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HOUSE BILL 2222

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State of Washington

54th Legislature

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By Representatives Backlund, Huff, Foreman, B. Thomas, Smith, Horn, Hymes, Honeyford, Fuhrman, Lambert, Thompson and McMahan

Read first time 01/08/96. Referred to Committee on Government Operations.

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. It is essential that the  
17 legislature, public officials, state employees, and citizens share a  
18 common understanding of the role of state government. The performance  
19 and relative priority of state agency programs and activities must be  
20 the basis for managing and allocating resources within Washington state  
21 government.

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

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

32 (1) "Director" means the director of the office of the joint  
33 legislative audit and review committee.

34 (2) "Economy and efficiency audits" means performance audits that  
35 establish: (a) Whether the state is acquiring, protecting, and using  
36 its resources such as personnel, property, and space economically and  
37 efficiently; (b) the causes of inefficiencies or uneconomical

1 practices; and (c) whether the state has complied with significant laws  
2 and rules in acquiring, protecting, and using its resources.

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

10 (4) "Joint committee" means the joint legislative audit and review  
11 committee.

12 (5) "Performance audit" means an objective and systematic  
13 assessment of state government or any of its agencies, programs,  
14 functions, or activities, or a unit of local government receiving state  
15 funds, by an independent evaluator in order to help public officials  
16 improve efficiency, effectiveness, and accountability. Performance  
17 audits include economy and efficiency audits, program audits, and  
18 performance verifications.

19 (6) "Performance measures" means realistic estimates, generally in  
20 quantifiable terms, of what the state or any of its agencies or  
21 programs is expected to achieve.

22 (7) "Performance verification" means an analysis that verifies: (a)  
23 The accuracy of data used by a state agency in quantifying intended  
24 results and measuring performance toward those results; and (b) whether  
25 the reported results were achieved.

26 (8) "Preliminary compliance report" means a written document that  
27 states the specific actions an agency has taken to implement any  
28 recommendations contained in the final performance audit report.

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

33 (10) "State agency" means a state agency, department, office,  
34 officer, board, commission, bureau, division, institution, or  
35 institution of higher education financed in whole or in part from funds  
36 appropriated by the legislature. "State agency" includes all elective  
37 offices in the executive branch of state government.

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

3       (~~There is hereby created a~~) (1) The joint legislative ((budget))  
4 audit and review committee is created, which shall consist of eight  
5 senators and eight representatives from the legislature, and two  
6 nonvoting members of the general public appointed under subsection (2)  
7 of this section. The senate members of the committee shall be  
8 appointed by the president of the senate, and the house members of the  
9 committee shall be appointed by the speaker of the house. Not more  
10 than four members from each house shall be from the same political  
11 party. Members shall be appointed before the close of each regular  
12 session of the legislature during an odd-numbered year(~~(:—PROVIDED,~~  
13 ~~That if prior to))~~). If before the close of a regular session during an  
14 odd-numbered year, the governor issues a proclamation convening the  
15 legislature into special session, or the legislature by resolution  
16 convenes the legislature into special session, following such regular  
17 session, then such appointments shall be made as a matter of closing  
18 business of such special session. Members shall be subject to  
19 confirmation, as to the senate members by the senate, and as to the  
20 house members by the house. In the event of a failure to appoint or  
21 confirm joint committee members, ((either on the part of the president  
22 of the senate or on the part of the speaker of the house, or in the  
23 event of a refusal by either the senate or the house to confirm  
24 appointments on the committee, then)) the members of the joint  
25 committee from either house in which there is a failure to appoint or  
26 confirm shall be elected ((forthwith)) by the members of such house.

27       (2) The speaker of the house shall appoint one of the members  
28 representing the general public, and the president of the senate shall  
29 appoint the other member representing the general public. The general  
30 public members must be appointed before the close of each regular  
31 session of the legislature during an odd-numbered year. The term for  
32 the general public members commences upon appointment and expires at  
33 the close of session in the next odd-numbered year and continues until  
34 a successor is appointed. The speaker of the house or the president of  
35 the senate, as appropriate, shall make an appointment to fill a vacancy  
36 in the general public member positions for the unexpired term.

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

1       The term of office of the members of the joint committee who  
2 continue to be members of the senate and house shall be from the close  
3 of the session in which they were appointed or elected as provided in  
4 RCW 44.28.010 until the close of the next regular session during an  
5 odd-numbered year or special session following such regular session,  
6 or, in the event that such appointments or elections are not made,  
7 until the close of the next regular session during an odd-numbered year  
8 during which successors are appointed or elected. The term of office  
9 of ~~((such))~~ joint committee members ~~((as shall))~~ who do not continue to  
10 be members of the senate and house ~~((shall))~~ ceases upon the convening  
11 of the next regular session of the legislature during an odd-numbered  
12 year after their confirmation, election or appointment. Vacancies on  
13 the joint committee, except for vacancies in the positions designated  
14 for members of the general public, shall be filled by appointment by  
15 the remaining members. All such vacancies shall be filled from the  
16 same political party and from the same house as the member whose seat  
17 was vacated.

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

20       On and after the commencement of a succeeding general session of  
21 the legislature, those members of the joint committee who continue to  
22 be members of the senate and house, respectively, shall continue as  
23 members of the joint committee as indicated in RCW 44.28.020 and the  
24 joint committee shall continue with all its powers, duties,  
25 authorities, records, papers, personnel and staff, and all funds made  
26 available for its use.

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

29       The legislative members of the joint committee shall serve without  
30 additional compensation, but shall be reimbursed for their travel  
31 expenses~~((,))~~ in accordance with RCW 44.04.120 ~~((as now existing or~~  
32 ~~hereafter amended, incurred while))~~ for attending ~~((sessions))~~ meetings  
33 of the joint committee or ~~((meetings of any))~~ a subcommittee of the  
34 joint committee, or while engaged on other ~~((committee))~~ business  
35 authorized by the joint committee~~((, and while going to and coming from~~  
36 ~~committee sessions or committee meetings))~~. The general public members  
37 of the joint committee shall serve without compensation but shall be

1 reimbursed for their travel expenses in accordance with RCW 43.03.050  
2 and 43.03.060.

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

5 The members of the joint committee shall ((have the power and duty  
6 to appoint its own chairman, vice chairman, and other officers; to make  
7 rules and regulations for orderly procedure; to perform, either through  
8 the legislative budget committee or through subcommittees of the  
9 legislative budget committee, all duties and functions relating to  
10 improving the economy, efficiency, and effectiveness of state agency  
11 management by performance audits and other staff studies of state  
12 government, its officers, boards, committees, commissions,  
13 institutions, and other state agencies)) select a chair and a  
14 vice-chair, to serve for a period not to exceed one year. The chair  
15 shall alternate between the members of the senate and the house of  
16 representatives, and between each political party. The general public  
17 members of the joint committee may not serve as chair or vice-chair.

18 The chair shall appoint an executive committee consisting of two  
19 senators and two representatives from the members of the joint  
20 committee. The function of the executive committee is to appoint the  
21 director. Approval by an affirmative vote of at least three members of  
22 the executive committee is required for a decision regarding employment  
23 of the director. The executive committee shall set the salary of the  
24 director.

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

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

36 The ((duties of the legislative auditor)) director shall ((be as  
37 follows))):

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

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

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

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

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

13       (3) 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       (4) 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))~~ (5) Provide the legislature with information obtained  
25 under the direction of the joint legislative ((budget)) audit and  
26 review committee((-));

27       ~~((4) To))~~ (6) 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;

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

26 (2) As part of a performance audit, the director may review the  
27 costs of programs recently implemented by the legislature to compare  
28 actual agency costs with the appropriations provided and the cost  
29 estimates that were included in the fiscal note for the program at the  
30 time the program was enacted.

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

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

34 (1) To make examinations and reports concerning whether or not  
35 appropriations are being expended for the purposes and within the  
36 statutory restrictions provided by the legislature; (~~(concerning the~~  
37 ~~economic outlook and estimates of revenue to meet expenditures;)) and~~

1 concerning the organization and operation of procedures necessary or  
2 desirable to promote economy, efficiency, and effectiveness in state  
3 government, its officers, boards, committees, commissions,  
4 institutions, and other state agencies, and to make recommendations and  
5 reports to the legislature.

6 (2) To make such other studies and examinations of economy,  
7 efficiency, and effectiveness of state government and its state  
8 agencies as it may find advisable, and to hear complaints, hold  
9 hearings, gather information, and make findings of fact with respect  
10 thereto.

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

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

19 (5) To develop internal tracking procedures that will allow the  
20 legislature to measure the effectiveness of performance audits  
21 conducted by the joint committee. At a minimum, the procedures must  
22 measure cost-savings and increases in efficiency and effectiveness in  
23 how state agencies deliver their services. The internal tracking  
24 procedures must be consistent with the "Government Auditing Standards"  
25 published by the comptroller general of the United States.

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

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

32 (1) ~~((In conducting program evaluations as defined in RCW~~  
33 ~~43.88.020, the legislative budget committee may establish a biennial~~  
34 ~~work plan)) Before the completion of each legislative session, the~~  
35 ~~joint legislative audit and review committee shall develop and approve~~  
36 ~~a performance audit work plan for the subsequent twelve to fifteen-~~  
37 ~~month period that identifies state agency programs for which formal~~

1 evaluation appears necessary. Among the factors to be considered in  
2 preparing the work plan are:

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

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

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

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

15 (3) The director shall consult with the state auditor, the director  
16 of financial management, and the chairs and staff of appropriate  
17 legislative committees in developing the work plan. The work plan must  
18 identify the role of the joint committee, the state auditor, and public  
19 and private sector experts necessary to complete each performance  
20 audit.

21 (4) The overall work plan may include proposals to employ contract  
22 evaluators. As conditions warrant, the (~~(program evaluation)~~)  
23 performance audit work plan may be amended from time to time. All  
24 (~~(biennial)~~) performance audit work plans shall be transmitted to the  
25 appropriate fiscal and policy committees of the senate and the house of  
26 representatives.

27 NEW SECTION. Sec. 13. (1) When the director has completed a  
28 performance audit authorized in the annual performance audit work plan,  
29 the director shall transmit the audit to the affected state agency or  
30 local government for its comments. The agency or local government  
31 shall provide any response to the director within thirty days after  
32 receipt of the performance audit. The director shall incorporate the  
33 response of the agency or local government into the final performance  
34 audit report.

35 (2) Before releasing the results of a performance audit to the  
36 legislature or the public, the director shall submit the performance  
37 audit to the joint committee for its review and comment. Any comments  
38 by the joint committee must be included as a separate addendum to the

1 performance audit. Upon consideration and incorporation of the review  
2 and comments of the joint committee, the director shall transmit the  
3 final performance audit report to the affected agency or local  
4 government, the director of financial management, the leadership of the  
5 senate and the house of representatives, and the appropriate standing  
6 committees of the house of representatives and the senate and shall  
7 make the report available for public review. For purposes of this  
8 section, "leadership of the senate and the house of representatives"  
9 means the speaker of the house, the majority leaders of the senate and  
10 the house of representatives, the minority leaders of the senate and  
11 the house of representatives, the caucus chairs of both major political  
12 parties of the senate and the house of representatives, and the floor  
13 leaders of both major political parties of the senate and the house of  
14 representatives.

15 NEW SECTION. **Sec. 14.** (1) No later than nine months after the  
16 final performance audit has been transmitted by the joint committee to  
17 the appropriate standing committees of the house of representatives and  
18 the senate, the joint committee in consultation with the standing  
19 committees shall produce a preliminary compliance report on the  
20 agency's or local government's compliance with the final performance  
21 audit recommendations. The agency or local government may attach its  
22 comments to the joint committee's preliminary compliance report as a  
23 separate addendum.

24 (2) Within three months after the issuance of the preliminary  
25 compliance report, the joint committee must hold at least one public  
26 hearing and receive public testimony regarding the findings and  
27 recommendations contained in the preliminary compliance report. The  
28 joint committee may waive the public hearing requirement if the  
29 preliminary compliance report demonstrates that the agency or local  
30 government is in compliance with the audit recommendations. The joint  
31 committee shall issue a final compliance report within four weeks after  
32 the public hearing or hearings. The director shall transmit the final  
33 compliance report in the same manner as a final performance audit is  
34 transmitted under section 13 of this act.

35 NEW SECTION. **Sec. 15.** The joint committee shall undergo a quality  
36 control review every three years. The review must be conducted by an  
37 organization that has experience in conducting performance audits but

1 that is not affiliated with state government. The quality control  
2 review must include, at a minimum, an evaluation of the quality of the  
3 audits conducted by the joint committee, an assessment of the audit  
4 procedures used by the joint committee, and an assessment of the  
5 qualifications of the joint committee staff to conduct performance  
6 audits.

7 NEW SECTION. **Sec. 16.** The performance audit revolving fund is  
8 established in the state treasury. Expenditures from the fund may be  
9 made recovering the costs of performance audits from the audited agency  
10 or program. Subject to appropriation, the director shall assess  
11 agencies all or a portion of the cost of performance audits.

12 The cost of performance audits must include all direct and indirect  
13 costs and any other expenses incurred by the director in fulfilling his  
14 or her statutory responsibilities. The costs of audits may also be  
15 paid from other funds appropriated to the office of the joint  
16 legislative audit and review committee.

17 NEW SECTION. **Sec. 17.** To ensure the accuracy and timeliness of  
18 information used as the basis for performance audits and other  
19 responsibilities of the legislature, the director or the director's  
20 staff must be provided direct access to information held by any state  
21 agency. Agencies shall submit directly to the legislature, on a  
22 confidential basis, all data and other information requested, including  
23 tax records and client data.

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

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

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

33 The joint committee (~~shall have the power to~~) may make reports  
34 from time to time to the members of the legislature and to the public

1 with respect to any of its findings or recommendations. The joint  
2 committee shall keep complete minutes of its meetings.

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

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

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

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

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

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

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

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

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

1 (3) "Director of financial management" means the official appointed  
2 by the governor to serve at the governor's pleasure and to whom the  
3 governor may delegate necessary authority to carry out the governor's  
4 duties as provided in this chapter. The director of financial  
5 management shall be head of the office of financial management which  
6 shall be in the office of the governor.

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

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

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

21 (7) "Ensuing biennium" means the fiscal biennium beginning on July  
22 1st of the same year in which a regular session of the legislature is  
23 held during an odd-numbered year pursuant to Article II, section 12 of  
24 the Constitution and which biennium next succeeds the current biennium.

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

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

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

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

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

7 (13) "Lapse" means the termination of authority to expend an  
8 appropriation.

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

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

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

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

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

26 ~~((19))~~ (18) "General state revenues" means the revenues defined  
27 by Article VIII, section 1(c) of the state Constitution.

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

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

1 44.40.070, that are prepared by the office of financial management in  
2 consultation with the interagency task force.

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

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

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

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

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

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

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

1       ~~(29) "Program evaluation" means the use of a variety of policy and~~  
2 ~~fiscal research methods to (a) determine the extent to which a program~~  
3 ~~is achieving its legislative intent in terms of producing the effects~~  
4 ~~expected, and (b) make an objective judgment of the implementation,~~  
5 ~~outcomes, and net cost or benefit impact of programs in the context of~~  
6 ~~their goals and objectives. It includes the application of systematic~~  
7 ~~methods to measure the results, intended or unintended, of program~~  
8 ~~activities.)~~)

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

11       (28) "Performance verification" has the same meaning as it is  
12 defined in section 2 of this act.

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

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

26       The estimates shall include statements or tables which indicate, by  
27 agency, the state funds which are required for the receipt of federal  
28 matching revenues. The estimates shall be revised as necessary to  
29 reflect legislative enactments and adopted appropriations and shall be  
30 included with the initial biennial allotment submitted under RCW  
31 43.88.110. The estimates must include consideration of findings made  
32 by the director of the office of the joint legislative audit and review  
33 committee under a performance audit of the agency.

34       (2) In the year of the gubernatorial election, the governor shall  
35 invite the governor-elect or the governor-elect's designee to attend  
36 all hearings provided in RCW 43.88.100; and the governor shall furnish  
37 the governor-elect or the governor-elect's designee with such  
38 information as will enable the governor-elect or the governor-elect's

1 designee to gain an understanding of the state's budget requirements.  
2 The governor-elect or the governor-elect's designee may ask such  
3 questions during the hearings and require such information as the  
4 governor-elect or the governor-elect's designee deems necessary and may  
5 make recommendations in connection with any item of the budget which,  
6 with the governor-elect's reasons therefor, shall be presented to the  
7 legislature in writing with the budget document. Copies of all such  
8 estimates and other required information shall also be submitted to the  
9 standing committees on ways and means of the house and senate.

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

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

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

1 financial management may require such financial, statistical, and other  
2 reports as the director deems necessary from all agencies covering any  
3 period.

4 (2) The director of financial management is responsible for  
5 quarterly reporting of primary operating budget drivers such as  
6 applicable workloads, caseload estimates, and appropriate unit cost  
7 data. These reports shall be transmitted to the legislative fiscal  
8 committees or by electronic means to the legislative evaluation and  
9 accountability program committee. Quarterly reports shall include  
10 actual monthly data and the variance between actual and estimated data  
11 to date. The reports shall also include estimates of these items for  
12 the remainder of the budget period.

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

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

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

35 Each agency head or authorized designee shall be assigned the  
36 responsibility and authority for establishing and maintaining internal  
37 audits following the standards of internal auditing of the institute of  
38 internal auditors;

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

6 (c) Establish policies for allowing the contracting of child care  
7 services;

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

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

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

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

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

33 (5) The treasurer shall:

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

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

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

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

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

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

1 shall be construed to permit a public body to advance funds to a  
2 private service provider pursuant to a grant or loan before services  
3 have been rendered or material furnished.

4 (6) The state auditor shall:

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

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

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

1 ~~allocate other than de minimis resources to performance audits except~~  
2 ~~as expressly authorized in the appropriations acts.))~~ The results of  
3 a performance audit or performance verification conducted by the state  
4 auditor must be transmitted to the joint legislative audit and review  
5 committee and the affected state agency for review and comment in the  
6 same manner as a performance audit conducted under section 13 of this  
7 act. The auditor may then publish the results of the audit or  
8 verification.

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

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

19 (f) Investigate improper governmental activity under chapter 42.40  
20 RCW.

21 (7) The joint legislative (~~(budget)~~) audit and review committee  
22 may:

23 (a) Make post audits of the financial transactions of any agency  
24 and management surveys and program reviews as provided for in chapter  
25 44.28 RCW (~~(44.28.085)~~) as well as performance audits and program  
26 evaluations. To this end the joint committee may in its discretion  
27 examine the books, accounts, and other records of any agency, official,  
28 or employee.

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

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

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

38 (ii) Such plans as it deems expedient for the support of the  
39 state's credit, for lessening expenditures, for promoting frugality and

1 economy in agency affairs, and generally for an improved level of  
2 fiscal management.

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

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

12 (2) The joint legislative ((budget)) audit and review committee and  
13 the superintendent of public instruction shall provide staff for the  
14 selection advisory committee.

15 (3) The selection advisory committee shall:

16 (a) Develop appropriate criteria for selecting demonstration  
17 projects;

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

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

22 (d) Advise the superintendent of public instruction on the  
23 evaluation design.

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

26 Until authorized and empowered to do so by statute of the  
27 legislature, the board of regents of the university, with respect to  
28 that certain tract of land in the city of Seattle originally known as  
29 the "old university grounds" and more recently known as the  
30 "Metropolitan Tract" and any land contiguous thereto, shall not sell  
31 ((said)) the land or any part thereof or any improvement thereon, or  
32 lease ((said)) the land or any part thereof or any improvement thereon  
33 or renew or extend any lease thereof for a term ending more than sixty  
34 years beyond midnight, December 31, 1980. Any sale of ((said)) the  
35 land or any part thereof or any improvement thereon, or any lease or  
36 renewal or extension of any lease of ((said)) the land or any part  
37 thereof or any improvement thereon for a term ending more than sixty

1 years after midnight, December 31, 1980, made or attempted to be made  
2 by the board of regents shall be null and void unless and until the  
3 same has been approved or ratified and confirmed by legislative act.

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

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

24 Each state agency and educational institution shall comply with the  
25 annual goals established for that agency or institution under this  
26 chapter for public works and procuring goods or services. This chapter  
27 applies to all public works and procurement by state agencies and  
28 educational institutions, including all contracts and other procurement  
29 under chapters 28B.10, 39.04, 39.29, 43.19, and 47.28 RCW. Each state  
30 agency shall adopt a plan, developed in consultation with the director  
31 and the advisory committee, to insure that minority and women-owned  
32 businesses are afforded the maximum practicable opportunity to directly  
33 and meaningfully participate in the execution of public contracts for  
34 public works and goods and services. The plan shall include specific  
35 measures the agency will undertake to increase the participation of  
36 certified minority and women-owned businesses. The office shall  
37 annually notify the governor, the state auditor, and the joint

1 legislative ((~~budget~~)) audit and review committee of all agencies and  
2 educational institutions not in compliance with this chapter.

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

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

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

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

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

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

1 (1) Substantial changes in either the scope of work specified in  
2 the contract or in the scope of work specified in the formal  
3 solicitation document must generally be awarded as new contracts.  
4 Substantial changes executed by contract amendments must be submitted  
5 to the office of financial management and the joint legislative  
6 (~~budget~~) audit and review committee, and are subject to approval by  
7 the office of financial management.

8 (2) An amendment or amendments to personal service contracts, if  
9 the value of the amendment or amendments, whether singly or  
10 cumulatively, exceeds fifty percent of the value of the original  
11 contract must be provided to the office of financial management and the  
12 joint legislative (~~budget~~) audit and review committee.

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

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

20 (5) The office of financial management shall approve amendments  
21 provided to it under this section only if they meet the criteria for  
22 approval of the amendments established by the director of the office of  
23 financial management.

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

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

31 (2) The office of financial management shall review and approve  
32 state-funded personal service contracts subject to competitive  
33 solicitation that provide services relating to management consulting,  
34 organizational development, marketing, communications, employee  
35 training, or employee recruiting.

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

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

2 (a) The members of the legislature or to any employee of, or  
3 position in, the legislative branch of the state government including  
4 members, officers, and employees of the legislative council, joint  
5 legislative ((~~budget~~)) audit and review committee, statute law  
6 committee, and any interim committee of the legislature;

7 (b) The justices of the supreme court, judges of the court of  
8 appeals, judges of the superior courts or of the inferior courts, or to  
9 any employee of, or position in the judicial branch of state  
10 government;

11 (c) Officers, academic personnel, and employees of technical  
12 colleges;

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

14 (e) Elective officers of the state;

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

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

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

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

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

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

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

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

3 (j) Assistant attorneys general;

4 (k) Commissioned and enlisted personnel in the military service of  
5 the state;

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

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

11 (n) Officers and employees of the Washington state fruit  
12 commission;

13 (o) Officers and employees of the Washington state apple  
14 advertising commission;

15 (p) Officers and employees of the Washington state dairy products  
16 commission;

17 (q) Officers and employees of the Washington tree fruit research  
18 commission;

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

20 (s) Officers and employees of any commission formed under chapter  
21 15.66 RCW;

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

24 (u) Officers and employees of agricultural commissions formed under  
25 chapter 15.65 RCW;

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

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

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

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

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

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

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

26 (b) Student, part-time, or temporary employees, and part-time  
27 professional consultants, as defined by the Washington personnel  
28 resources board, employed by institutions of higher education and  
29 related boards;

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

38 (d) Printing craft employees in the department of printing at the  
39 University of Washington.

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

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

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

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

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

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

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

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

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

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

34 On or before June 30, 1998, the joint legislative (~~budget~~) audit  
35 and review committee shall prepare a report to the legislature

1 evaluating the implementation of the environmental restoration jobs act  
2 of 1993, chapter 516, Laws of 1993.

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

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

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

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

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

3       (1) Whenever an agency makes application, enters into a contract or  
4 agreement, or submits state plans for participation in, and for grants  
5 of federal funds under any federal law, the agency making such  
6 application shall at the time of such action, give notice in such form  
7 and manner as the director of financial management may prescribe, or  
8 the ~~((chairman))~~ chair of the joint legislative ~~((budget))~~ audit and  
9 review committee, standing committees on ways and means of the house  
10 and senate, the chief clerk of the house, or the secretary of the  
11 senate may request.

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

16       (3) Such agency shall promptly furnish such progress reports in  
17 relation to each such application, contract, agreement, or state plan  
18 as may be requested following the date of the filing of the  
19 application, contract, agreement, or state plan; and shall also file  
20 with each such officer a final report as to the final disposition of  
21 each such application, contract, agreement, or state plan if such is  
22 requested.

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

25       For the purposes of this chapter, the statute law committee, the  
26 joint legislative ~~((budget))~~ audit and review committee, the  
27 legislative transportation committee, the legislative evaluation and  
28 accountability program committee, the office of state actuary, and all  
29 legislative standing committees of both houses shall be deemed a part  
30 of the legislative branch of state government.

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

33       (1) The ~~((legislative auditor))~~ director of the office of the joint  
34 legislative audit and review committee, with the concurrence of the  
35 joint legislative ~~((budget))~~ audit and review committee, may file with  
36 the attorney general any audit exceptions or other findings of any  
37 performance audit, management study, or special report prepared for the

1 joint legislative (~~(budget)~~) audit and review committee, any standing  
2 or special committees of the house or senate, or the entire legislature  
3 which indicate a violation of RCW 43.88.290, or any other act of  
4 malfeasance, misfeasance, or nonfeasance on the part of any state  
5 officer or employee.

6 (2) The attorney general shall promptly review each filing received  
7 from the legislative auditor and may act thereon as provided in RCW  
8 43.88.300, or any other applicable statute authorizing enforcement  
9 proceedings by the attorney general. The attorney general shall advise  
10 the joint legislative (~~(budget)~~) audit and review committee of the  
11 status of exceptions or findings referred under this section.

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

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

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

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

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

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

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

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

1 financial management. The office of financial management may then  
2 conduct its own program and fiscal review of the agency scheduled for  
3 termination and shall prepare a report on or before September 30th of  
4 the year prior to the date established for termination. Upon  
5 completion of its report the office of financial management shall  
6 transmit copies of its report to the joint legislative ((budget)) audit  
7 and review committee. The joint legislative ((budget)) audit and  
8 review committee shall prepare a final report that includes the reports  
9 of both the office of financial management and the joint legislative  
10 ((budget)) audit and review committee. The joint legislative  
11 ((budget)) audit and review committee and the office of financial  
12 management shall, upon request, make available to each other all  
13 working papers, studies, and other documents which relate to reports  
14 required under this section. The joint legislative ((budget)) audit  
15 and review committee shall transmit the final report to the  
16 legislature, to the state agency concerned, to the governor, and to the  
17 state library.

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

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

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

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

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

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

31 (5) The extent to which the regulatory entity duplicates the  
32 activities of other regulatory entities or of the private sector, where  
33 appropriate; and

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

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

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

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

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

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

14       (4) The extent to which the state agency duplicates the activities  
15 of other state agencies or of the private sector, where appropriate;  
16 and

17       (5) The extent to which the termination or modification of the  
18 state agency would adversely affect the public health, safety, or  
19 welfare.

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

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

32       (2) When requested by either of the presiding members of the  
33 appropriate senate and house committees of reference, a regulatory  
34 entity under review shall mail an announcement of any hearing to the  
35 persons it regulates who have requested notice of agency rule-making  
36 proceedings as provided in RCW 34.05.320, or who have requested notice  
37 of hearings held pursuant to the provisions of this section. On  
38 request of either presiding member, such mailing shall include an

1 explanatory statement not exceeding one page in length prepared and  
2 supplied by the member's committee.

3 (3) The presiding members of the senate committee on ways and means  
4 and the house committee on appropriations may designate one or more  
5 liaison members to each committee of reference in their respective  
6 chambers for purposes of participating in any hearing and in subsequent  
7 committee of reference discussions and to seek a coordinated approach  
8 between the committee of reference and the committee they represent in  
9 a liaison capacity.

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

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

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

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

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

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

35 In addition to the powers and duties authorized in RCW 44.40.020,  
36 the committee and the standing committees on transportation of the

1 house and senate shall, in coordination with the joint legislative  
2 (~~budget~~) audit and review committee, the legislative evaluation and  
3 accountability program committee, and the ways and means committees of  
4 the senate and house of representatives, ascertain, study, and/or  
5 analyze all available facts and matters relating or pertaining to  
6 sources of revenue, appropriations, expenditures, and financial  
7 condition of the motor vehicle fund and accounts thereof, the highway  
8 safety fund, and all other funds or accounts related to transportation  
9 programs of the state.

10 The joint legislative (~~budget~~) audit and review committee, the  
11 legislative evaluation and accountability program committee, and the  
12 ways and means committees of the senate and house of representatives  
13 shall coordinate their activities with the legislative transportation  
14 committee in carrying out the committees' powers and duties under  
15 chapter 43.88 RCW in matters relating to the transportation programs of  
16 the state.

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

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

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

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

27 (3) The manner and type of lottery being conducted, and the  
28 expenses incidental thereto, are the most efficient and cost-effective;  
29 and

30 (4) The commission is not unnecessarily incurring operating and  
31 administrative costs.

32 In conducting a management review, the director of financial  
33 management may inspect the books, documents, and records of the  
34 commission. Upon completion of a management review, all irregularities  
35 shall be reported to the attorney general, the joint legislative  
36 (~~budget~~) audit and review committee, and the state auditor. The  
37 director of financial management shall make such recommendations as may

1 be necessary for the most efficient and cost-effective operation of the  
2 lottery.

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

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

18 (2) Real property identified as not needed for state-provided  
19 residential care, custody, or treatment shall be transferred to the  
20 corpus of the charitable, educational, penal, and reformatory  
21 institution account. This subsection shall not apply to real property  
22 subject to binding conditions that conflict with the other provisions  
23 of this subsection.

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

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

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

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

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

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

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

10           (2) RCW 44.28.085 and 1993 c 406 s 6, 1975 1st ex.s. c 293 s 15, &  
11 1971 ex.s. c 170 s 3; and

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

--- END ---