

---

**SUBSTITUTE SENATE BILL 5607**

---

**State of Washington****54th Legislature****1995 Regular Session**

**By** Senate Committee on Ways & Means (originally sponsored by Senators Gaspard, Cantu, Haugen, Prentice, Wood, Snyder, Long, A. Anderson, Deccio, Kohl, Wojahn, Oke, Rasmussen and Winsley; by request of State Auditor)

Read first time 03/06/95.

1 AN ACT Relating to performance audits of state government; amending  
2 RCW 44.48.070, 44.48.080, 44.48.090, 44.48.130, 44.28.110, 44.28.120,  
3 44.28.150, 43.88.020, 43.88.090, 43.88.160, 43.132.020, 43.88A.030,  
4 43.88A.040, 43.132.040, 28A.415.020, 28A.630.830, 28B.20.382,  
5 39.19.060, 39.29.016, 39.29.018, 39.29.025, 39.29.055, 41.06.070,  
6 42.48.060, 43.09.310, 43.21J.800, 43.72.830, 43.79.270, 43.79.280,  
7 43.88.205, 43.88.230, 43.88.310, 43.88.510, 43.88.899, 43.131.050,  
8 43.131.060, 43.131.070, 43.131.080, 43.131.110, 43.250.080, 44.40.025,  
9 67.70.310, 79.01.006, 82.33.030, 82.33.040, and 88.46.920; reenacting  
10 and amending RCW 43.88.030; adding a new chapter to Title 44 RCW;  
11 creating a new section; recodifying RCW 44.28.110, 44.28.120,  
12 44.28.150, 44.48.070, 44.48.080, 44.28.090, and 44.28.130; and  
13 repealing RCW 44.28.010, 44.28.020, 44.28.030, 44.28.040, 44.28.050,  
14 44.28.060, 44.28.080, 44.28.085, 44.28.086, 44.28.087, 44.28.100,  
15 44.28.130, 44.28.140, 44.28.180, 44.28.900, 44.48.010, 44.48.020,  
16 44.48.030, 44.48.040, 44.48.050, 44.48.060, 44.48.100, 44.48.110,  
17 44.48.120, 44.48.140, and 44.48.900.

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

1        NEW SECTION.    **Sec. 1.**    The public expects the legislature to  
2 address citizens' increasing demand for the basic services of state  
3 government, while limiting the growth in spending. The public demands  
4 that public officials and state employees be accountable to provide  
5 maximum value for every dollar entrusted to state government. In  
6 creating the Washington performance partnership, the legislature  
7 established improved service delivery and responsiveness as significant  
8 priorities for state government. The public believes that it is  
9 possible to improve the responsiveness of state government and to save  
10 the taxpayers' money, and that efficiency and effectiveness should  
11 result in savings.

12        It is the intent of the legislature to thoroughly examine all  
13 expenditures for state government. The base expenditure level for each  
14 agency and program must be subject to the same scrutiny as incremental  
15 changes to the base level. The legislature, public officials, state  
16 employees, and citizens need to know the extent to which state  
17 agencies, programs, and activities are achieving the purposes for which  
18 they were created. It is essential to compare the conditions,  
19 problems, and priorities that led to the creation of government  
20 programs with current conditions, problems, and priorities, and to  
21 examine the need for and performance of those programs in the current  
22 environment.

23        Along with examining the performance of state agencies and  
24 programs, the legislature, public officials, state employees, and  
25 citizens must also consider: The effect that state government programs  
26 can reasonably expect to have on citizens' lives; how the level of  
27 programs and services of Washington state government compares with  
28 other states; and alternatives for service delivery, including other  
29 levels of government and the private sector. It is essential that the  
30 legislature, public officials, state employees, and citizens share a  
31 common understanding of the role of state government. The performance  
32 and relative priority of state agency programs and activities must be  
33 the basis for managing and allocating resources within Washington state  
34 government.

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

1 (1) "Performance measures" means realistic estimates, generally in  
2 quantifiable terms, of what the state or any of its agencies or  
3 programs is expected to achieve.

4 (2) "Performance audit" means an objective and systematic  
5 assessment of state government or any of its agencies, programs,  
6 functions, or activities, or any unit of local government receiving  
7 state funds, by an independent evaluator in order to help public  
8 officials improve efficiency, effectiveness, and accountability.  
9 Performance audits include economy and efficiency audits, program  
10 audits, and performance verifications.

11 (3) "Economy and efficiency audits" means performance audits that  
12 establish: (a) Whether the state or any of its agencies is acquiring,  
13 protecting, and using its resources such as personnel, property, and  
14 space economically and efficiently; (b) the causes of inefficiencies or  
15 uneconomical practices; and (c) whether the state or any of its  
16 agencies has complied with significant laws and rules in acquiring,  
17 protecting, and using its resources.

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

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

26 (6) "Director" means the director of the legislative office of  
27 performance audit and fiscal analysis.

28 NEW SECTION. **Sec. 3.** The joint committee on performance audits is  
29 established.

30 (1) The committee shall consist of:

31 (a) The majority leader of the senate;

32 (b) The speaker of the house of representatives;

33 (c) The minority leader of the senate;

34 (d) The minority leader of the house of representatives;

35 (e) The chair and ranking minority member of the senate ways and  
36 means committee;

37 (f) The chair and ranking minority member of the house of  
38 representatives appropriations committee; and

1 (g) Four additional members, one each from the majority and  
2 minority caucuses of the senate and the house of representatives.

3 (2) The chair of the committee shall be selected by the committee,  
4 to serve for a period not to exceed one year. The chair shall  
5 alternate between the members of the senate and the house of  
6 representatives, and between each political party.

7 (3) Members of the committee shall serve without additional  
8 compensation but shall be reimbursed for travel expenses in accordance  
9 with RCW 44.04.120 while attending meetings of the committee or any  
10 subcommittee or on other business authorized by the committee.

11 (4) An executive committee is established consisting of the  
12 majority leader and minority leader of the senate and the speaker and  
13 minority leader of the house of representatives. The function of the  
14 executive committee is to appoint the director. Approval by an  
15 affirmative vote of at least three members of the committee is required  
16 for any decisions regarding employment of the director. Employment of  
17 the director shall terminate after each term of three years. At the  
18 end of the first year of each three-year term, the council shall  
19 consider extension of the term by one year. However, at any time  
20 during the term of office, the employment of the director may be  
21 terminated by a unanimous vote of the executive committee. The salary  
22 of the director shall be set by the executive committee.

23 (5) The director shall hire additional staff and direct the  
24 performance review and fiscal analysis functions described in this  
25 chapter.

26 NEW SECTION. **Sec. 4.** (1) The director shall establish and manage  
27 a legislative office of performance audit and fiscal analysis to carry  
28 out the functions described in this chapter.

29 (2) In consultation with the executive committee, the director is  
30 empowered to select and employ personnel necessary to carry out the  
31 purposes of this act and fix their salary. Salaries for employees of  
32 the legislative office of performance audit and fiscal analysis, other  
33 than the director, shall be set with the approval of the executive  
34 committee, the secretary of the senate, and the chief clerk of the  
35 house of representatives.

36 NEW SECTION. **Sec. 5.** (1) The director shall have the primary  
37 responsibility for performance audits of state agencies, programs,

1 functions, and activities, including economy and efficiency audits and  
2 program audits.

3 (2) The director shall work in consultation with the state auditor  
4 to conduct performance audits and performance verification. The  
5 director shall also work closely with the chairs and staff of standing  
6 committees of the senate and house of representatives.

7 (3) In conducting performance audits, the director shall use public  
8 and private independent professional and technical experts as necessary  
9 in conducting performance audits.

10 (4) The director shall involve front-line employees and internal  
11 auditors to the degree possible in the performance audit process.

12 (5) The legislative office of performance audit and fiscal analysis  
13 shall work with the Washington performance partnership to facilitate  
14 the implementation of effective performance measures throughout state  
15 government. In agencies and programs where effective systems for  
16 performance measurement exist, the measurements incorporated into those  
17 systems shall be the basis for performance audits carried out under  
18 this chapter.

19 (6) A provision of law directing the director, or another entity,  
20 to conduct a performance audit of any state agency, program, or  
21 function shall be deemed a request to the joint committee on  
22 performance audits to direct the director to undertake that audit. The  
23 request shall be considered by the joint committee for inclusion in the  
24 subsequent annual audit plan approved by the joint committee.

25 (7) Subject to the requirements of the annual performance audit  
26 plan approved by the joint committee, performance audits may require  
27 the director to:

28 (a) Determine whether an agency, program, or function is using its  
29 resources economically and efficiently;

30 (b) Identify causes for inefficient or uneconomical practices;

31 (c) Determine compliance with applicable laws and rules;

32 (d) Determine the extent to which results desired by the  
33 legislature are being achieved;

34 (e) Identify causes for not achieving desired results;

35 (f) Examine the costs and benefits of agency programs, functions,  
36 and activities;

37 (g) Identify viable alternatives for reducing costs or improving  
38 service delivery, including elimination of functions or transferring  
39 functions to the private sector;

1 (h) Identify gaps and overlaps in service delivery, along with  
2 corrective action; and

3 (i) Identify agencies, programs, functions, and processes that can  
4 be improved with the assistance of the Washington performance  
5 partnership to redesign and improve processes.

6 (8) The legislative office of performance audit and fiscal analysis  
7 shall develop information system capabilities necessary for the  
8 performance review requirements of this chapter.

9 (9) The joint committee on performance audits shall receive a copy  
10 of each report of examination issued by the state auditor under RCW  
11 43.09.310, shall review the reports, and shall make the recommendations  
12 to the legislature and the state auditor as it deems appropriate.

13 NEW SECTION. **Sec. 6.** In examining state agencies and programs  
14 subject to the annual audit plan, the director shall thoroughly examine  
15 all expenditures. The base expenditure level for each agency and  
16 program shall be examined without consideration of or reference to past  
17 incremental funding provided to the agency or program.

18 The zero-base review shall include a delineation of the costs and  
19 full-time equivalent staff associated with each discreet program,  
20 function, and activity included in the base budget. The review should  
21 also include estimates of administrative costs and staffing levels and,  
22 where appropriate, an estimate of the amount of funds that reach the  
23 intended recipients of the program or activity.

24 NEW SECTION. **Sec. 7.** The legislative office of performance audit  
25 and fiscal analysis shall coordinate a process for procurement,  
26 independent analysis, and distribution of legislative fiscal notes to  
27 all standing committees of the senate and house of representatives  
28 under chapters 43.88A and 43.132 RCW. Requests for fiscal notes to  
29 state agencies shall be transmitted by the office, and completed fiscal  
30 notes shall be submitted to the office.

31 Upon receipt of fiscal notes from state agencies, the office shall  
32 analyze each note. Based on an independent analysis, the director  
33 shall either endorse the fiscal note as submitted, facilitate revision  
34 of the fiscal note by the submitting agency, or prepare a replacement  
35 or amended fiscal note that will be the approved fiscal note for  
36 consideration before committees of the legislature. No fiscal notes

1 shall be submitted to standing committees of the legislature without  
2 the approval of the director or a designee.

3 The office shall facilitate the timely revision of fiscal notes to  
4 reflect legislative action on pending legislation.

5 In conducting performance audits, the director shall review the  
6 costs of programs recently implemented by the legislature to compare  
7 actual agency costs with the appropriations provided and the cost  
8 estimates that were included in the fiscal note for the program at the  
9 time the program was enacted.

10 The office shall work with the staff of the standing committees of  
11 the legislature to improve understanding and evaluation of fiscal notes  
12 of legislation pending in those committees. In addition, the director  
13 shall recommend to the joint committee on performance audits additional  
14 modifications intended to improve the objectivity and timeliness of  
15 fiscal notes necessary for legislative consideration.

16 NEW SECTION. **Sec. 8.** (1) Prior to the completion of each  
17 legislative session, the joint committee on performance audits shall  
18 approve a performance audit plan for the subsequent twelve to fifteen-  
19 month period. The audit plan shall include a schedule of agencies,  
20 programs, and activities for which performance audits will be initiated  
21 during the period. The audit plan shall include timelines for the  
22 start and completion of each audit. The plan shall also identify the  
23 role of the legislative office of performance audit and fiscal  
24 analysis, the state auditor, and public and private sector experts  
25 necessary to complete each performance audit. The director may submit  
26 revisions to the plan for consideration by the joint committee  
27 throughout the year.

28 In developing a draft plan for submission to the joint committee,  
29 the director shall consult with the state auditor, the director of  
30 financial management, chairs and staff of appropriate legislative  
31 committees, and representatives of state employee organizations.

32 (2) When the director has completed a performance audit authorized  
33 in the annual performance audit plan, the director shall transmit the  
34 audit to the affected state or local agency for its comments. The  
35 agency shall provide any response to the director within thirty days  
36 after receipt of the performance audit. The response of the agency  
37 shall be incorporated into the final performance audit report.

1 (3) Before releasing the results of any performance audit to the  
2 legislature or the public, the director shall submit the performance  
3 audit to the joint committee on performance audits for its review and  
4 comment. Upon consideration and incorporation of the review and  
5 comments of the joint committee, the director shall transmit the final  
6 performance audit report to the agency, the director of financial  
7 management, and appropriate legislative committees and shall make the  
8 report available for public review.

9 NEW SECTION. **Sec. 9.** The performance audit revolving fund is  
10 established in the state treasury. Expenditures from the fund may be  
11 spent only by appropriation. The fund is established to assist in  
12 recovering the costs of performance audits and zero-based budget  
13 reviews from the audited agency or program. Subject to appropriation,  
14 the director shall assess agencies all or a portion of the cost of  
15 performance audits and zero-based budget reviews.

16 The cost of performance audits and budget reviews shall include all  
17 direct and indirect costs and any other expenses incurred by the  
18 director in fulfilling his or her statutory responsibilities.

19 Costs of audits may also be paid from other funds appropriated to  
20 the legislative office of performance audit and fiscal analysis.

21 NEW SECTION. **Sec. 10.** To ensure the accuracy and timeliness of  
22 information used as the basis for performance audits and other  
23 responsibilities of the legislature, the director shall be provided  
24 direct and unrestricted access to information held by any state agency.  
25 Agencies shall submit directly to the legislature, on a confidential  
26 basis, all data and other information requested, including tax records  
27 and client data.

28 **Sec. 11.** RCW 44.48.070 and 1977 ex.s. c 373 s 7 are each amended  
29 to read as follows:

30 The joint committee on performance audits shall acquire a data  
31 processing service capability under the exclusive jurisdiction and  
32 control of the legislature acting through the committee and (~~its~~  
33 ~~administrator~~) the director of the legislative office of performance  
34 audit and fiscal analysis for the purpose of providing the legislature  
35 and its staff with the type of information required for in-depth  
36 analysis and monitoring of state agency expenditures, budgets, and

1 related fiscal matters. ((The legislative evaluation and  
2 accountability program established in this section may be referred to  
3 in this chapter as the LEAP administration.))

4 **Sec. 12.** RCW 44.48.080 and 1977 ex.s. c 373 s 8 are each amended  
5 to read as follows:

6 To carry out the provisions of RCW 44.48.070 (as recodified by this  
7 act) the ((LEAP administration)) joint committee on performance audits  
8 shall provide for:

9 (1) Automated data bases and application systems in support of  
10 legislative requirements to monitor, evaluate, analyze, report, and  
11 review;

12 (2) Maintenance of computer software, application programs, data  
13 bases, and related documentation;

14 (3) Education, training, and programming services;

15 (4) Procedural documentation support; and

16 (5) Consulting assistance on special projects.

17 **Sec. 13.** RCW 44.48.090 and 1979 c 151 s 158 are each amended to  
18 read as follows:

19 The joint committee on performance audits shall have the following  
20 powers:

21 (1) To have timely access, upon written request of the  
22 ((administrator)) director of the legislative office of performance  
23 audit and fiscal analysis, to all machine readable, printed, and other  
24 data of state agencies relative to expenditures, budgets, and related  
25 fiscal matters;

26 (2) To suggest changes relative to state accounting and reporting  
27 systems to the office of financial management or its successor and to  
28 require timely written responses to such suggestions; and

29 (3) To enter into contracts; and when entering into any contract  
30 for computer access, make necessary provisions relative to the  
31 scheduling of computer time and usage in recognition of the unique  
32 requirements and priorities of the legislative process.

33 **Sec. 14.** RCW 44.48.130 and 1977 ex.s. c 373 s 13 are each amended  
34 to read as follows:

35 The joint committee on performance audits is hereby expressly  
36 exempted from the provisions of chapter 43.105 RCW.

1       **Sec. 15.** RCW 44.28.110 and 1955 c 206 s 8 are each amended to read  
2 as follows:

3       In the discharge of any duty herein imposed, the joint committee on  
4 performance audits or any personnel under its authority and its  
5 subcommittees shall have the authority to examine and inspect all  
6 properties, equipment, facilities, files, records and accounts of any  
7 state office, department, institution, board, committee, commission or  
8 agency, and to administer oaths, issue subpoenas, compel the attendance  
9 of witnesses and the production of any papers, books, accounts,  
10 documents and testimony, and to cause the deposition of witnesses,  
11 either residing within or without the state, to be taken in the manner  
12 prescribed by laws for taking depositions in civil actions in the  
13 superior courts.

14       **Sec. 16.** RCW 44.28.120 and 1951 c 43 s 9 are each amended to read  
15 as follows:

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

24       **Sec. 17.** RCW 44.28.150 and 1975 1st ex.s. c 293 s 18 are each  
25 amended to read as follows:

26       The joint committee on performance audits shall cooperate, act, and  
27 function with legislative committees and with the councils or  
28 committees of other states similar to this committee and with other  
29 interstate research organizations.

30       **Sec. 18.** RCW 43.88.020 and 1994 c 184 s 9 are each amended to read  
31 as follows:

32       (1) "Budget" means a proposed plan of expenditures for a given  
33 period or purpose and the proposed means for financing these  
34 expenditures.

35       (2) "Budget document" means a formal, written statement offered by  
36 the governor to 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 (~~legislative budget~~  
10 ~~committee, the legislative evaluation and accountability program~~)  
11 joint committee on performance audits, the ways and means committees of  
12 the 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 account  
22 created under RCW 43.88.525 as an account in the general fund of the  
23 state treasury.

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

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

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

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

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

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

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

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

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

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

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

34 ~~(29) "Program evaluation" means the use of a variety of policy and~~  
35 ~~fiscal research methods to (a) determine the extent to which a program~~  
36 ~~is achieving its legislative intent in terms of producing the effects~~  
37 ~~expected, and (b) make an objective judgment of the implementation,~~  
38 ~~outcomes, and net cost or benefit impact of programs in the context of~~  
39 ~~their goals and objectives. It includes the application of systematic~~

1 ~~methods to measure the results, intended or unintended, of program~~  
2 ~~activities.))~~

3       **Sec. 19.** RCW 43.88.090 and 1994 c 184 s 10 are each amended to  
4 read as follows:

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

16       The estimates shall include statements or tables which indicate, by  
17 agency, the state funds which are required for the receipt of federal  
18 matching revenues. The estimates shall be revised as necessary to  
19 reflect legislative enactments and adopted appropriations and shall be  
20 included with the initial biennial allotment submitted under RCW  
21 43.88.110. The estimates shall include consideration of findings made  
22 by the director of the legislative office of performance audit and  
23 fiscal analysis pursuant to a performance audit of the agency.

24       (2) In the year of the gubernatorial election, the governor shall  
25 invite the governor-elect or the governor-elect's designee to attend  
26 all hearings provided in RCW 43.88.100; and the governor shall furnish  
27 the governor-elect or the governor-elect's designee with such  
28 information as will enable the governor-elect or the governor-elect's  
29 designee to gain an understanding of the state's budget requirements.  
30 The governor-elect or the governor-elect's designee may ask such  
31 questions during the hearings and require such information as the  
32 governor-elect or the governor-elect's designee deems necessary and may  
33 make recommendations in connection with any item of the budget which,  
34 with the governor-elect's reasons therefor, shall be presented to the  
35 legislature in writing with the budget document. Copies of all such  
36 estimates and other required information shall also be submitted to the  
37 standing committees on ways and means of the house and senate.

1       **Sec. 20.** RCW 43.88.160 and 1994 c 184 s 11 are each amended to  
2 read as follows:

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

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

33       (2) The director of financial management is responsible for  
34 quarterly reporting of primary operating budget drivers such as  
35 applicable workloads, caseload estimates, and appropriate unit cost  
36 data. These reports shall be transmitted to the legislative fiscal  
37 committees or by electronic means to the legislative evaluation and  
38 accountability program committee. Quarterly reports shall include  
39 actual monthly data and the variance between actual and estimated data

1 to date. The reports shall also include estimates of these items for  
2 the remainder of the budget period.

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

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

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

25 Each agency head or authorized designee shall be assigned the  
26 responsibility and authority for establishing and maintaining internal  
27 audits following the standards of internal auditing of the institute of  
28 internal auditors;

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

34 (c) Establish policies for allowing the contracting of child care  
35 services;

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

38 (e) Review any pay and classification plans, and changes  
39 thereunder, developed by any agency for their fiscal impact: PROVIDED,

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

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

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

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

22 (5) The treasurer shall:

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

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

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

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

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

37 It shall be unlawful for the treasurer to disburse public funds in  
38 the treasury except upon forms or by alternative means duly prescribed  
39 by the director of financial management. These forms or alternative

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

31 (6) The state auditor shall:

32 (a) Report to the legislature the results of current post audits  
33 that have been made of the financial transactions of each agency; to  
34 this end the auditor may, in the auditor's discretion, examine the  
35 books and accounts of any agency, official or employee charged with the  
36 receipt, custody or safekeeping of public funds. Where feasible in  
37 conducting examinations, the auditor shall utilize data and findings  
38 from the internal control system prescribed by the office of financial  
39 management. The current post audit of each agency may include a

1 section on recommendations to the legislature as provided in (c) of  
2 this subsection.

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

5 (c) Make the auditor's official report on or before the thirty-  
6 first of December which precedes the meeting of the legislature. The  
7 report shall be for the last complete fiscal period and shall include  
8 determinations as to whether agencies, in making expenditures, complied  
9 with the laws of this state. The state auditor is authorized to  
10 perform or participate in performance verifications ~~((only))~~ and  
11 performance audits as expressly authorized by the legislature in the  
12 omnibus biennial appropriations acts or in the annual performance audit  
13 plan approved by the joint committee on performance audits. The state  
14 auditor, upon completing an audit for legal and financial compliance  
15 under chapter 43.09 RCW ~~((or a performance verification,))~~ may report  
16 to the ~~((legislative budget))~~ joint committee on performance audits or  
17 other appropriate committees of the legislature, in a manner prescribed  
18 by the ~~((legislative budget))~~ joint committee on performance audits, on  
19 facts relating to the management or performance of governmental  
20 programs where such facts are discovered incidental to the legal and  
21 financial audit or performance verification. The auditor may make such  
22 a report to a legislative committee only if the auditor has determined  
23 that the agency has been given an opportunity and has failed to resolve  
24 the management or performance issues raised by the auditor. If the  
25 auditor makes a report to a legislative committee, the agency may  
26 submit to the committee a response to the report. ~~((This subsection~~  
27 ~~(6) shall not be construed to authorize the auditor to allocate other~~  
28 ~~than de minimis resources to performance audits except as expressly~~  
29 ~~authorized in the appropriations acts))~~ The results of a performance  
30 audit or performance verification conducted by the state auditor shall  
31 be transmitted only to the director of the legislative office of  
32 performance audit and fiscal analysis for incorporation into the final  
33 performance audit report, subject to review and comment by the affected  
34 state agency under section 8(2) of this act.

35 (d) Be empowered to take exception to specific expenditures that  
36 have been incurred by any agency or to take exception to other  
37 practices related in any way to the agency's financial transactions and  
38 to cause such exceptions to be made a matter of public record,  
39 including disclosure to the agency concerned and to the director of

1 financial management. It shall be the duty of the director of  
2 financial management to cause corrective action to be taken promptly,  
3 such action to include, as appropriate, the withholding of funds as  
4 provided in RCW 43.88.110.

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

6 (f) Investigate improper governmental activity under chapter 42.40  
7 RCW.

8 ~~((7) The legislative budget committee may:~~

9 ~~(a) Make post audits of the financial transactions of any agency  
10 and management surveys and program reviews as provided for in RCW  
11 44.28.085 as well as performance audits and program evaluations. To  
12 this end the committee may in its discretion examine the books,  
13 accounts, and other records of any agency, official, or employee.~~

14 ~~(b) Give information to the legislature or any legislative  
15 committee whenever required upon any subject relating to the  
16 performance and management of state agencies.~~

17 ~~(c) Make a report to the legislature which shall include at least  
18 the following:~~

19 ~~(i) Determinations as to the extent to which agencies in making  
20 expenditures have complied with the will of the legislature and in this  
21 connection, may take exception to specific expenditures or financial  
22 practices of any agencies; and~~

23 ~~(ii) Such plans as it deems expedient for the support of the  
24 state's credit, for lessening expenditures, for promoting frugality and  
25 economy in agency affairs and generally for an improved level of fiscal  
26 management.))~~

27 **Sec. 21.** RCW 43.132.020 and 1984 c 125 s 16 are each amended to  
28 read as follows:

29 The director of financial management or the director's designee  
30 shall, in cooperation with appropriate legislative committees and  
31 legislative staff, establish a mechanism for the determination of the  
32 fiscal impact of proposed legislation which if enacted into law would  
33 directly or indirectly increase or decrease revenues received or  
34 expenditures incurred by counties, cities, towns, or any other  
35 political subdivisions of the state. The office of financial  
36 management shall, when requested by a member of the state legislature,  
37 report in writing as to such fiscal impact and said report shall be  
38 known as a "fiscal note".

1 Such fiscal notes shall indicate by fiscal year the total impact on  
2 the subdivisions involved for the first two years the legislation would  
3 be in effect and also a cumulative six year forecast of the fiscal  
4 impact. Where feasible and applicable, the fiscal note also shall  
5 indicate the fiscal impact on each individual county or on a  
6 representative sampling of cities, towns, or other political  
7 subdivisions.

8 A fiscal note as defined in this section shall be provided only  
9 upon request of the joint committee on performance audits on behalf of  
10 any member of the state legislature. (~~(A legislator)~~) The joint  
11 committee also may request that such a fiscal note be revised to  
12 reflect the impact of proposed amendments or substitute bills. Fiscal  
13 notes shall be completed within seventy-two hours of the request unless  
14 a longer time period is allowed by the (~~(requesting legislator)~~) joint  
15 committee. In the event a fiscal note has not been completed within  
16 seventy-two hours of a request, a daily report shall be prepared for  
17 the (~~(requesting legislator)~~) joint committee by the director of  
18 financial management which report summarizes the progress in preparing  
19 the fiscal note. If the request is referred to the director of  
20 community, trade, and economic development, the daily report shall also  
21 include the date and time such referral was made.

22 **Sec. 22.** RCW 43.88A.030 and 1986 c 158 s 16 are each amended to  
23 read as follows:

24 When a fiscal note is prepared and approved as to form, accuracy,  
25 and completeness by the office of financial management, which depicts  
26 the expected fiscal impact of a bill or resolution, copies shall be  
27 filed immediately with(~~(:~~

28 ~~(1) The chairperson of the committee to which the bill or~~  
29 ~~resolution was referred upon introduction in the house of origin;~~

30 ~~(2) The senate committee on ways and means, or its successor; and~~

31 ~~(3) The house committees on revenue and appropriations, or their~~  
32 ~~successors)) the joint committee on performance audits.~~

33 Whenever possible, such fiscal note shall be provided prior to or  
34 at the time the bill or resolution is first heard by the committee of  
35 reference in the house of origin.

36 (~~When a fiscal note has been prepared for a bill or resolution, a~~  
37 ~~copy of the fiscal note shall be placed in the bill books or otherwise~~

1 ~~attached to the bill or resolution and shall remain with the bill or~~  
2 ~~resolution throughout the legislative process insofar as possible.))~~

3 **Sec. 23.** RCW 43.88A.040 and 1979 c 151 s 148 are each amended to  
4 read as follows:

5 The office of financial management shall also provide a fiscal note  
6 on any legislative proposal at the request of the joint committee on  
7 performance audits on behalf of any legislator. ~~((Such))~~ The fiscal  
8 note shall be returned to the requesting legislator, and copies shall  
9 be filed with the appropriate legislative committees ~~((pursuant to))~~  
10 under RCW 43.88A.030 at the time ~~((such))~~ the proposed legislation is  
11 introduced in either house.

12 **Sec. 24.** RCW 43.132.040 and 1986 c 158 s 18 are each amended to  
13 read as follows:

14 When a fiscal note is prepared and approved as to form and  
15 completeness by the director of financial management, the director  
16 shall transmit copies immediately to(~~+~~

17 ~~(1) The requesting legislator;~~

18 ~~(2) With respect to proposed legislation held by the senate, the~~  
19 ~~chairperson of the committee which holds or has acted upon the proposed~~  
20 ~~legislation, the chairperson of the ways and means committee, the~~  
21 ~~chairperson of the local government committee, and the secretary of the~~  
22 ~~senate; and~~

23 ~~(3) With respect to proposed legislation held by the house of~~  
24 ~~representatives, the chairperson of the committee which holds or has~~  
25 ~~acted upon the proposed legislation, the chairpersons of the revenue~~  
26 ~~and taxation and appropriations committees, the chairperson of the~~  
27 ~~local government committee, and the chief clerk of the house of~~  
28 ~~representatives))~~ the joint committee on performance audits.

29 **Sec. 25.** RCW 28A.415.020 and 1990 c 33 s 415 are each amended to  
30 read as follows:

31 (1) Certificated personnel shall receive for each ten clock hours  
32 of approved in-service training attended the equivalent of a one credit  
33 college quarter course on the salary schedule developed by the  
34 ~~((legislative evaluation and accountability program))~~ joint committee  
35 on performance audits.

1 (2) Certificated personnel shall receive for each ten clock hours  
2 of approved continuing education earned, as continuing education is  
3 defined by rule adopted by the state board of education, the equivalent  
4 of a one credit college quarter course on the salary schedule developed  
5 by the ((~~legislative evaluation and accountability program~~)) joint  
6 committee on performance audits.

7 (3) An approved in-service training program shall be a program  
8 approved by a school district board of directors, which meet standards  
9 adopted by the state board of education, and the development of said  
10 program has been participated in by an in-service training task force  
11 whose membership is the same as provided under RCW 28A.415.040, or a  
12 program offered by an education agency approved to provide in-service  
13 for the purposes of continuing education as provided for under rules  
14 adopted by the state board of education, or both.

15 (4) Clock hours eligible for application to the salary schedule  
16 developed by the ((~~legislative evaluation and accountability program~~))  
17 joint committee on performance audits as described in subsections (1)  
18 and (2) of this section, shall be those hours acquired after August 31,  
19 1987.

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

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

29 (2) The ((~~legislative budget committee~~)) joint committee on  
30 performance audits and the superintendent of public instruction shall  
31 provide staff for the selection advisory committee.

32 (3) The selection advisory committee shall:

33 (a) Develop appropriate criteria for selecting demonstration  
34 projects;

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

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

1 (d) Advise the superintendent of public instruction on the  
2 evaluation design.

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

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

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

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

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

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

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

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

32       (1) Sole source contracts shall be filed with the office of  
33 financial management and the ((~~legislative budget committee~~)) joint  
34 committee on performance audits and made available for public  
35 inspection at least ten working days prior to the proposed starting  
36 date of the contract. Documented justification for sole source  
37 contracts shall be provided to the office of financial management and

1 the (~~legislative budget committee~~) joint committee on performance  
2 audits when the contract is filed. For sole source contracts of ten  
3 thousand dollars or more that are state funded, documented  
4 justification shall include evidence that the agency attempted to  
5 identify potential consultants by advertising through state-wide or  
6 regional newspapers.

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

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

18 (1) Substantial changes in either the scope of work specified in  
19 the contract or in the scope of work specified in the formal  
20 solicitation document must generally be awarded as new contracts.  
21 Substantial changes executed by contract amendments must be submitted  
22 to the office of financial management and the (~~legislative budget~~  
23 ~~committee~~) joint committee on performance audits, and are subject to  
24 approval by the office of financial management.

25 (2) An amendment or amendments to personal service contracts, if  
26 the value of the amendment or amendments, whether singly or  
27 cumulatively, exceeds fifty percent of the value of the original  
28 contract must be provided to the office of financial management and the  
29 (~~legislative budget committee~~) joint committee on performance audits.

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

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

37 (5) The office of financial management shall approve amendments  
38 provided to it under this section only if they meet the criteria for

1 approval of the amendments established by the director of the office of  
2 financial management.

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

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

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

15 **Sec. 33.** RCW 41.06.070 and 1994 c 264 s 13 are each amended to  
16 read as follows:

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

18 (a) The members of the legislature or to any employee of, or  
19 position in, the legislative branch of the state government including  
20 members, officers, and employees of the legislative council,  
21 (~~legislative budget committee~~) joint committee on performance audits,  
22 statute law committee, and any interim committee of the legislature;

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

27 (c) Officers, academic personnel, and employees of technical  
28 colleges;

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

30 (e) Elective officers of the state;

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

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

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

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

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

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

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

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

21 (j) Assistant attorneys general;

22 (k) Commissioned and enlisted personnel in the military service of  
23 the state;

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

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

29 (n) Officers and employees of the Washington state fruit  
30 commission;

31 (o) Officers and employees of the Washington state apple  
32 advertising commission;

33 (p) Officers and employees of the Washington state dairy products  
34 commission;

35 (q) Officers and employees of the Washington tree fruit research  
36 commission;

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

38 (s) Officers and employees of any commission formed under chapter  
39 15.66 RCW;

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

3 (u) Officers and employees of agricultural commissions formed under  
4 chapter 15.65 RCW;

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

7 (w) Liquor vendors appointed by the Washington state liquor control  
8 board pursuant to RCW 66.08.050: PROVIDED, HOWEVER, That rules adopted  
9 by the Washington personnel resources board pursuant to RCW 41.06.150  
10 regarding the basis for, and procedures to be followed for, the  
11 dismissal, suspension, or demotion of an employee, and appeals  
12 therefrom shall be fully applicable to liquor vendors except those part  
13 time agency vendors employed by the liquor control board when, in  
14 addition to the sale of liquor for the state, they sell goods, wares,  
15 merchandise, or services as a self-sustaining private retail business;

16 (x) Executive assistants for personnel administration and labor  
17 relations in all state agencies employing such executive assistants  
18 including but not limited to all departments, offices, commissions,  
19 committees, boards, or other bodies subject to the provisions of this  
20 chapter and this subsection shall prevail over any provision of law  
21 inconsistent herewith unless specific exception is made in such law;

22 (y) In each agency with fifty or more employees: Deputy agency  
23 heads, assistant directors or division directors, and not more than  
24 three principal policy assistants who report directly to the agency  
25 head or deputy agency heads;

26 (z) All employees of the marine employees' commission;

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

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

34 (a) Members of the governing board of each institution of higher  
35 education and related boards, all presidents, vice-presidents and their  
36 confidential secretaries, administrative and personal assistants;  
37 deans, directors, and chairs; academic personnel; and executive heads  
38 of major administrative or academic divisions employed by institutions  
39 of higher education; principal assistants to executive heads of major

1 administrative or academic divisions; other managerial or professional  
2 employees in an institution or related board having substantial  
3 responsibility for directing or controlling program operations and  
4 accountable for allocation of resources and program results, or for the  
5 formulation of institutional policy, or for carrying out personnel  
6 administration or labor relations functions, legislative relations,  
7 public information, development, senior computer systems and network  
8 programming, or internal audits and investigations; and any employee of  
9 a community college district whose place of work is one which is  
10 physically located outside the state of Washington and who is employed  
11 pursuant to RCW 28B.50.092 and assigned to an educational program  
12 operating outside of the state of Washington;

13 (b) Student, part-time, or temporary employees, and part-time  
14 professional consultants, as defined by the Washington personnel  
15 resources board, employed by institutions of higher education and  
16 related boards;

17 (c) The governing board of each institution, and related boards,  
18 may also exempt from this chapter classifications involving research  
19 activities, counseling of students, extension or continuing education  
20 activities, graphic arts or publications activities requiring  
21 prescribed academic preparation or special training as determined by  
22 the board: PROVIDED, That no nonacademic employee engaged in office,  
23 clerical, maintenance, or food and trade services may be exempted by  
24 the board under this provision;

25 (d) Printing craft employees in the department of printing at the  
26 University of Washington.

27 (3) In addition to the exemptions specifically provided by this  
28 chapter, the Washington personnel resources board may provide for  
29 further exemptions pursuant to the following procedures. The governor  
30 or other appropriate elected official may submit requests for exemption  
31 to the Washington personnel resources board stating the reasons for  
32 requesting such exemptions. The Washington personnel resources board  
33 shall hold a public hearing, after proper notice, on requests submitted  
34 pursuant to this subsection. If the board determines that the position  
35 for which exemption is requested is one involving substantial  
36 responsibility for the formulation of basic agency or executive policy  
37 or one involving directing and controlling program operations of an  
38 agency or a major administrative division thereof, the Washington  
39 personnel resources board shall grant the request and such

1 determination shall be final as to any decision made before July 1,  
2 1993. The total number of additional exemptions permitted under this  
3 subsection shall not exceed one percent of the number of employees in  
4 the classified service not including employees of institutions of  
5 higher education and related boards for those agencies not directly  
6 under the authority of any elected public official other than the  
7 governor, and shall not exceed a total of twenty-five for all agencies  
8 under the authority of elected public officials other than the  
9 governor. The Washington personnel resources board shall report to  
10 each regular session of the legislature during an odd-numbered year all  
11 exemptions granted under subsections (1) (x) and (y) and (2) of this  
12 section, together with the reasons for such exemptions.

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

20 Any person holding a classified position subject to the provisions  
21 of this chapter shall, when and if such position is subsequently  
22 exempted from the application of this chapter, be afforded the  
23 following rights: If such person previously held permanent status in  
24 another classified position, such person shall have a right of  
25 reversion to the highest class of position previously held, or to a  
26 position of similar nature and salary.

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

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

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

36 Nothing in this chapter is applicable to, or in any way affects,  
37 the powers and duties of the state auditor or the (~~legislative budget~~  
38 ~~committee~~) joint committee on performance audits.

1       **Sec. 35.** RCW 43.09.310 and 1981 c 217 s 1 are each amended to read  
2 as follows:

3       The state auditor, through the division of departmental audits,  
4 shall annually audit the state-wide combined financial statements  
5 prepared by the office of financial management and make post-audits of  
6 state agencies. Post-audits of state agencies shall be made at such  
7 periodic intervals as is determined by the state auditor. Audits of  
8 combined financial statements shall include determinations as to the  
9 validity and accuracy of accounting methods, procedures and standards  
10 utilized in their preparation, as well as the accuracy of the financial  
11 statements themselves. A report shall be made of each such audit and  
12 post-audit upon completion thereof, and one copy shall be transmitted  
13 to the governor, one to the director of financial management, one to  
14 the attorney general, one to the state department audited, one to the  
15 (~~legislative budget committee~~) joint committee on performance audits,  
16 one each to the standing committees on ways and means of the house and  
17 senate, one to the chief clerk of the house, one to the secretary of  
18 the senate, and at least one shall be kept on file in the office of the  
19 state auditor. For purposes of reporting the annual audit of state-  
20 wide combined financial statements, "state department audited" refers  
21 solely to the office of financial management.

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

24       On or before June 30, 1998, the (~~legislative budget committee~~)  
25 joint committee on performance audits shall prepare a report to the  
26 legislature evaluating the implementation of the environmental  
27 restoration jobs act of 1993, chapter 516, Laws of 1993.

28       **Sec. 37.** RCW 43.72.830 and 1993 c 492 s 476 are each amended to  
29 read as follows:

30       (1) By July 1, 1997, the (~~legislative budget committee~~) joint  
31 committee on performance audits either directly or by contract shall  
32 conduct the following study:

33       A study to determine the desirability and feasibility of  
34 consolidating the following programs, services, and funding sources  
35 into the delivery and financing of uniform benefits package services  
36 through certified health plans:

37       (a) State and federal veterans' health services;

1 (b) Civilian health and medical program of the uniformed services  
2 (CHAMPUS) of the federal department of defense and other federal  
3 agencies; and

4 (c) Federal employee health benefits.

5 (2) The (~~legislative budget committee~~) joint committee on  
6 performance audits shall evaluate the implementation of the provisions  
7 of chapter 492, Laws of 1993. The study shall determine to what extent  
8 chapter 492, Laws of 1993 has been implemented consistent with the  
9 principles and elements set forth in chapter 492, Laws of 1993 and  
10 shall report its findings to the governor and appropriate committees of  
11 the legislature by July 1, 2003.

12 **Sec. 38.** RCW 43.79.270 and 1973 c 144 s 2 are each amended to read  
13 as follows:

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

32 **Sec. 39.** RCW 43.79.280 and 1973 c 144 s 3 are each amended to read  
33 as follows:

34 If the governor approves such estimate in whole or part, he or she  
35 shall endorse on each copy of the statement his or her approval,  
36 together with a statement of the amount approved in the form of an  
37 allotment amendment, and transmit one copy to the head of the

1 department, agency, board, or commission authorizing the expenditure.  
2 An identical copy of the governor's statement of approval and a  
3 statement of the amount approved for expenditure shall be transmitted  
4 simultaneously to the (~~legislative budget committee~~) joint committee  
5 on performance audits and also to the standing committee on ways and  
6 means of the house and senate of all executive approvals of proposals  
7 to expend money in excess of appropriations provided by law.

8       **Sec. 40.** RCW 43.88.030 and 1994 c 247 s 7 and 1994 c 219 s 2 are  
9 each reenacted and amended to read as follows:

10       (1) The director of financial management shall provide all agencies  
11 with a complete set of instructions for submitting biennial budget  
12 requests to the director at least three months before agency budget  
13 documents are due into the office of financial management. The  
14 director shall provide agencies that are required under RCW 44.40.070  
15 to develop comprehensive six-year program and financial plans with a  
16 complete set of instructions for submitting these program and financial  
17 plans at the same time that instructions for submitting other budget  
18 requests are provided. The budget document or documents shall consist  
19 of the governor's budget message which shall be explanatory of the  
20 budget and shall contain an outline of the proposed financial policies  
21 of the state for the ensuing fiscal period, as well as an outline of  
22 the proposed six-year financial policies where applicable, and shall  
23 describe in connection therewith the important features of the budget.  
24 The message shall set forth the reasons for salient changes from the  
25 previous fiscal period in expenditure and revenue items and shall  
26 explain any major changes in financial policy. Attached to the budget  
27 message shall be such supporting schedules, exhibits and other  
28 explanatory material in respect to both current operations and capital  
29 improvements as the governor shall deem to be useful to the  
30 legislature. The budget document or documents shall set forth a  
31 proposal for expenditures in the ensuing fiscal period, or six-year  
32 period where applicable, based upon the estimated revenues as approved  
33 by the economic and revenue forecast council or upon the estimated  
34 revenues of the office of financial management for those funds,  
35 accounts, and sources for which the office of the economic and revenue  
36 forecast council does not prepare an official forecast, including those  
37 revenues anticipated to support the six-year programs and financial  
38 plans under RCW 44.40.070. In estimating revenues to support financial

1 plans under RCW 44.40.070, the office of financial management shall  
2 rely on information and advice from the interagency revenue task force.  
3 Revenues shall be estimated for such fiscal period from the source and  
4 at the rates existing by law at the time of submission of the budget  
5 document, including the supplemental budgets submitted in the even-  
6 numbered years of a biennium. However, the estimated revenues for use  
7 in the governor's budget document may be adjusted to reflect budgetary  
8 revenue transfers and revenue estimates dependent upon budgetary  
9 assumptions of enrollments, workloads, and caseloads. All adjustments  
10 to the approved estimated revenues must be set forth in the budget  
11 document. The governor may additionally submit, as an appendix to each  
12 supplemental, biennial, or six-year agency budget or to the budget  
13 document or documents, a proposal for expenditures in the ensuing  
14 fiscal period from revenue sources derived from proposed changes in  
15 existing statutes.

16 Supplemental and biennial documents shall reflect a six-year  
17 expenditure plan consistent with estimated revenues from existing  
18 sources and at existing rates for those agencies required to submit  
19 six-year program and financial plans under RCW 44.40.070. Any  
20 additional revenue resulting from proposed changes to existing statutes  
21 shall be separately identified within the document as well as related  
22 expenditures for the six-year period.

23 The budget document or documents shall also contain:

24 (a) Revenues classified by fund and source for the immediately past  
25 fiscal period, those received or anticipated for the current fiscal  
26 period, those anticipated for the ensuing biennium, and those  
27 anticipated for the ensuing six-year period to support the six-year  
28 programs and financial plans required under RCW 44.40.070;

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

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

33 (d) Such additional information dealing with revenues and  
34 expenditures as the governor shall deem pertinent and useful to the  
35 legislature;

36 (e) Tabulations showing expenditures classified by fund, function,  
37 activity and object;

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

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

7 (h) Tabulations showing each postretirement adjustment by  
8 retirement system established after fiscal year 1991, to include, but  
9 not be limited to, estimated total payments made to the end of the  
10 previous biennial period, estimated payments for the present biennium,  
11 and estimated payments for the ensuing biennium.

12 (2) The budget document or documents shall include detailed  
13 estimates of all anticipated revenues applicable to proposed operating  
14 or capital expenditures and shall also include all proposed operating  
15 or capital expenditures. The total of beginning undesignated fund  
16 balance and estimated revenues less working capital and other reserves  
17 shall equal or exceed the total of proposed applicable expenditures.  
18 The budget document or documents shall further include:

19 (a) Interest, amortization and redemption charges on the state  
20 debt;

21 (b) Payments of all reliefs, judgments and claims;

22 (c) Other statutory expenditures;

23 (d) Expenditures incident to the operation for each agency;

24 (e) Revenues derived from agency operations;

25 (f) Expenditures and revenues shall be given in comparative form  
26 showing those incurred or received for the immediately past fiscal  
27 period and those anticipated for the current biennium and next ensuing  
28 biennium, as well as those required to support the six-year programs  
29 and financial plans required under RCW 44.40.070;

30 (g) A showing and explanation of amounts of general fund and other  
31 funds obligations for debt service and any transfers of moneys that  
32 otherwise would have been available for appropriation;

33 (h) Common school expenditures on a fiscal-year basis;

34 (i) A showing, by agency, of the value and purpose of financing  
35 contracts for the lease/purchase or acquisition of personal or real  
36 property for the current and ensuing fiscal periods; and

37 (j) A showing and explanation of anticipated amounts of general  
38 fund and other funds required to amortize the unfunded actuarial  
39 accrued liability of the retirement system specified under chapter

1 41.45 RCW, and the contributions to meet such amortization, stated in  
2 total dollars and as a level percentage of total compensation.

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

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

8 (b) A capital program consisting of proposed capital projects for  
9 the next biennium and the two biennia succeeding the next biennium  
10 consistent with the long-range facilities plan. Inasmuch as is  
11 practical, and recognizing emergent needs, the capital program shall  
12 reflect the priorities, projects, and spending levels proposed in  
13 previously submitted capital budget documents in order to provide a  
14 reliable long-range planning tool for the legislature and state  
15 agencies;

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

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

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

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

23 (g) Estimated total project cost;

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

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

32 (j) Estimated ensuing biennium costs;

33 (k) Estimated costs beyond the ensuing biennium;

34 (l) Estimated construction start and completion dates;

35 (m) Source and type of funds proposed;

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

38 (o) For any capital appropriation requested for a state agency for  
39 the acquisition of land or the capital improvement of land in which the

1 primary purpose of the acquisition or improvement is recreation or  
2 wildlife habitat conservation, the capital budget document, or an  
3 omnibus list of recreation and habitat acquisitions provided with the  
4 governor's budget document, shall identify the projected costs of  
5 operation and maintenance for at least the two biennia succeeding the  
6 next biennium. Omnibus lists of habitat and recreation land  
7 acquisitions shall include individual project cost estimates for  
8 operation and maintenance as well as a total for all state projects  
9 included in the list. The document shall identify the source of funds  
10 from which the operation and maintenance costs are proposed to be  
11 funded;

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

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

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

18 For purposes of this subsection (3), the term "capital project"  
19 shall be defined subsequent to the analysis, findings, and  
20 recommendations of a joint committee comprised of representatives from  
21 the house capital appropriations committee, senate ways and means  
22 committee, legislative transportation committee, (~~legislative~~  
23 ~~evaluation and accountability program~~) joint committee on performance  
24 audits, and office of financial management.

25 (4) No change affecting the comparability of agency or program  
26 information relating to expenditures, revenues, workload, performance  
27 and personnel shall be made in the format of any budget document or  
28 report presented to the legislature under this section or RCW  
29 43.88.160(1) relative to the format of the budget document or report  
30 which was presented to the previous regular session of the legislature  
31 during an odd-numbered year without prior legislative concurrence.  
32 Prior legislative concurrence shall consist of (a) a favorable majority  
33 vote on the proposal by the standing committees on ways and means of  
34 both houses if the legislature is in session or (b) a favorable  
35 majority vote on the proposal by members of the (~~legislative~~  
36 ~~evaluation and accountability program~~) joint committee on performance  
37 audits if the legislature is not in session.

1       **Sec. 41.** 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 ~~((legislative budget committee))~~ joint  
9 committee on performance audits, standing committees on ways and means  
10 of the house and senate, the chief clerk of the house, or the secretary  
11 of the 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. 42.** 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 ~~((legislative budget committee))~~ joint committee on performance audits,  
27 the legislative transportation committee, ~~((the legislative evaluation~~  
28 ~~and accountability program committee,))~~ the office of state actuary,  
29 and all legislative standing committees of both houses shall be deemed  
30 a part of the legislative branch of state government.

31       **Sec. 43.** 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 legislative office  
34 of performance audit and fiscal analysis, with the concurrence of the  
35 ~~((legislative budget committee))~~ joint committee on performance audits,  
36 may file with the attorney general any audit exceptions or other  
37 findings of any performance audit, management study, or special report

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

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

14 **Sec. 44.** RCW 43.88.510 and 1987 c 505 s 37 are each amended to  
15 read as follows:

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

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

23 (2) The chair of the (~~legislative budget committee~~) joint  
24 committee on performance audits, including a copy to the staff of the  
25 committee;

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

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

31 **Sec. 45.** RCW 43.88.899 and 1986 c 215 s 8 are each amended to read  
32 as follows:

33 The amendments to chapter 43.88 RCW by chapter 215, Laws of 1986  
34 are intended to improve the reporting of state budgeting, accounting,  
35 and other fiscal data. The (~~legislative evaluation and accountability~~  
36 ~~program~~) joint committee on performance audits shall periodically

1 review chapter 43.88 RCW and shall recommend further revisions if  
2 needed.

3 **Sec. 46.** RCW 43.131.050 and 1990 c 297 s 2 are each amended to  
4 read as follows:

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

31 **Sec. 47.** RCW 43.131.060 and 1988 c 17 s 1 are each amended to read  
32 as follows:

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

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

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

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

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

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

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

15 **Sec. 48.** RCW 43.131.070 and 1977 ex.s. c 289 s 7 are each amended  
16 to read as follows:

17 In conducting the review of a state agency other than a regulatory  
18 entity, the (~~legislative budget committee~~) joint committee on  
19 performance audits shall consider, but not be limited to, the following  
20 factors where applicable:

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

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

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

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

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

34 **Sec. 49.** RCW 43.131.080 and 1989 c 175 s 109 are each amended to  
35 read as follows:

36 (1) Following receipt of the final report from the (~~legislative~~  
37 ~~budget committee~~) joint committee on performance audits, the

1 appropriate committees of reference in the senate and the house of  
2 representatives shall each hold a public hearing, unless a joint  
3 hearing is held, to consider the final report and any related data.  
4 The committees shall also receive testimony from representatives of the  
5 state agency or agencies involved, which shall have the burden of  
6 demonstrating a public need for its continued existence; and from the  
7 governor or the governor's designee, and other interested parties,  
8 including the general public.

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

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

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

34 **Sec. 50.** RCW 43.131.110 and 1977 ex.s. c 289 s 11 are each amended  
35 to read as follows:

36 Any reference in this chapter to a committee of the legislature  
37 including the (~~legislative budget committee~~) joint committee on  
38 performance audits shall also refer to the successor of that committee.

1       **Sec. 51.** RCW 43.250.080 and 1986 c 294 s 8 are each amended to  
2 read as follows:

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

11       **Sec. 52.** RCW 44.40.025 and 1981 c 270 s 15 are each amended to  
12 read as follows:

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

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

31       **Sec. 53.** RCW 67.70.310 and 1982 2nd ex.s. c 7 s 31 are each  
32 amended to read as follows:

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

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

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

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

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

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

17 **Sec. 54.** RCW 79.01.006 and 1991 c 204 s 1 are each amended to read  
18 as follows:

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

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

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

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

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

15 **Sec. 55.** RCW 82.33.030 and 1984 c 138 s 3 are each amended to read  
16 as follows:

17 The (~~administrator of the legislative evaluation and~~  
18 ~~accountability program committee~~) director of the legislative office  
19 of performance audit and fiscal analysis may request, and the  
20 supervisor shall provide, alternative economic and revenue forecasts  
21 based on assumptions specified by the (~~administrator~~) director of the  
22 legislative office of performance audit and fiscal analysis.

23 **Sec. 56.** RCW 82.33.040 and 1986 c 158 s 23 are each amended to  
24 read as follows:

25 (1) To promote the free flow of information and to promote  
26 legislative input in the preparation of forecasts, immediate access to  
27 all information relating to economic and revenue forecasts shall be  
28 available to the economic and revenue forecast work group, hereby  
29 created. Revenue collection information shall be available to the  
30 economic and revenue forecast work group the first business day  
31 following the conclusion of each collection period. The economic and  
32 revenue forecast work group shall consist of one staff member selected  
33 by the executive head or chairperson of each of the following agencies  
34 or committees:

35 (a) Department of revenue;

36 (b) Office of financial management;

1 (c) (~~Legislative evaluation and accountability program~~) joint  
2 committee on performance audits;

3 (d) Ways and means committee of the senate; and

4 (e) Ways and means committee of the house of representatives.

5 (2) The economic and revenue forecast work group shall provide  
6 technical support to the economic and revenue forecast council.  
7 Meetings of the economic and revenue forecast work group may be called  
8 by any member of the group for the purpose of assisting the economic  
9 and revenue forecast council, reviewing the state economic and revenue  
10 forecasts, or reviewing monthly revenue collection data or for any  
11 other purpose which may assist the economic and revenue forecast  
12 council.

13 **Sec. 57.** RCW 88.46.920 and 1991 c 200 s 429 are each amended to  
14 read as follows:

15 On or before November 15, 1996, the (~~legislative budget~~  
16 ~~committee~~) joint committee on performance audits shall prepare a  
17 report to the legislature on the means for future implementation of the  
18 provisions in chapter 88.46 RCW.

19 NEW SECTION. **Sec. 58.** (1) The legislative budget committee and  
20 the legislative evaluation and accountability program (LEAP) are hereby  
21 abolished and their powers, duties, and functions are hereby  
22 transferred to the joint committee on performance audits. All  
23 references to the legislative budget committee and the legislative  
24 evaluation and accountability program (LEAP) in the Revised Code of  
25 Washington shall be construed to mean the director of the legislative  
26 office of performance audit and fiscal analysis or the joint committee  
27 on performance audits.

28 (2)(a) All reports, documents, surveys, books, records, files,  
29 papers, or written material in the possession of the legislative budget  
30 committee and the legislative evaluation and accountability program  
31 (LEAP) shall be delivered to the custody of the joint committee on  
32 performance audits. All cabinets, furniture, office equipment, motor  
33 vehicles, and other tangible property employed by the legislative  
34 budget committee and the legislative evaluation and accountability  
35 program (LEAP) shall be made available to the joint committee on  
36 performance audits. All funds, credits, or other assets held by the  
37 legislative budget committee and the legislative evaluation and

1 accountability program (LEAP) shall be assigned to the joint committee  
2 on performance audits.

3 (b) Any appropriations made to the legislative budget committee and  
4 the legislative evaluation and accountability program (LEAP) shall, on  
5 the effective date of this section, be transferred and credited to the  
6 joint committee on performance audits.

7 (c) If any question arises as to the transfer of any personnel,  
8 funds, books, documents, records, papers, files, equipment, or other  
9 tangible property used or held in the exercise of the powers and the  
10 performance of the duties and functions transferred, the director of  
11 financial management shall make a determination as to the proper  
12 allocation and certify the same to the state agencies concerned.

13 (3) All employees of the legislative budget committee and the  
14 legislative evaluation and accountability program (LEAP) are  
15 transferred to the jurisdiction of the joint committee on performance  
16 audits. All employees classified under chapter 41.06 RCW, the state  
17 civil service law, are assigned to the joint committee on performance  
18 audits to perform their usual duties upon the same terms as formerly,  
19 without any loss of rights, subject to any action that may be  
20 appropriate thereafter in accordance with the laws and rules governing  
21 state civil service.

22 (4) All rules and all pending business before the legislative  
23 budget committee and the legislative evaluation and accountability  
24 program (LEAP) shall be continued and acted upon by the joint committee  
25 on performance audits. All existing contracts and obligations shall  
26 remain in full force and shall be performed by the joint committee on  
27 performance audits.

28 (5) The transfer of the powers, duties, functions, and personnel of  
29 the legislative budget committee and the legislative evaluation and  
30 accountability program (LEAP) shall not affect the validity of any act  
31 performed before the effective date of this section.

32 (6) If apportionments of budgeted funds are required because of the  
33 transfers directed by this section, the director of financial  
34 management shall certify the apportionments to the agencies affected,  
35 the state auditor, and the state treasurer. Each of these shall make  
36 the appropriate transfer and adjustments in funds and appropriation  
37 accounts and equipment records in accordance with the certification.

38 (7) Nothing contained in this section may be construed to alter any  
39 existing collective bargaining unit or the provisions of any existing

1 collective bargaining agreement until the agreement has expired or  
2 until the bargaining unit has been modified by action of the personnel  
3 board as provided by law.

4 NEW SECTION. **Sec. 59.** Sections 1 through 10 of this act shall  
5 constitute a new chapter in Title 44 RCW.

6 NEW SECTION. **Sec. 60.** RCW 44.28.110, 44.28.120, 44.28.150,  
7 44.48.070, 44.48.080, 44.28.090, and 44.28.130 are each recodified as  
8 sections in the new chapter created in section 59 of this act.

9 NEW SECTION. **Sec. 61.** The following acts or parts of acts are  
10 each repealed:

11 (1) RCW 44.28.010 and 1983 c 52 s 1, 1980 c 87 s 30, 1969 c 10 s 4,  
12 1967 ex.s. c 114 s 1, 1963 ex.s. c 20 s 1, 1955 c 206 s 4, & 1951 c 43  
13 s 1;

14 (2) RCW 44.28.020 and 1980 c 87 s 31, 1969 c 10 s 5, 1955 c 206 s  
15 5, & 1951 c 43 s 12;

16 (3) RCW 44.28.030 and 1955 c 206 s 6 & 1951 c 43 s 13;

17 (4) RCW 44.28.040 and 1975-'76 2nd ex.s. c 34 s 134 & 1951 c 43 s  
18 14;

19 (5) RCW 44.28.050 and 1989 c 137 s 1, 1955 c 206 s 7, & 1951 c 43  
20 s 15;

21 (6) RCW 44.28.060 and 1975 1st ex.s. c 293 s 13 & 1951 c 43 s 2;

22 (7) RCW 44.28.080 and 1975 1st ex.s. c 293 s 14, 1955 c 206 s 10,  
23 & 1951 c 43 s 4;

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

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

27 (10) RCW 44.28.087 and 1973 1st ex.s. c 197 s 2;

28 (11) RCW 44.28.100 and 1987 c 505 s 45, 1975 1st ex.s. c 293 s 16,  
29 & 1951 c 43 s 6;

30 (12) RCW 44.28.130 and 1951 c 43 s 10;

31 (13) RCW 44.28.140 and 1975 1st ex.s. c 293 s 17, 1955 c 206 s 9,  
32 & 1951 c 43 s 11;

33 (14) RCW 44.28.180 and 1993 c 406 s 5;

34 (15) RCW 44.28.900 and 1951 c 43 s 16;

35 (16) RCW 44.48.010 and 1980 c 87 s 40 & 1977 ex.s. c 373 s 1;

36 (17) RCW 44.48.020 and 1980 c 87 s 41 & 1977 ex.s. c 373 s 2;

- 1 (18) RCW 44.48.030 and 1980 c 87 s 42 & 1977 ex.s. c 373 s 3;
- 2 (19) RCW 44.48.040 and 1977 ex.s. c 373 s 4;
- 3 (20) RCW 44.48.050 and 1977 ex.s. c 373 s 5;
- 4 (21) RCW 44.48.060 and 1977 ex.s. c 373 s 6;
- 5 (22) RCW 44.48.100 and 1987 c 505 s 46 & 1977 ex.s. c 373 s 10;
- 6 (23) RCW 44.48.110 and 1977 ex.s. c 373 s 11;
- 7 (24) RCW 44.48.120 and 1977 ex.s. c 373 s 12;
- 8 (25) RCW 44.48.140 and 1977 ex.s. c 373 s 14; and
- 9 (26) RCW 44.48.900 and 1977 ex.s. c 373 s 16.

--- END ---