18 specified in section 2 of this act, include the following:

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

21 (b) Identification of viable alternatives for reducing costs or  
22 improving service delivery, including the elimination of functions or  
23 transferring functions to the private sector including not-for-profit  
24 organizations;

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

27 (d) Comparison with other states whose agencies perform similar  
28 functions, as well as their relative funding levels and performance;

29 (e) A determination of the existence and utility of an agency or  
30 program strategic plan that includes the agency's or program's mission,  
31 measurable goals, and clear strategies with timelines to achieve those  
32 goals; and

33 (f) A determination as to the potential for a workable, affordable  
34 plan to improve performance in the event an agency or program is  
35 ineffective.

36 (2) As part of a performance audit, the director may review the  
37 costs of programs recently implemented by the legislature to compare  
38 actual agency costs with the appropriations provided and the cost

1 estimates that were included in the fiscal note for the program at the  
2 time the program was enacted.

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

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

6 (1) To make examinations and reports concerning whether or not  
7 appropriations are being expended for the purposes and within the  
8 statutory restrictions provided by the legislature; (~~((concerning the  
9 economic outlook and estimates of revenue to meet expenditures;))~~) and  
10 concerning the organization and operation of procedures necessary or  
11 desirable to promote economy, efficiency, and effectiveness in state  
12 government, its officers, boards, committees, commissions,  
13 institutions, and other state agencies, and to make recommendations and  
14 reports to the legislature.

15 (2) To make such other studies and examinations of economy,  
16 efficiency, and effectiveness of state government and its state  
17 agencies as it may find advisable, and to hear complaints, hold  
18 hearings, gather information, and make findings of fact with respect  
19 thereto.

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

23 (4) To receive a copy of each report of examination or audit issued  
24 by the state auditor for examinations or audits that were conducted at  
25 the request of the joint committee, to review the report or audit, and  
26 make recommendations to the legislature and the state auditor as it  
27 deems appropriate as a separate addendum to the report or audit.

28 (5) To develop internal tracking procedures that will allow the  
29 legislature to measure the effectiveness of performance audits  
30 conducted by the joint committee. At a minimum, the procedures must  
31 measure cost-savings and increases in efficiency and effectiveness in  
32 how state agencies deliver their services.

33 (6) To receive messages and reports in person or in writing from  
34 the governor or any other state officials and to study generally any  
35 and all business relating to economy, efficiency, and effectiveness in  
36 state government and state agencies.

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

3       (1) (~~In conducting program evaluations as defined in RCW~~  
4 ~~43.88.020, the legislative budget committee may establish a biennial~~  
5 ~~work plan~~) Before the completion of each legislative session, the  
6 joint legislative audit and review committee shall develop and approve  
7 a performance audit work plan for the subsequent sixteen to  
8 twenty-four-month period that identifies state agency programs for  
9 which formal evaluation appears necessary. Among the factors to be  
10 considered in preparing the work plan are:

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

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

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

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

23       (3) The director shall consult with the state auditor, the director  
24 of financial management, and the chairs and staff of appropriate  
25 legislative committees in developing the work plan. The work plan must  
26 identify the role of the joint committee, the state auditor, and public  
27 and private sector experts necessary to complete each performance  
28 audit.

29       (4) The overall work plan may include proposals to employ contract  
30 (~~evaluators~~) resources. As conditions warrant, the (~~program~~  
31 ~~evaluation~~) performance audit work plan may be amended from time to  
32 time. All (~~biennial~~) performance audit work plans shall be  
33 transmitted to the appropriate fiscal and policy committees of the  
34 senate and the house of representatives.

35       NEW SECTION.   **Sec. 13.** (1) When the director has completed a  
36 performance audit authorized in the performance audit work plan, the  
37 director shall transmit the preliminary performance audit report to the  
38 affected state agency or local government for its comments. The agency

1 or local government shall provide any response to the director within  
2 thirty days after receipt of the preliminary performance audit report.  
3 The director shall incorporate the response of the agency or local  
4 government into the final performance audit report.

5 (2) Before releasing the results of a performance audit to the  
6 legislature or the public, the director shall submit the preliminary  
7 performance audit report to the joint committee for its review,  
8 comments, and final recommendations. Any comments by the joint  
9 committee must be included as a separate addendum to the final  
10 performance audit report. Upon consideration and incorporation of the  
11 review, comments, and recommendations of the joint committee, the  
12 director shall transmit the final performance audit report to the  
13 affected agency or local government, the director of financial  
14 management, the leadership of the senate and the house of  
15 representatives, and the appropriate standing committees of the house  
16 of representatives and the senate and shall publish the results and  
17 make the report available to the public. For purposes of this section,  
18 "leadership of the senate and the house of representatives" means the  
19 speaker of the house, the majority leaders of the senate and the house  
20 of representatives, the minority leaders of the senate and the house of  
21 representatives, the caucus chairs of both major political parties of  
22 the senate and the house of representatives, and the floor leaders of  
23 both major political parties of the senate and the house of  
24 representatives.

25 NEW SECTION. **Sec. 14.** (1) No later than nine months after the  
26 final performance audit has been transmitted by the joint committee to  
27 the appropriate standing committees of the house of representatives and  
28 the senate, the joint committee in consultation with the standing  
29 committees shall produce a preliminary compliance report on the  
30 agency's or local government's compliance with the final performance  
31 audit recommendations. The agency or local government may attach its  
32 comments to the joint committee's preliminary compliance report as a  
33 separate addendum.

34 (2) Within three months after the issuance of the preliminary  
35 compliance report, the joint committee must hold at least one public  
36 hearing and receive public testimony regarding the findings and  
37 recommendations contained in the preliminary compliance report. The  
38 joint committee may waive the public hearing requirement if the

1 preliminary compliance report demonstrates that the agency or local  
2 government is in compliance with the audit recommendations. The joint  
3 committee shall issue a final compliance report within four weeks after  
4 the public hearing or hearings. The director shall transmit the final  
5 compliance report in the same manner as a final performance audit is  
6 transmitted under section 13 of this act.

7 NEW SECTION. **Sec. 15.** The joint committee shall undergo a quality  
8 control review at least once every three years. The review must be  
9 conducted by an organization that has experience in conducting  
10 performance audits but that is not affiliated with Washington state  
11 government. The quality control review must include, at a minimum, an  
12 evaluation of the quality of the audits conducted by the joint  
13 committee, an assessment of the audit procedures used by the joint  
14 committee, and an assessment of the qualifications of the joint  
15 committee staff to conduct performance audits.

16 NEW SECTION. **Sec. 16.** (1) The performance audit revolving fund is  
17 established in the state treasury. Expenditures from the fund may only  
18 be used for payment of the costs of performance audits performed  
19 pursuant to the performance audit work plan approved by the joint  
20 legislative audit and review committee under RCW 44.28.180. The costs  
21 of a performance audit shall include all direct and indirect costs.  
22 Moneys in the fund may only be spent after appropriation.

23 (2) The director shall assess state agencies all or a portion of  
24 the costs of a performance audit from funds appropriated to the  
25 agencies for administrative expenses. Agencies operating in whole or  
26 in part from nonappropriated funds must pay into the revolving fund  
27 such funds as will fully reimburse for the costs of a performance  
28 audit.

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

31 NEW SECTION. **Sec. 17.** To ensure the accuracy and timeliness of  
32 information used as the basis for performance audits and other  
33 responsibilities of the legislature, the director or the director's  
34 staff must be provided direct access to information held by any state  
35 agency. Agencies shall submit directly to the joint legislative audit  
36 and review committee all data and other information requested,

1 including tax records and client data. Any confidential data or  
2 information provided to the committee must be kept confidential by the  
3 joint committee.

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

6 All agency reports concerning program performance, including  
7 administrative review, quality control, and other internal audit or  
8 performance reports, as requested by the (~~legislative budget~~) joint  
9 committee, shall be furnished by the agency requested to provide such  
10 report.

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

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

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

19 In case of the failure on the part of any person to comply with any  
20 subpoena issued in behalf of the joint committee, or on the refusal of  
21 any witness to testify to any matters regarding which he or she may be  
22 lawfully interrogated, it shall be the duty of the superior court of  
23 any county, or of the judge thereof, on application of the joint  
24 committee, to compel obedience by proceedings for contempt, as in the  
25 case of disobedience of the requirements of a subpoena issued from such  
26 court or a refusal to testify therein.

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

29 Each witness who appears before the joint committee by its order,  
30 other than a state official or employee, shall receive for his or her  
31 attendance the fees and mileage provided for witnesses in civil cases  
32 in courts of record, which shall be audited and paid upon the  
33 presentation of proper vouchers signed by such witness and approved by  
34 the (~~secretary and chairman~~) chair of the joint committee.

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

3       The joint committee shall cooperate, act, and function with  
4 legislative committees and with the councils or committees of other  
5 states similar to this joint committee and with other interstate  
6 research organizations.

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

9       (1) "Budget" means a proposed plan of expenditures for a given  
10 period or purpose and the proposed means for financing these  
11 expenditures.

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

15       (3) "Director of financial management" means the official appointed  
16 by the governor to serve at the governor's pleasure and to whom the  
17 governor may delegate necessary authority to carry out the governor's  
18 duties as provided in this chapter. The director of financial  
19 management shall be head of the office of financial management which  
20 shall be in the office of the governor.

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

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

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

35       (7) "Ensuing biennium" means the fiscal biennium beginning on July  
36 1st of the same year in which a regular session of the legislature is  
37 held during an odd-numbered year pursuant to Article II, section 12 of  
38 the Constitution and which biennium next succeeds the current biennium.

1 (8) "Dedicated fund" means a fund in the state treasury, or a  
2 separate account or fund in the general fund in the state treasury,  
3 that by law is dedicated, appropriated, or set aside for a limited  
4 object or purpose; but "dedicated fund" does not include a revolving  
5 fund or a trust fund.

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

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

16 (11) "Administrative expenses" means expenditures for: (a)  
17 Salaries, wages, and related costs of personnel and (b) operations and  
18 maintenance including but not limited to costs of supplies, materials,  
19 services, and equipment.

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

22 (13) "Lapse" means the termination of authority to expend an  
23 appropriation.

24 (14) "Legislative fiscal committees" means the joint legislative  
25 ~~((budget))~~ audit and review committee, the legislative evaluation and  
26 accountability program committee, the ways and means committees of the  
27 senate and house of representatives, and, where appropriate, the  
28 legislative transportation committee.

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

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

36 ~~(( "Stabilization account" means the budget stabilization  
37 account created under RCW 43.88.525 as an account in the general fund  
38 of the state treasury.~~



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

3       ~~((19))~~ (18) "General state revenues" means the revenues defined  
4 by Article VIII, section 1(c) of the state Constitution.

5       ~~((20))~~ (19) "Annual growth rate in real personal income" means  
6 the estimated percentage growth in personal income for the state during  
7 the current fiscal year, expressed in constant value dollars, as  
8 published by the office of financial management or its successor  
9 agency.

10       ~~((21))~~ (20) "Estimated revenues" means estimates of revenue in  
11 the most recent official economic and revenue forecast prepared under  
12 RCW 82.33.020, and prepared by the office of financial management for  
13 those funds, accounts, and sources for which the office of the economic  
14 and revenue forecast council does not prepare an official forecast  
15 including estimates of revenues to support financial plans under RCW  
16 44.40.070, that are prepared by the office of financial management in  
17 consultation with the interagency task force.

18       ~~((22))~~ (21) "Estimated receipts" means the estimated receipt of  
19 cash in the most recent official economic and revenue forecast prepared  
20 under RCW 82.33.020, and prepared by the office of financial management  
21 for those funds, accounts, and sources for which the office of the  
22 economic and revenue forecast council does not prepare an official  
23 forecast.

24       ~~((23))~~ (22) "State budgeting, accounting, and reporting system"  
25 means a system that gathers, maintains, and communicates fiscal  
26 information. The system links fiscal information beginning with  
27 development of agency budget requests through adoption of legislative  
28 appropriations to tracking actual receipts and expenditures against  
29 approved plans.

30       ~~((24))~~ (23) "Allotment of appropriation" means the agency's  
31 statement of proposed expenditures, the director of financial  
32 management's review of that statement, and the placement of the  
33 approved statement into the state budgeting, accounting, and reporting  
34 system.

35       ~~((25))~~ (24) "Statement of proposed expenditures" means a plan  
36 prepared by each agency that breaks each appropriation out into monthly  
37 detail representing the best estimate of how the appropriation will be  
38 expended.

1       (~~(26)~~) (25) "Undesignated fund balance (or deficit)" means  
2 unreserved and undesignated current assets or other resources available  
3 for expenditure over and above any current liabilities which are  
4 expected to be incurred by the close of the fiscal period.

5       (~~(27)~~) (26) "Internal audit" means an independent appraisal  
6 activity within an agency for the review of operations as a service to  
7 management, including a systematic examination of accounting and fiscal  
8 controls to assure that human and material resources are guarded  
9 against waste, loss, or misuse; and that reliable data are gathered,  
10 maintained, and fairly disclosed in a written report of the audit  
11 findings.

12       (~~(28)~~)—"Performance verification"—means an analysis that (a)  
13 verifies the accuracy of data used by state agencies in quantifying  
14 intended results and measuring performance toward those results, and  
15 (b) verifies whether or not the reported results were achieved.

16       ~~(29) "Program evaluation" means the use of a variety of policy and~~  
17 ~~fiscal research methods to (a) determine the extent to which a program~~  
18 ~~is achieving its legislative intent in terms of producing the effects~~  
19 ~~expected, and (b) make an objective judgment of the implementation,~~  
20 ~~outcomes, and net cost or benefit impact of programs in the context of~~  
21 ~~their goals and objectives. It includes the application of systematic~~  
22 ~~methods to measure the results, intended or unintended, of program~~  
23 ~~activities.)~~

24       (27) "Performance audit" has the same meaning as it is defined in  
25 section 2 of this act.

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

28       (1) For purposes of developing budget proposals to the legislature,  
29 the governor shall have the power, and it shall be the governor's duty,  
30 to require from proper agency officials such detailed estimates and  
31 other information in such form and at such times as the governor shall  
32 direct. The estimates for the legislature and the judiciary shall be  
33 transmitted to the governor and shall be included in the budget without  
34 revision. The estimates for state pension contributions shall be based  
35 on the rates provided in chapter 41.45 RCW. Copies of all such  
36 estimates shall be transmitted to the standing committees on ways and  
37 means of the house and senate at the same time as they are filed with  
38 the governor and the office of financial management.

1 The estimates shall include statements or tables which indicate, by  
2 agency, the state funds which are required for the receipt of federal  
3 matching revenues. The estimates shall be revised as necessary to  
4 reflect legislative enactments and adopted appropriations and shall be  
5 included with the initial biennial allotment submitted under RCW  
6 43.88.110. The estimates must include consideration of findings made  
7 by the director of the office of the joint legislative audit and review  
8 committee under a performance audit of the agency.

9 (2) In the year of the gubernatorial election, the governor shall  
10 invite the governor-elect or the governor-elect's designee to attend  
11 all hearings provided in RCW 43.88.100; and the governor shall furnish  
12 the governor-elect or the governor-elect's designee with such  
13 information as will enable the governor-elect or the governor-elect's  
14 designee to gain an understanding of the state's budget requirements.  
15 The governor-elect or the governor-elect's designee may ask such  
16 questions during the hearings and require such information as the  
17 governor-elect or the governor-elect's designee deems necessary and may  
18 make recommendations in connection with any item of the budget which,  
19 with the governor-elect's reasons therefor, shall be presented to the  
20 legislature in writing with the budget document. Copies of all such  
21 estimates and other required information shall also be submitted to the  
22 standing committees on ways and means of the house and senate.

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

25 This section sets forth the major fiscal duties and  
26 responsibilities of officers and agencies of the executive branch. The  
27 regulations issued by the governor pursuant to this chapter shall  
28 provide for a comprehensive, orderly basis for fiscal management and  
29 control, including efficient accounting and reporting therefor, for the  
30 executive branch of the state government and may include, in addition,  
31 such requirements as will generally promote more efficient public  
32 management in the state.

33 (1) Governor; director of financial management. The governor,  
34 through the director of financial management, shall devise and  
35 supervise a modern and complete accounting system for each agency to  
36 the end that all revenues, expenditures, receipts, disbursements,  
37 resources, and obligations of the state shall be properly and  
38 systematically accounted for. The accounting system shall include the

1 development of accurate, timely records and reports of all financial  
2 affairs of the state. The system shall also provide for central  
3 accounts in the office of financial management at the level of detail  
4 deemed necessary by the director to perform central financial  
5 management. The director of financial management shall adopt and  
6 periodically update an accounting procedures manual. Any agency  
7 maintaining its own accounting and reporting system shall comply with  
8 the updated accounting procedures manual and the rules of the director  
9 adopted under this chapter. An agency may receive a waiver from  
10 complying with this requirement if the waiver is approved by the  
11 director. Waivers expire at the end of the fiscal biennium for which  
12 they are granted. The director shall forward notice of waivers granted  
13 to the appropriate legislative fiscal committees. The director of  
14 financial management may require such financial, statistical, and other  
15 reports as the director deems necessary from all agencies covering any  
16 period.

17 (2) The director of financial management is responsible for  
18 quarterly reporting of primary operating budget drivers such as  
19 applicable workloads, caseload estimates, and appropriate unit cost  
20 data. These reports shall be transmitted to the legislative fiscal  
21 committees or by electronic means to the legislative evaluation and  
22 accountability program committee. Quarterly reports shall include  
23 actual monthly data and the variance between actual and estimated data  
24 to date. The reports shall also include estimates of these items for  
25 the remainder of the budget period.

26 (3) The director of financial management shall report at least  
27 annually to the appropriate legislative committees regarding the status  
28 of all appropriated capital projects, including transportation  
29 projects, showing significant cost overruns or underruns. If funds are  
30 shifted from one project to another, the office of financial management  
31 shall also reflect this in the annual variance report. Once a project  
32 is complete, the report shall provide a final summary showing estimated  
33 start and completion dates of each project phase compared to actual  
34 dates, estimated costs of each project phase compared to actual costs,  
35 and whether or not there are any outstanding liabilities or unsettled  
36 claims at the time of completion.

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

1 (a) Develop and maintain a system of internal controls and internal  
2 audits comprising methods and procedures to be adopted by each agency  
3 that will safeguard its assets, check the accuracy and reliability of  
4 its accounting data, promote operational efficiency, and encourage  
5 adherence to prescribed managerial policies for accounting and  
6 financial controls. The system developed by the director shall include  
7 criteria for determining the scope and comprehensiveness of internal  
8 controls required by classes of agencies, depending on the level of  
9 resources at risk.

10 Each agency head or authorized designee shall be assigned the  
11 responsibility and authority for establishing and maintaining internal  
12 audits following the standards of internal auditing of the institute of  
13 internal auditors;

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

19 (c) Establish policies for allowing the contracting of child care  
20 services;

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

23 (e) Review any pay and classification plans, and changes  
24 thereunder, developed by any agency for their fiscal impact: PROVIDED,  
25 That none of the provisions of this subsection shall affect merit  
26 systems of personnel management now existing or hereafter established  
27 by statute relating to the fixing of qualifications requirements for  
28 recruitment, appointment, or promotion of employees of any agency. The  
29 director shall advise and confer with agencies including appropriate  
30 standing committees of the legislature as may be designated by the  
31 speaker of the house and the president of the senate regarding the  
32 fiscal impact of such plans and may amend or alter said plans, except  
33 that for the following agencies no amendment or alteration of said  
34 plans may be made without the approval of the agency concerned:  
35 Agencies headed by elective officials;

36 (f) Fix the number and classes of positions or authorized man years  
37 of employment for each agency and during the fiscal period amend the  
38 determinations previously fixed by the director except that the

1 director shall not be empowered to fix said number or said classes for  
2 the following: Agencies headed by elective officials;

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

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

8 (5) The treasurer shall:

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

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

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

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

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

23 It shall be unlawful for the treasurer to disburse public funds in  
24 the treasury except upon forms or by alternative means duly prescribed  
25 by the director of financial management. These forms or alternative  
26 means shall provide for authentication and certification by the agency  
27 head or the agency head's designee that the services have been rendered  
28 or the materials have been furnished; or, in the case of loans or  
29 grants, that the loans or grants are authorized by law; or, in the case  
30 of payments for periodic maintenance services to be performed on state  
31 owned equipment, that a written contract for such periodic maintenance  
32 services is currently in effect and copies thereof are on file with the  
33 office of financial management; and the treasurer shall not be liable  
34 under the treasurer's surety bond for erroneous or improper payments so  
35 made. When services are lawfully paid for in advance of full  
36 performance by any private individual or business entity other than as  
37 provided for by RCW 42.24.035, such individual or entity other than  
38 central stores rendering such services shall make a cash deposit or  
39 furnish surety bond coverage to the state as shall be fixed in an

1 amount by law, or if not fixed by law, then in such amounts as shall be  
2 fixed by the director of the department of general administration but  
3 in no case shall such required cash deposit or surety bond be less than  
4 an amount which will fully indemnify the state against any and all  
5 losses on account of breach of promise to fully perform such services.  
6 No payments shall be made in advance for any equipment maintenance  
7 services to be performed more than three months after such payment.  
8 Any such bond so furnished shall be conditioned that the person, firm  
9 or corporation receiving the advance payment will apply it toward  
10 performance of the contract. The responsibility for recovery of  
11 erroneous or improper payments made under this section shall lie with  
12 the agency head or the agency head's designee in accordance with  
13 regulations issued pursuant to this chapter. Nothing in this section  
14 shall be construed to permit a public body to advance funds to a  
15 private service provider pursuant to a grant or loan before services  
16 have been rendered or material furnished.

17 (6) The state auditor shall:

18 (a) Report to the legislature the results of current post audits  
19 that have been made of the financial transactions of each agency; to  
20 this end the auditor may, in the auditor's discretion, examine the  
21 books and accounts of any agency, official, or employee charged with  
22 the receipt, custody, or safekeeping of public funds. Where feasible  
23 in conducting examinations, the auditor shall utilize data and findings  
24 from the internal control system prescribed by the office of financial  
25 management. The current post audit of each agency may include a  
26 section on recommendations to the legislature as provided in (c) of  
27 this subsection.

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

30 (c) Make the auditor's official report on or before the thirty-  
31 first of December which precedes the meeting of the legislature. The  
32 report shall be for the last complete fiscal period and shall include  
33 determinations as to whether agencies, in making expenditures, complied  
34 with the laws of this state. The state auditor is authorized to  
35 perform or participate in performance (~~verifications only~~) audits as  
36 expressly authorized by the legislature in the omnibus biennial  
37 appropriations acts or in the performance audit work plan approved by  
38 the joint legislative audit and review committee. The state auditor,  
39 upon completing an audit for legal and financial compliance under

1 chapter 43.09 RCW (~~(or a performance verification)~~), may report to the  
2 joint legislative ((budget)) audit and review committee or other  
3 appropriate committees of the legislature, in a manner prescribed by  
4 the joint legislative ((budget)) audit and review committee, on facts  
5 relating to the management or performance of governmental programs  
6 where such facts are discovered incidental to the legal and financial  
7 audit (~~(or performance verification)~~). The auditor may make such a  
8 report to a legislative committee only if the auditor has determined  
9 that the agency has been given an opportunity and has failed to resolve  
10 the management or performance issues raised by the auditor. If the  
11 auditor makes a report to a legislative committee, the agency may  
12 submit to the committee a response to the report. (~~(This subsection~~  
13 ~~(6) shall not be construed to authorize the auditor to allocate other~~  
14 ~~than de minimis resources to performance audits except as expressly~~  
15 ~~authorized in the appropriations acts.)) The results of a performance  
16 audit conducted by the state auditor must be transmitted to the joint  
17 legislative audit and review committee and the affected state agency or  
18 local government for review and comment in the same manner as a  
19 performance audit conducted under section 13 of this act. The auditor  
20 shall incorporate any comments and recommendations into a final  
21 performance audit report, publish the results, and make the report  
22 available to the public.~~

23 (d) Be empowered to take exception to specific expenditures that  
24 have been incurred by any agency or to take exception to other  
25 practices related in any way to the agency's financial transactions and  
26 to cause such exceptions to be made a matter of public record,  
27 including disclosure to the agency concerned and to the director of  
28 financial management. It shall be the duty of the director of  
29 financial management to cause corrective action to be taken promptly,  
30 such action to include, as appropriate, the withholding of funds as  
31 provided in RCW 43.88.110.

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

33 (f) Investigate improper governmental activity under chapter 42.40  
34 RCW.

35 (7) The joint legislative ((budget)) audit and review committee  
36 may:

37 (a) Make post audits of the financial transactions of any agency  
38 and management surveys and program reviews as provided for in chapter  
39 44.28 RCW (~~((44.28.085))~~) as well as performance audits and program



1 evaluations. To this end the joint committee may in its discretion  
2 examine the books, accounts, and other records of any agency, official,  
3 or employee.

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

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

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

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

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

19 (1) The selection advisory committee is created. The committee  
20 shall be composed of up to three members from the house of  
21 representatives, up to three members from the senate, up to two members  
22 from the office of the superintendent of public instruction, and one  
23 member from each of the following: The office of financial management,  
24 Washington state special education coalition, transitional bilingual  
25 instruction educators, and Washington education association.

26 (2) The joint legislative (~~((budget))~~) audit and review committee and  
27 the superintendent of public instruction shall provide staff for the  
28 selection advisory committee.

29 (3) The selection advisory committee shall:

30 (a) Develop appropriate criteria for selecting demonstration  
31 projects;

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

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

36 (d) Advise the superintendent of public instruction on the  
37 evaluation design.

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

3       Until authorized and empowered to do so by statute of the  
4 legislature, the board of regents of the university, with respect to  
5 that certain tract of land in the city of Seattle originally known as  
6 the "old university grounds" and more recently known as the  
7 "Metropolitan Tract" and any land contiguous thereto, shall not sell  
8 ~~((said))~~ the land or any part thereof or any improvement thereon, or  
9 lease ~~((said))~~ the land or any part thereof or any improvement thereon  
10 or renew or extend any lease thereof for a term ending more than sixty  
11 years beyond midnight, December 31, 1980. Any sale of ~~((said))~~ the  
12 land or any part thereof or any improvement thereon, or any lease or  
13 renewal or extension of any lease of ~~((said))~~ the land or any part  
14 thereof or any improvement thereon for a term ending more than sixty  
15 years after midnight, December 31, 1980, made or attempted to be made  
16 by the board of regents shall be null and void unless and until the  
17 same has been approved or ratified and confirmed by legislative act.

18       The board of regents shall have power from time to time to lease  
19 ~~((said))~~ the land, or any part thereof or any improvement thereon for  
20 a term ending not more than sixty years beyond midnight, December 31,  
21 1980: PROVIDED, That the board of regents shall make a full, detailed  
22 report of all leases and transactions pertaining to ~~((said))~~ the land  
23 or any part thereof or any improvement thereon to the joint legislative  
24 ~~((budget))~~ audit and review committee, including one copy to the staff  
25 of the committee, during an odd-numbered year: PROVIDED FURTHER, That  
26 any and all records, books, accounts ~~((and/or))~~, and agreements of any  
27 lessee or sublessee under this section, pertaining to compliance with  
28 the terms and conditions of such lease or sublease, shall be open to  
29 inspection by the board of regents ~~((and/or))~~, the ways and means  
30 committee~~((s))~~ of the senate ~~((or))~~, the appropriations committee of  
31 the house of representatives ~~((or))~~, and the joint legislative  
32 ~~((budget))~~ audit and review committee or any successor committees. It  
33 is not intended by this proviso that unrelated records, books, accounts  
34 ~~((and/or))~~, and agreements of lessees, sublessees, or related companies  
35 be open to such inspection.

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

1 Each state agency and educational institution shall comply with the  
2 annual goals established for that agency or institution under this  
3 chapter for public works and procuring goods or services. This chapter  
4 applies to all public works and procurement by state agencies and  
5 educational institutions, including all contracts and other procurement  
6 under chapters 28B.10, 39.04, 39.29, 43.19, and 47.28 RCW. Each state  
7 agency shall adopt a plan, developed in consultation with the director  
8 and the advisory committee, to insure that minority and women-owned  
9 businesses are afforded the maximum practicable opportunity to directly  
10 and meaningfully participate in the execution of public contracts for  
11 public works and goods and services. The plan shall include specific  
12 measures the agency will undertake to increase the participation of  
13 certified minority and women-owned businesses. The office shall  
14 annually notify the governor, the state auditor, and the joint  
15 legislative ((~~budget~~)) audit and review committee of all agencies and  
16 educational institutions not in compliance with this chapter.

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

19 Emergency contracts shall be filed with the office of financial  
20 management and the joint legislative ((~~budget~~)) audit and review  
21 committee and made available for public inspection within three working  
22 days following the commencement of work or execution of the contract,  
23 whichever occurs first. Documented justification for emergency  
24 contracts shall be provided to the office of financial management and  
25 the joint legislative ((~~budget~~)) audit and review committee when the  
26 contract is filed.

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

29 (1) Sole source contracts shall be filed with the office of  
30 financial management and the joint legislative ((~~budget~~)) audit and  
31 review committee and made available for public inspection at least ten  
32 working days prior to the proposed starting date of the contract.  
33 Documented justification for sole source contracts shall be provided to  
34 the office of financial management and the joint legislative ((~~budget~~))  
35 audit and review committee when the contract is filed. For sole source  
36 contracts of ten thousand dollars or more that are state funded,  
37 documented justification shall include evidence that the agency

1 attempted to identify potential consultants by advertising through  
2 state-wide or regional newspapers.

3 (2) The office of financial management shall approve sole source  
4 contracts of ten thousand dollars or more that are state funded, before  
5 any such contract becomes binding and before any services may be  
6 performed under the contract. These requirements shall also apply to  
7 sole source contracts of less than ten thousand dollars if the total  
8 amount of such contracts between an agency and the same consultant is  
9 ten thousand dollars or more within a fiscal year. Agencies shall  
10 ensure that the costs, fees, or rates negotiated in filed sole source  
11 contracts of ten thousand dollars or more are reasonable.

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

14 (1) Substantial changes in either the scope of work specified in  
15 the contract or in the scope of work specified in the formal  
16 solicitation document must generally be awarded as new contracts.  
17 Substantial changes executed by contract amendments must be submitted  
18 to the office of financial management and the joint legislative  
19 (~~budget~~) audit and review committee, and are subject to approval by  
20 the office of financial management.

21 (2) An amendment or amendments to personal service contracts, if  
22 the value of the amendment or amendments, whether singly or  
23 cumulatively, exceeds fifty percent of the value of the original  
24 contract must be provided to the office of financial management and the  
25 joint legislative (~~budget~~) audit and review committee.

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

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

33 (5) The office of financial management shall approve amendments  
34 provided to it under this section only if they meet the criteria for  
35 approval of the amendments established by the director of the office of  
36 financial management.

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

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

8       (2) The office of financial management shall review and approve  
9 state-funded personal service contracts subject to competitive  
10 solicitation that provide services relating to management consulting,  
11 organizational development, marketing, communications, employee  
12 training, or employee recruiting.

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

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

16       (a) The members of the legislature or to any employee of, or  
17 position in, the legislative branch of the state government including  
18 members, officers, and employees of the legislative council, joint  
19 legislative ((budget)) audit and review committee, statute law  
20 committee, and any interim committee of the legislature;

21       (b) The justices of the supreme court, judges of the court of  
22 appeals, judges of the superior courts or of the inferior courts, or to  
23 any employee of, or position in the judicial branch of state  
24 government;

25       (c) Officers, academic personnel, and employees of technical  
26 colleges;

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

28       (e) Elective officers of the state;

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

30       (g) In the departments of employment security and social and health  
31 services, the director and the director's confidential secretary; in  
32 all other departments, the executive head of which is an individual  
33 appointed by the governor, the director, his or her confidential  
34 secretary, and his or her statutory assistant directors;

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

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

1 (ii) If the members of the board, commission, or committee serve on  
2 a part-time basis and there is a statutory executive officer: The  
3 secretary of the board, commission, or committee; the chief executive  
4 officer of the board, commission, or committee; and the confidential  
5 secretary of the chief executive officer of the board, commission, or  
6 committee;

7 (iii) If the members of the board, commission, or committee serve  
8 on a full-time basis: The chief executive officer or administrative  
9 officer as designated by the board, commission, or committee; and a  
10 confidential secretary to the chair of the board, commission, or  
11 committee;

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

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

17 (j) Assistant attorneys general;

18 (k) Commissioned and enlisted personnel in the military service of  
19 the state;

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

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

25 (n) Officers and employees of the Washington state fruit  
26 commission;

27 (o) Officers and employees of the Washington state apple  
28 advertising commission;

29 (p) Officers and employees of the Washington state dairy products  
30 commission;

31 (q) Officers and employees of the Washington tree fruit research  
32 commission;

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

34 (s) Officers and employees of any commission formed under chapter  
35 15.66 RCW;

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

38 (u) Officers and employees of agricultural commissions formed under  
39 chapter 15.65 RCW;

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

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

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

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

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

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

21 (a) Members of the governing board of each institution of higher  
22 education and related boards, all presidents, vice-presidents, and  
23 their confidential secretaries, administrative, and personal  
24 assistants; deans, directors, and chairs; academic personnel; and  
25 executive heads of major administrative or academic divisions employed  
26 by institutions of higher education; principal assistants to executive  
27 heads of major administrative or academic divisions; other managerial  
28 or professional employees in an institution or related board having  
29 substantial responsibility for directing or controlling program  
30 operations and accountable for allocation of resources and program  
31 results, or for the formulation of institutional policy, or for  
32 carrying out personnel administration or labor relations functions,  
33 legislative relations, public information, development, senior computer  
34 systems and network programming, or internal audits and investigations;  
35 and any employee of a community college district whose place of work is  
36 one which is physically located outside the state of Washington and who  
37 is employed pursuant to RCW 28B.50.092 and assigned to an educational  
38 program operating outside of the state of Washington;

1 (b) Student, part-time, or temporary employees, and part-time  
2 professional consultants, as defined by the Washington personnel  
3 resources board, employed by institutions of higher education and  
4 related boards;

5 (c) The governing board of each institution, and related boards,  
6 may also exempt from this chapter classifications involving research  
7 activities, counseling of students, extension or continuing education  
8 activities, graphic arts or publications activities requiring  
9 prescribed academic preparation or special training as determined by  
10 the board: PROVIDED, That no nonacademic employee engaged in office,  
11 clerical, maintenance, or food and trade services may be exempted by  
12 the board under this provision;

13 (d) Printing craft employees in the department of printing at the  
14 University of Washington.

15 (3) In addition to the exemptions specifically provided by this  
16 chapter, the Washington personnel resources board may provide for  
17 further exemptions pursuant to the following procedures. The governor  
18 or other appropriate elected official may submit requests for exemption  
19 to the Washington personnel resources board stating the reasons for  
20 requesting such exemptions. The Washington personnel resources board  
21 shall hold a public hearing, after proper notice, on requests submitted  
22 pursuant to this subsection. If the board determines that the position  
23 for which exemption is requested is one involving substantial  
24 responsibility for the formulation of basic agency or executive policy  
25 or one involving directing and controlling program operations of an  
26 agency or a major administrative division thereof, the Washington  
27 personnel resources board shall grant the request and such  
28 determination shall be final as to any decision made before July 1,  
29 1993. The total number of additional exemptions permitted under this  
30 subsection shall not exceed one percent of the number of employees in  
31 the classified service not including employees of institutions of  
32 higher education and related boards for those agencies not directly  
33 under the authority of any elected public official other than the  
34 governor, and shall not exceed a total of twenty-five for all agencies  
35 under the authority of elected public officials other than the  
36 governor. The Washington personnel resources board shall report to  
37 each regular session of the legislature during an odd-numbered year all  
38 exemptions granted under subsections (1)(w) and (x) and (2) of this  
39 section, together with the reasons for such exemptions.



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

8 Any person holding a classified position subject to the provisions  
9 of this chapter shall, when and if such position is subsequently  
10 exempted from the application of this chapter, be afforded the  
11 following rights: If such person previously held permanent status in  
12 another classified position, such person shall have a right of  
13 reversion to the highest class of position previously held, or to a  
14 position of similar nature and salary.

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

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

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

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

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

29 The state auditor shall annually audit the state-wide combined  
30 financial statements prepared by the office of financial management and  
31 make post-audits of state agencies. Post-audits of state agencies  
32 shall be made at such periodic intervals as is determined by the state  
33 auditor. Audits of combined financial statements shall include  
34 determinations as to the validity and accuracy of accounting methods,  
35 procedures and standards utilized in their preparation, as well as the  
36 accuracy of the financial statements themselves. A report shall be  
37 made of each such audit and post-audit upon completion thereof, and one

1 copy shall be transmitted to the governor, one to the director of  
2 financial management, one to the state agency audited, one to the joint  
3 legislative (~~(budget)~~) audit and review committee, one each to the  
4 standing committees on ways and means of the house and senate, one to  
5 the chief clerk of the house, one to the secretary of the senate, and  
6 at least one shall be kept on file in the office of the state auditor.  
7 A copy of any report containing findings of noncompliance with state  
8 law shall be transmitted to the attorney general.

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

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

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

17       Whenever any money, from the federal government, or from other  
18 sources, which was not anticipated in the budget approved by the  
19 legislature has actually been received and is designated to be spent  
20 for a specific purpose, the head of any department, agency, board, or  
21 commission through which such expenditure shall be made is to submit to  
22 the governor a statement which may be in the form of a request for an  
23 allotment amendment setting forth the facts constituting the need for  
24 such expenditure and the estimated amount to be expended: PROVIDED,  
25 That no expenditure shall be made in excess of the actual amount  
26 received, and no money shall be expended for any purpose except the  
27 specific purpose for which it was received. A copy of any proposal  
28 submitted to the governor to expend money from an appropriated fund or  
29 account in excess of appropriations provided by law which is based on  
30 the receipt of unanticipated revenues shall be submitted to the joint  
31 legislative (~~(budget)~~) audit and review committee and also to the  
32 standing committees on ways and means of the house and senate if the  
33 legislature is in session at the same time as it is transmitted to the  
34 governor.

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

1 If the governor approves such estimate in whole or part, he shall  
2 endorse on each copy of the statement his approval, together with a  
3 statement of the amount approved in the form of an allotment amendment,  
4 and transmit one copy to the head of the department, agency, board, or  
5 commission authorizing the expenditure. An identical copy of the  
6 governor's statement of approval and a statement of the amount approved  
7 for expenditure shall be transmitted simultaneously to the joint  
8 legislative (~~(budget)~~) audit and review committee and also to the  
9 standing committee on ways and means of the house and senate of all  
10 executive approvals of proposals to expend money in excess of  
11 appropriations provided by law.

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

14 (1) Whenever an agency makes application, enters into a contract or  
15 agreement, or submits state plans for participation in, and for grants  
16 of federal funds under any federal law, the agency making such  
17 application shall at the time of such action, give notice in such form  
18 and manner as the director of financial management may prescribe, or  
19 the (~~(chairman)~~) chair of the joint legislative (~~(budget)~~) audit and  
20 review committee, standing committees on ways and means of the house  
21 and senate, the chief clerk of the house, or the secretary of the  
22 senate may request.

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

27 (3) Such agency shall promptly furnish such progress reports in  
28 relation to each such application, contract, agreement, or state plan  
29 as may be requested following the date of the filing of the  
30 application, contract, agreement, or state plan; and shall also file  
31 with each such officer a final report as to the final disposition of  
32 each such application, contract, agreement, or state plan if such is  
33 requested.

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

36 For the purposes of this chapter, the statute law committee, the  
37 joint legislative (~~(budget)~~) audit and review committee, the

1 legislative transportation committee, the legislative evaluation and  
2 accountability program committee, the office of state actuary, and all  
3 legislative standing committees of both houses shall be deemed a part  
4 of the legislative branch of state government.

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

7 (1) The (~~legislative auditor~~) director of the office of the joint  
8 legislative audit and review committee, with the concurrence of the  
9 joint legislative (~~budget~~) audit and review committee, may file with  
10 the attorney general any audit exceptions or other findings of any  
11 performance audit, management study, or special report prepared for the  
12 joint legislative (~~budget~~) audit and review committee, any standing  
13 or special committees of the house or senate, or the entire legislature  
14 which indicate a violation of RCW 43.88.290, or any other act of  
15 malfeasance, misfeasance, or nonfeasance on the part of any state  
16 officer or employee.

17 (2) The attorney general shall promptly review each filing received  
18 from the (~~legislative auditor~~) director and may act thereon as  
19 provided in RCW 43.88.300, or any other applicable statute authorizing  
20 enforcement proceedings by the attorney general. The attorney general  
21 shall advise the joint legislative (~~budget~~) audit and review  
22 committee of the status of exceptions or findings referred under this  
23 section.

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

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

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

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

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

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

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

6 The joint legislative ((budget)) audit and review committee shall  
7 cause to be conducted a program and fiscal review of any state agency  
8 or program scheduled for termination by the processes provided in this  
9 chapter. Such program and fiscal review shall be completed and a  
10 preliminary report prepared on or before June 30th of the year prior to  
11 the date established for termination. Upon completion of its  
12 preliminary report, the joint legislative ((budget)) audit and review  
13 committee shall transmit copies of the report to the office of  
14 financial management. The office of financial management may then  
15 conduct its own program and fiscal review of the agency scheduled for  
16 termination and shall prepare a report on or before September 30th of  
17 the year prior to the date established for termination. Upon  
18 completion of its report the office of financial management shall  
19 transmit copies of its report to the joint legislative ((budget)) audit  
20 and review committee. The joint legislative ((budget)) audit and  
21 review committee shall prepare a final report that includes the reports  
22 of both the office of financial management and the joint legislative  
23 ((budget)) audit and review committee. The joint legislative  
24 ((budget)) audit and review committee and the office of financial  
25 management shall, upon request, make available to each other all  
26 working papers, studies, and other documents which relate to reports  
27 required under this section. The joint legislative ((budget)) audit  
28 and review committee shall transmit the final report to the  
29 legislature, to the state agency concerned, to the governor, and to the  
30 state library.

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

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

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

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

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

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

7 (5) The extent to which the regulatory entity duplicates the  
8 activities of other regulatory entities or of the private sector, where  
9 appropriate; and

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

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

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

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

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

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

26 (4) The extent to which the state agency duplicates the activities  
27 of other state agencies or of the private sector, where appropriate;  
28 and

29 (5) The extent to which the termination or modification of the  
30 state agency would adversely affect the public health, safety, or  
31 welfare.

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

34 (1) Following receipt of the final report from the joint  
35 legislative ((~~budget~~)) audit and review committee, the appropriate  
36 committees of reference in the senate and the house of representatives  
37 shall each hold a public hearing, unless a joint hearing is held, to

1 consider the final report and any related data. The committees shall  
2 also receive testimony from representatives of the state agency or  
3 agencies involved, which shall have the burden of demonstrating a  
4 public need for its continued existence; and from the governor or the  
5 governor's designee, and other interested parties, including the  
6 general public.

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

16 (3) The presiding members of the senate committee on ways and means  
17 and the house committee on appropriations may designate one or more  
18 liaison members to each committee of reference in their respective  
19 chambers for purposes of participating in any hearing and in subsequent  
20 committee of reference discussions and to seek a coordinated approach  
21 between the committee of reference and the committee they represent in  
22 a liaison capacity.

23 (4) Following any hearing under subsection (1) of this section by  
24 the committees of reference, such committees may hold additional  
25 meetings or hearings to come to a final determination as to whether a  
26 state agency has demonstrated a public need for its continued existence  
27 or whether modifications in existing procedures are needed. In the  
28 event that a committee of reference concludes that a state agency shall  
29 be reestablished or modified or its functions transferred elsewhere, it  
30 shall make such determination as a bill. No more than one state agency  
31 shall be reestablished or modified in any one bill.

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

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

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

3       At the end of each fiscal year, the state treasurer shall submit to  
4 the governor, the state auditor, and the joint legislative (~~(budget)~~)  
5 audit and review committee a summary of the activity of the investment  
6 pool. The summary shall indicate the quantity of funds deposited; the  
7 earnings of the pool; the investments purchased, sold, or exchanged;  
8 the administrative expenses of the investment pool; and such other  
9 information as the state treasurer deems relevant.

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

12       In addition to the powers and duties authorized in RCW 44.40.020,  
13 the committee and the standing committees on transportation of the  
14 house and senate shall, in coordination with the joint legislative  
15 (~~(budget)~~) audit and review committee, the legislative evaluation and  
16 accountability program committee, and the ways and means committees of  
17 the senate and house of representatives, ascertain, study, and/or  
18 analyze all available facts and matters relating or pertaining to  
19 sources of revenue, appropriations, expenditures, and financial  
20 condition of the motor vehicle fund and accounts thereof, the highway  
21 safety fund, and all other funds or accounts related to transportation  
22 programs of the state.

23       The joint legislative (~~(budget)~~) audit and review committee, the  
24 legislative evaluation and accountability program committee, and the  
25 ways and means committees of the senate and house of representatives  
26 shall coordinate their activities with the legislative transportation  
27 committee in carrying out the committees' powers and duties under  
28 chapter 43.88 RCW in matters relating to the transportation programs of  
29 the state.

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

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

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



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

4 (3) The manner and type of lottery being conducted, and the  
5 expenses incidental thereto, are the most efficient and cost-effective;  
6 and

7 (4) The commission is not unnecessarily incurring operating and  
8 administrative costs.

9 In conducting a management review, the director of financial  
10 management may inspect the books, documents, and records of the  
11 commission. Upon completion of a management review, all irregularities  
12 shall be reported to the attorney general, the joint legislative  
13 (~~budget~~) audit and review committee, and the state auditor. The  
14 director of financial management shall make such recommendations as may  
15 be necessary for the most efficient and cost-effective operation of the  
16 lottery.

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

19 (1) Every five years the department of social and health services  
20 and other state agencies that operate institutions shall conduct an  
21 inventory of all real property subject to the charitable, educational,  
22 penal, and reformatory institution account and other real property  
23 acquired for institutional purposes or for the benefit of the blind,  
24 deaf, mentally ill, developmentally disabled, or otherwise disabled.  
25 The inventory shall identify which of those real properties are not  
26 needed for state-provided residential care, custody, or treatment. By  
27 December 1, 1992, and every five years thereafter the department shall  
28 report the results of the inventory to the house of representatives  
29 committee on capital facilities and financing, the senate committee on  
30 ways and means, and the joint legislative (~~budget~~) audit and review  
31 committee.

32 (2) Real property identified as not needed for state-provided  
33 residential care, custody, or treatment shall be transferred to the  
34 corpus of the charitable, educational, penal, and reformatory  
35 institution account. This subsection shall not apply to real property  
36 subject to binding conditions that conflict with the other provisions  
37 of this subsection.

1 (3) The department of natural resources shall manage all property  
2 subject to the charitable, educational, penal, and reformatory  
3 institution account and, in consultation with the department of social  
4 and health services and other affected agencies, shall adopt a plan for  
5 the management of real property subject to the account and other real  
6 property acquired for institutional purposes or for the benefit of the  
7 blind, deaf, mentally ill, developmentally disabled, or otherwise  
8 disabled.

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

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

15 NEW SECTION. **Sec. 52.** Sections 2, 9, 10, and 13 through 17 of  
16 this act are each added to chapter 44.28 RCW.

17 NEW SECTION. **Sec. 53.** RCW 44.28.140, 44.28.180, and 44.28.087, as  
18 amended by this act, are each recodified within chapter 44.28 RCW in  
19 the order in which they appear in this act.

20 NEW SECTION. **Sec. 54.** The following acts or parts of acts are  
21 each repealed:

22 (1) RCW 44.28.050 and 1989 c 137 s 1, 1955 c 206 s 7, & 1951 c 43  
23 s 15;

24 (2) RCW 44.28.085 and 1993 c 406 s 6, 1975 1st ex.s. c 293 s 15, &  
25 1971 ex.s. c 170 s 3; and

26 (3) RCW 44.28.086 and 1973 1st ex.s. c 197 s 1.

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