
HOUSE BILL 2127

State of Washington

52nd Legislature

1991 Regular Session

By Representative Braddock.

Read first time February 27, 1991. Referred to Committee on Financial Institutions & Insurance.

1 AN ACT Relating to the regulation of local government self-
2 insurance; amending RCW 48.62.040, 41.04.180, 41.05.021, 35.23.460,
3 35A.41.020, 36.32.400, 53.08.170, 54.04.050, 56.08.100, 57.08.100, and
4 43.09.260; adding a new chapter to Title 41 RCW; creating new sections;
5 repealing RCW 48.62.035; and providing an effective date.

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

7 NEW SECTION. **Sec. 1.** This chapter is intended to provide the
8 exclusive source of local government entity authority to individually
9 or jointly self-insure health and welfare benefits. This chapter is
10 intended to require prior approval for the establishment of every
11 individual and joint local government self-insured employee health and
12 welfare benefit program. This chapter is not intended to authorize or
13 regulate self-insurance of unemployment compensation under chapter
14 50.44 RCW, or industrial insurance under chapter 51.14 RCW.

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

4 (1) "Local government entity" or "entity" means every unit of local
5 government, both general purpose and special purpose, and includes, but
6 is not limited to, counties, cities, towns, port districts, public
7 utility districts, water districts, sewer districts, school districts,
8 fire protection districts, irrigation districts, metropolitan municipal
9 corporations, conservation districts, and other political subdivisions,
10 governmental subdivisions, municipal corporations, and quasi-municipal
11 corporations.

12 (2) "Self-insurance" means a formal program of advance funding and
13 management of entity financial exposure to a risk of loss that is not
14 transferred through the purchase of an insurance policy or contract.

15 (3) "Health and welfare benefits" means a self-insured program
16 established by a local government entity or entities for the purpose of
17 providing its employees and their dependents, and in the case of school
18 districts, its district employees, students, directors, or any of their
19 dependents, with health care, accident, disability, death, and salary
20 protection benefits.

21 (4) "Administrator" means the administrator of the state health
22 care authority established under chapter 41.05 RCW.

23 NEW SECTION. **Sec. 3.** (1) The governing body of a local
24 government entity may individually self-insure, may join or form a
25 self-insurance program together with other entities, and may jointly
26 purchase insurance or reinsurance with other entities for health and
27 welfare benefits in accordance with this chapter. In addition, the
28 entity or entities may contract for or hire personnel to provide risk

1 management, claims, and administrative services in accordance with this
2 chapter.

3 (2) The agreement to form a joint self-insurance program shall be
4 made under chapter 39.34 RCW.

5 (3) Every individual and joint self-insurance program is subject to
6 audit by the state auditor.

7 (4) If provided for in the agreement or contract established under
8 chapter 39.34 RCW, a joint self-insurance program may, in conformance
9 with this chapter:

10 (a) Contract or otherwise provide for risk management and loss
11 control services;

12 (b) Contract or otherwise provide legal counsel for the defense of
13 claims and other legal services;

14 (c) Consult with the state insurance commissioner and the state
15 health care authority;

16 (d) Jointly purchase insurance and reinsurance coverage in such
17 form and amount as the program's participants agree by contract; and

18 (e) Possess any other powers and perform all other functions
19 reasonably necessary to carry out the purposes of this chapter.

20 NEW SECTION. **Sec. 4.** (1) All self-insurance programs governed
21 by this chapter may provide for private meetings to consider litigation
22 and settlement of claims when it appears that public discussion of
23 these matters would impair the program's ability to conduct its
24 business effectively.

25 (2) Notwithstanding any provision to the contrary contained in the
26 public disclosure act, chapter 42.17 RCW, in a claim or action against
27 the state or a local government entity, no person is entitled to
28 discover that portion of any funds or liability reserve established for
29 purposes of satisfying a claim or cause of action, except that the

1 reserve is discoverable in a supplemental or ancillary proceeding to
2 enforce a judgment. All other records of individual or joint self-
3 insurance programs are subject to disclosure in accordance with chapter
4 42.17 RCW.

5 NEW SECTION. **Sec. 5.** (1) The assets of a joint self-insurance
6 program governed by this chapter may be invested only in accordance
7 with the general investment authority that participating local
8 government entities possess as a governmental entity.

9 (2) Except as provided in subsection (3) of this section, a joint
10 self-insurance program may invest all or a portion of its assets by
11 depositing the assets with the treasurer of a county within whose
12 territorial limits any of its member local government entities lie, to
13 be invested by the treasurer for the joint program.

14 (3) Local government members of a joint self-insurance program may
15 by resolution of the program designate some other person having
16 experience in financial or fiscal matters as treasurer of the program.
17 The program shall, unless the program's treasurer is a county
18 treasurer, require a bond obtained from a surety company authorized to
19 do business in Washington in an amount and under the terms and
20 conditions that the program finds will protect against loss arising
21 from mismanagement or malfeasance in investing program funds. The
22 program may pay the premium on the bond.

23 All program funds must be paid to the treasurer and shall be
24 disbursed by the treasurer only on warrants issued by a person
25 appointed by the program and upon orders or vouchers approved by the
26 program. The treasurer shall establish a program account, into which
27 shall be paid all program funds, and the treasurer shall maintain such
28 special accounts as may be created by the program into which the

1 treasurer shall place all money as the program may direct by
2 resolution.

3 (4) If the treasurer of the joint program is also the treasurer of
4 a county, all program funds must be deposited with the county
5 depositaries under the same restrictions, contracts, and security as
6 provided for county depositaries.

7 (5) If the treasurer of the joint program is not a county
8 treasurer, all program funds must be deposited in a qualified public
9 depository designated by resolution of the program.

10 (6) All interest and earnings collected on joint program funds
11 belong to the program and must be deposited to the program's credit in
12 the proper program account.

13 (7) A joint program may require a reasonable bond from any person
14 handling money or securities of the program and may pay the premium for
15 the bond.

16 NEW SECTION. **Sec. 6.** (1) No employee or official of a local
17 government entity may directly or indirectly receive anything of value
18 for services rendered in connection with the operation and management
19 of a self-insurance program other than the salary and benefits provided
20 by his or her employer or the reimbursement of expenses reasonably
21 incurred in furtherance of the operation or management of the program.
22 No employee or official of a local government entity may accept or
23 solicit anything of value for personal benefit or for the benefit of
24 others under circumstances in which it can be reasonably inferred that
25 the employee's or official's independence of judgment is impaired with
26 respect to the management and operation of the program.

27 (2) No local government entity may participate in a joint self-
28 insurance program in which local government entities do not retain
29 complete governing control. This prohibition does not apply to local

1 government contribution to a self-insured employee health and welfare
2 benefits plan otherwise authorized and governed by state statute nor to
3 local government participation in a multistate joint program where
4 control is shared with local government entities from other states.

5 (3) A director, trustee, third-party administrator, or other person
6 having a substantial role in the management or operations of an
7 individual or joint self-insurance program is subject to service of
8 process in this state.

9 (4) Moneys made available and moneys expended by school districts
10 and educational service districts for self-insurance under this chapter
11 are subject to such rules of the superintendent of public instruction
12 as the superintendent may adopt governing budgeting and accounting.
13 However, the superintendent shall ensure that the rules are consistent
14 with those adopted by the administrator of the state health care
15 authority for the management and operation of self-insurance programs.

16 (5) RCW 48.30.140, 48.30.150, 48.30.155, and 48.30.157 apply to the
17 use of agents and brokers by local government self-insurance programs.

18 NEW SECTION. **Sec. 7.** Every joint self-insurance program shall
19 provide for the contingent liability of participants in the program if
20 assets of the program are insufficient to cover the program's
21 liabilities, unless coverage in the joint program is expressly limited
22 to the available assets of the program and the limitation is expressly
23 acknowledged or agreed upon by the local government entities.

24 NEW SECTION. **Sec. 8.** A joint self-insurance program approved
25 in accordance with this chapter is exempt from insurance premium taxes,
26 from fees assessed under chapter 48.02 RCW, from chapters 48.32 and
27 48.32A RCW, from business and occupations taxes imposed under chapter

1 82.04 RCW, and from any assigned risk plan or joint underwriting
2 association otherwise required by law.

3 NEW SECTION. **Sec. 9.** (1) The administrator of the state
4 health care authority shall adopt rules governing the management and
5 operation of individual and joint local government self-insurance
6 programs providing health and welfare benefits. The rules shall be
7 appropriate for the type of program and benefits provided. The
8 administrator's rules shall include but not be limited to:

9 (a) Standards for the management, operation, and solvency of
10 programs, including the necessity and frequency of actuarial analyses
11 and claims audits;

12 (b) Standards for fair claim settlement practices; and

13 (c) Standards for contracts between self-insurance programs and
14 private businesses.

15 (2) Before the establishment of a self-insured health and welfare
16 benefits program by a local government entity or entities, the entity
17 or entities must obtain the approval of the administrator. The entity
18 or entities proposing creation of the program shall submit a plan of
19 management and operation to the administrator and the state auditor
20 that provides at least the following information:

21 (a) The benefits to be provided, including any benefit definitions,
22 terms, conditions, and limitations, which provisions and benefits must
23 conform to any statutorily mandated benefits to be provided by the
24 health care authority;

25 (b) The amount and method of financing the benefits, including the
26 initial capital and any proposed rates and projected premiums;

27 (c) The proposed claim reserving practices;

28 (d) The proposed purchase and maintenance of insurance or
29 reinsurance in excess of the amounts retained by the program;

1 (e) In the case of a joint program, the legal form of the program,
2 including but not limited to any bylaws, charter, or trust agreement;

3 (f) In the case of a joint program, the agreements with members of
4 the program defining the responsibilities and rights of each member and
5 management;

6 (g) The proposed accounting and investment practices of the
7 program;

8 (h) The identification of the actuary who will analyze program
9 claims, investments, and reserves, including information indicating
10 when the analysis will be first conducted and the frequency of future
11 actuarial analysis;

12 (i) Any contract between the program and private persons providing
13 risk management, claims, or other administrative services;

14 (j) A professional analysis of the feasibility of creation and
15 maintenance of the program; and

16 (k) Any other information required by rule of the administrator
17 that is necessary to determine the probable financial and management
18 success of the program or that is necessary to determine compliance
19 with this chapter.

20 (3) Within one hundred twenty days of receipt of the plan of
21 management and operation, the administrator shall either approve or
22 disapprove the formation of the program, after reviewing the plan to
23 determine whether the proposed program complies with this chapter and
24 all rules adopted under this chapter.

25 (4) If the administrator denies a request for approval, the
26 administrator shall specify in detail the reasons for denial and the
27 manner in which the program fails to meet the requirements of this
28 chapter or any rules adopted under this chapter.

29 (5) Whenever the administrator determines that a program is in
30 violation of this chapter or is operating in an unsafe financial

1 condition, the administrator may issue and serve upon the program an
2 order to cease and desist from the violation or practice. The
3 administrator shall deliver the order to the program directly or mail
4 it to the appropriate entity or entities by registered mail with return
5 receipt requested. If the program violates the order or has not taken
6 steps to comply with the order after the expiration of twenty days
7 after the cease and desist order has been received by the program, the
8 program is deemed to be operating in violation of this chapter, and the
9 administrator shall notify the state auditor and the attorney general
10 of the violation.

11 (6) Each program approved by the administrator shall annually file
12 a report with the administrator and the state auditor providing
13 financial and loss experience of the program and such other information
14 required by the administrator by rule.

15 (7) No program may engage in an act or practice that in any respect
16 significantly differs from the management and operation plan that
17 formed the basis for the administrator's approval of the program unless
18 the program first notifies the administrator in writing and obtains the
19 administrator's approval. The administrator shall approve or
20 disapprove the proposed change within sixty days of receipt of the
21 notice.

22 (8) The administrator shall establish and charge an investigation
23 fee in an amount necessary to cover the costs for the initial review
24 and approval of any program. The fee must accompany the initial
25 submission of the plan of operation and management. In addition, the
26 costs of subsequent reviews and investigations of a program shall be
27 charged to the program in accordance with the actual time and expenses
28 incurred by the administrator in reviewing or investigating the
29 program.

1 **Sec. 10.** RCW 48.62.040 and 1986 c 302 s 1 are each amended to read
2 as follows:

3 (1) Except as provided in subsection (2) of this section, the
4 governing body of any one or more local governmental entities may, as
5 an alternative or in addition to exercising any one or more of the
6 powers granted in RCW 48.62.030 and 36.16.138, as now or hereafter
7 amended, or any other provision of law, form together into or join a
8 pool or organization for the joint purchasing of insurance, and/or
9 joint self-insuring, and/or joint hiring or contracting for risk
10 management services to the same extent that they may individually
11 purchase insurance, self-insure, or hire or contract for risk
12 management services.

13 (2) ~~((a))~~ No organization of local governmental entities ~~((, other~~
14 ~~than local school districts and educational service districts,~~) that
15 is organized under this section for the purpose of self-insuring shall
16 provide any self-insurance other than liability and property insurance.
17 For purposes of this section, liability insurance shall include but not
18 be limited to coverage for claims arising from the tortious or
19 negligent conduct of the local government entity, its officers,
20 employees, or agents thereof, or any error or omission on the part of
21 said local government entity, its officers, employees, or agents
22 thereof as a result of which a claim may be made against the local
23 government entity.

24 ~~((b) Local school districts and educational service districts may~~
25 ~~not organize under this section for the purpose of providing joint~~
26 ~~self-insured life, health, health care, accident, disability and salary~~
27 ~~protection or insurance, or any combination thereof, to the district~~
28 ~~employees, students, directors, or any of their dependents.))~~

1 (3) The agreement to form such a pooling arrangement shall be made
2 under chapter 39.34 RCW. Any pool or organization authorized to be
3 formed by this section shall be subject to audit by the state auditor.

4 **Sec. 11.** RCW 41.04.180 and 1974 ex.s. c 82 s 1 are each amended to
5 read as follows:

6 Any county, municipality, or other political subdivision of the
7 state acting through its principal supervising official or governing
8 body may, whenever funds shall be available for that purpose provide
9 for all or a part of hospitalization and medical aid for its employees
10 and their dependents through contracts with regularly constituted
11 insurance carriers or with health care service contractors as defined
12 in chapter 48.44 RCW or self-insurers as provided for in chapter
13 ~~((48-52))~~ 41.-- RCW (sections 1 through 9 of this act), for group
14 hospitalization and medical aid policies or plans: PROVIDED, That any
15 county, municipality, or other political subdivision of the state
16 acting through its principal supervising official or governing body
17 shall provide the employees thereof a choice of policies or plans
18 through contracts with not less than two regularly constituted
19 insurance carriers or health care service contractors or other health
20 care plans, including but not limited to, trusts of self-insurance as
21 provided for in chapter ~~((48-52))~~ 41.-- RCW (sections 1 through 9 of
22 this act): AND PROVIDED FURTHER, That any county may provide such
23 hospitalization and medical aid to county elected officials and their
24 dependents on the same basis as such hospitalization and medical aid is
25 provided to other county employees and their dependents: PROVIDED
26 FURTHER, That provision for school district personnel shall not be made
27 under this section but shall be as provided for in RCW 28A.400.350.

1 **Sec. 12.** RCW 41.05.021 and 1990 c 222 s 3 are each amended to read
2 as follows:

3 The Washington state health care authority is created within the
4 executive branch. The authority shall have an administrator appointed
5 by the governor, with the consent of the senate. The administrator
6 shall serve at the pleasure of the governor. The administrator may
7 employ up to seven staff members, who shall be exempt from chapter
8 41.06 RCW, and any additional staff members as are necessary to
9 administer this chapter. The primary duties of the authority shall be
10 to administer state employees' insurance benefits and to study state-
11 purchased health care programs in order to maximize cost containment in
12 these programs while ensuring access to quality health care. The
13 authority's duties include, but are not limited to, the following:

14 (1) To administer a health care benefit program for employees as
15 specifically authorized in RCW 41.05.065 and in accordance with the
16 methods described in RCW 41.05.075, 41.05.140, and other provisions of
17 this chapter;

18 (2) To analyze state-purchased health care programs and to explore
19 options for cost containment and delivery alternatives for those
20 programs that are consistent with the purposes of those programs,
21 including, but not limited to:

22 (a) Creation of economic incentives for the persons for whom the
23 state purchases health care to appropriately utilize and purchase
24 health care services, including the development of flexible benefit
25 plans to offset increases in individual financial responsibility;

26 (b) Utilization of provider arrangements that encourage cost
27 containment and ensure access to quality care, including but not
28 limited to prepaid delivery systems, utilization review, and
29 prospective payment methods;

1 (c) Coordination of state agency efforts to purchase drugs
2 effectively as provided in RCW 70.14.050;

3 (d) Development of recommendations and methods for purchasing
4 medical equipment and supporting services on a volume discount basis;
5 and

6 (e) Development of data systems to obtain utilization data from
7 state-purchased health care programs in order to identify cost centers,
8 utilization patterns, provider and hospital practice patterns, and
9 procedure costs, utilizing the information obtained pursuant to RCW
10 41.05.031;

11 (3) To analyze areas of public and private health care interaction;

12 (4) To provide information and technical and administrative
13 assistance to the board;

14 (5) To regulate local government self-insured health and welfare
15 benefits programs as provided in chapter 41.-- RCW (sections 1 through
16 9 of this act);

17 (6) To review and approve or deny applications from counties,
18 municipalities, other political subdivisions of the state, and school
19 districts to provide state-sponsored insurance or self-insurance
20 programs to their employees in accordance with the provisions of RCW
21 41.04.205 and 28A.400.350, setting the premium contribution for
22 approved groups as outlined in RCW 41.05.050;

23 ~~((6))~~ (7) To appoint a health care policy technical advisory
24 committee as required by RCW 41.05.150; and

25 ~~((7))~~ (8) To promulgate and adopt rules consistent with this
26 chapter as described in RCW 41.05.160.

27 **Sec. 13.** RCW 35.23.460 and 1965 c 7 s 35.23.460 are each amended
28 to read as follows:

1 Subject to chapter 41.-- RCW (sections 1 through 9 of this act),
2 any city of the second or third class or town may contract with an
3 insurance company authorized to do business in this state to provide
4 group insurance for its employees including group false arrest
5 insurance for its law enforcement personnel, and pursuant thereto may
6 use a portion of its revenues to pay an employer's portion of the
7 premium for such insurance, and may make deductions from the payrolls
8 of employees for the amount of the employees' contribution and may
9 apply the amount deducted in payment of the employees' portion of the
10 premium.

11 **Sec. 14.** RCW 35A.41.020 and 1983 c 3 s 66 are each amended to read
12 as follows:

13 Except as otherwise provided in this title, the general provisions
14 relating to public employment, including hospitalization and medical
15 aid as provided in chapter 41.04 RCW, and the application of federal
16 social security for public employees, the acceptance of old age and
17 survivors insurance as provided in chapters 41.47 and 41.48 RCW,
18 military leave as provided in RCW 38.40.060, self-insurance as provided
19 in chapter 41.-- RCW (sections 1 through 9 of this act), the
20 application of industrial insurance as provided in Title 51 RCW, and
21 chapter 43.101 RCW relating to training of law enforcement officers,
22 shall apply to code cities. Any code city may retain any civil service
23 system theretofore in effect in such city and may adopt any system of
24 civil service which would be available to any class of city under
25 general law.

26 **Sec. 15.** RCW 36.32.400 and 1975-'76 2nd ex.s. c 106 s 7 are each
27 amended to read as follows:

1 Subject to chapter 41.-- RCW (sections 1 through 9 of this act),
2 any county by a majority vote of its board of county commissioners may
3 enter into contracts to provide health care services and/or group
4 insurance for the benefit of its employees, and may pay all or any part
5 of the cost thereof. Any two or more counties, by a majority vote of
6 their respective boards of county commissioners may, if deemed
7 expedient, join in the procuring of such health care services and/or
8 group insurance, and the board of county commissioners of each
9 participating county may, by appropriate resolution, authorize their
10 respective counties to pay all or any portion of the cost thereof.

11 Nothing in this section shall impair the eligibility of any
12 employee of a county, municipality, or other political subdivision
13 under RCW 41.04.205.

14 **Sec. 16.** RCW 53.08.170 and 1987 c 50 s 1 are each amended to read
15 as follows:

16 The port commission shall have authority to create and fill
17 positions, to fix wages, salaries and bonds thereof, to pay costs and
18 assessments involved in securing or arranging to secure employees, and
19 to establish such benefits for employees, including holiday pay,
20 vacations or vacation pay, retirement and pension benefits, medical,
21 surgical or hospital care, life, accident, or health disability
22 insurance, and similar benefits, already established by other employers
23 of similar employees, as the port commissioner shall by resolution
24 provide: PROVIDED, That any district providing insurance benefits for
25 its employees in any manner whatsoever may provide health and accident
26 insurance, life insurance with coverage not to exceed that provided
27 district employees, and business related travel, liability, and errors
28 and omissions insurance, for its commissioners, which insurance shall
29 not be considered to be compensation.

1 Subject to chapter 41.-- RCW (sections 1 through 9 of this act),
2 the port commission shall have authority to provide or pay such
3 benefits directly, or to provide for such benefits by the purchase of
4 insurance policies or entering into contracts with and compensating any
5 person, firm, agency, or organization furnishing such benefits, or by
6 making contributions to vacation plans or funds, or health and welfare
7 plans and funds, or pension plans or funds, or similar plans or funds,
8 already established by other employers of similar employees and in
9 which the port district is permitted to participate for particular
10 classifications of its employees by the trustees or other persons
11 responsible for the administration of such established plans or funds:
12 PROVIDED FURTHER, That no port district employee shall be allowed to
13 apply for admission to or be accepted as a member of the state
14 employees' retirement system after January 1, 1965, if admission to
15 such system would result in coverage under both a private pension
16 system and the state employees' retirement system, it being the purpose
17 of this proviso that port districts shall not at the same time
18 contribute for any employee to both a private pension or retirement
19 plan and to the state employees' retirement system. The port
20 commission shall have authority by resolution to utilize and compensate
21 agents for the purpose of paying, in the name and by the check of such
22 agent or agents or otherwise, wages, salaries and other benefits to
23 employees, or particular classifications thereof, and for the purpose
24 of withholding payroll taxes and paying over tax moneys so withheld to
25 appropriate government agencies, on a combined basis with the wages,
26 salaries, benefits, or taxes of other employers or otherwise; to enter
27 into such contracts and arrangements with and to transfer by warrant
28 such funds from time to time to any such agent or agents so appointed
29 as are necessary to accomplish such salary, wage, benefit, or tax
30 payments as though the port district were a private employer,

1 notwithstanding any other provision of the law to the contrary. The
2 funds of a port district transferred to such an agent or agents for the
3 payment of wages or salaries of its employees in the name or by the
4 check of such agent or agents shall be subject to garnishment with
5 respect to salaries or wages so paid, notwithstanding any provision of
6 the law relating to municipal corporations to the contrary.

7 **Sec. 17.** RCW 54.04.050 and 1984 c 15 s 1 are each amended to read
8 as follows:

9 (1) Subject to chapter 41.-- RCW (sections 1 through 9 of this
10 act), any public utility district engaged in the operation of electric
11 or water utilities may enter into contracts of group insurance for the
12 benefit of its employees, and pay all or any part of the premiums for
13 such insurance. Such premiums shall be paid out of the revenues
14 derived from the operation of such properties: PROVIDED, That if the
15 premium is to be paid by the district and employees jointly, and the
16 benefits of the policy are offered to all eligible employees, not less
17 than seventy-five percent of such employees may be so insured.

18 (2) A public utility district whose employees or officials are not
19 members of the state retirement system engaged in the operation of
20 electric or water utilities may contract for individual annuity
21 contracts, retirement income policies or group annuity contracts,
22 including prior service, to provide a retirement plan, or any one or
23 more of them, and pay all or any part of the premiums therefor out of
24 the revenue derived from the operation of its properties.

25 **Sec. 18.** RCW 56.08.100 and 1981 c 190 s 5 are each amended to read
26 as follows:

27 Subject to chapter 41.-- RCW (sections 1 through 9 of this act), a
28 sewer district, by a majority vote of its board of commissioners, may

1 enter into contracts to provide health care services and/or group
2 insurance and/or term life insurance and/or social security insurance
3 for the benefit of its employees and may pay all or any part of the
4 cost thereof. Any two or more sewer districts or one or more sewer
5 districts and one or more water districts, by a majority vote of their
6 respective boards of commissioners, may, if deemed expedient, join in
7 the procuring of such health care services and/or group insurance
8 and/or term life insurance, and the board of commissioners of each
9 participating sewer and/or water district may by appropriate resolution
10 authorize their respective district to pay all or any portion of the
11 cost thereof.

12 **Sec. 19.** RCW 57.08.100 and 1981 c 190 s 6 are each amended to read
13 as follows:

14 Subject to chapter 41.-- RCW (sections 1 through 9 of this act), a
15 water district, by a majority vote of its board of commissioners, may
16 enter into contracts to provide health care services and/or group
17 insurance and/or term life insurance and/or social security insurance
18 for the benefit of its employees and may pay all or any part of the
19 cost thereof. Any two or more water districts or any one or more water
20 districts and one or more sewer districts, by a majority vote of their
21 respective boards of commissioners, may, if deemed expedient, join in
22 the procuring of such health care services and/or group insurance
23 and/or term life insurance, and the board of commissioners of each
24 participating sewer and/or water district may by appropriate resolution
25 authorize their respective district to pay all or any portion of the
26 cost thereof.

27 **Sec. 20.** RCW 43.09.260 and 1979 c 71 s 1 are each amended to read
28 as follows:

1 The state auditor, the chief examiner, and every state examiner
2 shall have power by himself or herself or by any person legally
3 appointed to perform the service, to examine into all financial affairs
4 of every public office and officer.

5 The examination of the financial affairs of all taxing districts
6 shall be made at such reasonable, periodic intervals as the state
7 auditor shall determine. However, an examination of the financial
8 affairs of all taxing districts shall be made at least once in every
9 three years, and an examination of individual local government health
10 and welfare benefit plans and joint local government self-insurance
11 programs shall be made at least once every two years. The term "taxing
12 districts" for purposes of RCW 43.09.190 through 43.09.285 includes but
13 is not limited to all counties, cities, and other political
14 subdivisions, municipal corporations, and quasi-municipal corporations,
15 however denominated.

16 The state auditor shall establish a schedule to govern the auditing
17 of taxing districts which shall include: A designation of the various
18 classifications of taxing districts; a designation of the frequency for
19 auditing each type of taxing district; and a description of events
20 which cause a more frequent audit to be conducted.

21 On every such examination, inquiry shall be made as to the
22 financial condition and resources of the taxing district; whether the
23 Constitution and laws of the state, the ordinances and orders of the
24 taxing district, and the requirements of the division of municipal
25 corporations have been properly complied with; and into the methods and
26 accuracy of the accounts and reports.

27 The state auditor, his or her deputies, every state examiner and
28 every person legally appointed to perform such service, may issue
29 subpoenas and compulsory process and direct the service thereof by any
30 constable or sheriff, compel the attendance of witnesses and the

1 production of books and papers before him or her at any designated time
2 and place, and may administer oaths.

3 When any person summoned to appear and give testimony neglects or
4 refuses so to do, or neglects or refuses to answer any question that
5 may be put to him or her touching any matter under examination, or to
6 produce any books or papers required, the person making such
7 examination shall apply to a superior court judge of the proper county
8 to issue a subpoena for the appearance of such person before him or
9 her; and the judge shall order the issuance of a subpoena for the
10 appearance of such person forthwith before him to give testimony; and
11 if any person so summoned fails to appear, or appearing, refuses to
12 testify, or to produce any books or papers required, he or she shall be
13 subject to like proceedings and penalties for contempt as witnesses in
14 the superior court. Willful false swearing in any such examination
15 shall be perjury and punishable as such.

16 A report of such examination shall be made in triplicate, one copy
17 to be filed in the office of the state auditor, one in the auditing
18 department of the taxing district reported upon, and one in the office
19 of the attorney general. If any such report discloses malfeasance,
20 misfeasance, or nonfeasance in office on the part of any public officer
21 or employee, within thirty days from the receipt of his copy of the
22 report, the attorney general shall institute, in the proper county,
23 such legal action as is proper in the premises by civil process and
24 prosecute the same to final determination to carry into effect the
25 findings of the examination.

26 It shall be unlawful for the county commissioners or any board or
27 officer to make a settlement or compromise of any claim arising out of
28 such malfeasance, misfeasance, or nonfeasance, or any action commenced
29 therefor, or for any court to enter upon any compromise or settlement

1 of such action, without the written approval and consent of the
2 attorney general and the state auditor.

3 NEW SECTION. **Sec. 21.** Sections 1 through 9 of this act shall
4 constitute a new chapter in Title 41 RCW.

5 NEW SECTION. **Sec. 22.** (1) This act shall take effect January
6 1, 1992, but the state health care authority shall take all steps
7 necessary to implement this act on its effective date.

8 (2) Every individual and joint local government self-insured
9 employee health and welfare plan that has been in continuous operation
10 for at least one year before the effective date of this act need not
11 obtain approval to continue operations until January 1, 1993, but must
12 comply with all other provisions of this act.

13 NEW SECTION. **Sec. 23.** All rules adopted by the superintendent
14 of public instruction by the effective date of this act that apply to
15 self-insurance programs of educational service districts remain in
16 effect until expressly amended, repealed, or superseded by the state
17 risk manager or the state health care authority.

18 NEW SECTION. **Sec. 24.** If any provision of this act or its
19 application to any person or circumstance is held invalid, the
20 remainder of the act or the application of the provision to other
21 persons or circumstances is not affected.

22 NEW SECTION. **Sec. 25.** RCW 48.62.035 and 1985 c 277 s 3 are
23 each repealed.