

2 **E2SHB 2222** - S AMD - 312

3 By Senators Strannigan and Bauer

4 ADOPTED 3/7/96

5 Strike everything after the enacting clause and insert the  
6 following:

7 "NEW SECTION. **Sec. 1.** The public expects the legislature to  
8 address citizens' increasing demand for the basic services of state  
9 government, while limiting the growth in spending. The public demands  
10 that public officials and state employees be accountable to provide  
11 maximum value for every dollar entrusted to state government. The  
12 public believes that it is possible to improve the responsiveness of  
13 state government and to save the taxpayers' money, and that efficiency  
14 and effectiveness should result in savings.

15 The legislature, public officials, state employees, and citizens  
16 need to know the extent to which state agencies, programs, and  
17 activities are achieving the purposes for which they were created. It  
18 is essential to compare the conditions, problems, and priorities that  
19 led to the creation of government programs with current conditions,  
20 problems, and priorities, and to examine the need for and performance  
21 of those programs in the current environment.

22 Along with examining the performance of state agencies and  
23 programs, the legislature, public officials, state employees, and  
24 citizens must also consider the effect that state government programs  
25 can reasonably expect to have on citizens' lives, how the level of  
26 programs and services of Washington state government compares with that  
27 of other states, and alternatives for service delivery, including other  
28 levels of government and the private sector including not-for-profit  
29 organizations. It is essential that the legislature, public officials,  
30 state employees, and citizens share a common understanding of the role  
31 of state government. The performance and relative priority of state  
32 agency programs and activities must be the basis for managing and  
33 allocating resources within Washington state government.

34 It is the intent of the legislature to strengthen the role of the  
35 current legislative budget committee so that it may more effectively  
36 examine how efficiently state agencies perform their responsibilities

1 and whether the agencies are achieving their goals, and whether units  
2 of local government are using state funds for their intended purpose in  
3 an efficient and effective manner. It is also the intent of the  
4 legislature to enact a clear set of definitions for different types of  
5 audits in order to eliminate confusion with regard to government  
6 reviews.

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

10 (1) "Legislative auditor" means the executive officer of the joint  
11 legislative audit and review committee.

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

20 (3) "Final compliance report" means a written document, as approved  
21 by the joint committee, that states the specific actions a state agency  
22 or unit of local government receiving state funds has taken to  
23 implement recommendations contained in the final performance audit  
24 report and the preliminary compliance report. Any recommendations,  
25 including proposed legislation and changes in the agency's rules and  
26 practices or the local government's practices, based on testimony  
27 received, must be included in the final compliance report.

28 (4) "Final performance audit report" means a written document  
29 adopted by the joint legislative audit and review committee that  
30 contains the findings and proposed recommendations made in the  
31 preliminary performance audit report, the final recommendations adopted  
32 by the joint committee, any comments to the preliminary performance  
33 audit report by the joint committee, and any comments to the  
34 preliminary performance audit report by the state agency or local  
35 government that was audited.

36 (5) "Joint committee" means the joint legislative audit and review  
37 committee.

1 (6) "Local government" means a city, town, county, special purpose  
2 district, political subdivision, municipal corporation, or quasi-  
3 municipal corporation, including a public corporation created by such  
4 an entity.

5 (7) "Performance audit" means an objective and systematic  
6 assessment of a state agency or any of its programs, functions, or  
7 activities, or a unit of local government receiving state funds, by an  
8 independent evaluator in order to help public officials improve  
9 efficiency, effectiveness, and accountability. Performance audits  
10 include economy and efficiency audits and program audits. A  
11 performance audit of a local government may only be made to determine  
12 whether the local government is using state funds for their intended  
13 purpose in an efficient and effective manner.

14 (8) "Performance measures" are a composite of key indicators of a  
15 program's or activity's inputs, outputs, outcomes, productivity,  
16 timeliness, and/or quality. They are means of evaluating policies and  
17 programs by measuring results against agreed upon program goals or  
18 standards.

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

23 (10) "Preliminary performance audit report" means a written  
24 document prepared for review and comment by the joint legislative audit  
25 and review committee after the completion of a performance audit. The  
26 preliminary performance audit report must contain the audit findings  
27 and any proposed recommendations to improve the efficiency,  
28 effectiveness, or accountability of the state agency or local  
29 government audited.

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

34 (12) "State agency" or "agency" means a state agency, department,  
35 office, officer, board, commission, bureau, division, institution, or  
36 institution of higher education. "State agency" includes all elective  
37 offices in the executive branch of state government.

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

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

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

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

1 year after their confirmation, election or appointment. Vacancies on  
2 the joint committee shall be filled by appointment by the remaining  
3 members. All such vacancies shall be filled from the same political  
4 party and from the same house as the member whose seat was vacated.

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

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

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

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

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

26 The members of the joint committee shall ((have the power and duty  
27 to appoint its own chairman, vice chairman, and other officers; to make  
28 rules and regulations for orderly procedure; to perform, either through  
29 the legislative budget committee or through subcommittees of the  
30 legislative budget committee, all duties and functions relating to  
31 improving the economy, efficiency, and effectiveness of state agency  
32 management by performance audits and other staff studies of state  
33 government, its officers, boards, committees, commissions,  
34 institutions, and other state agencies)) form an executive committee  
35 consisting of one member from each of the four major political  
36 caucuses, which shall include a chair and a vice-chair. The chair and

1 vice-chair shall serve for a period not to exceed two years. The chair  
2 and the vice-chair may not be members of the same political party. The  
3 chair shall alternate between the members of the majority parties in  
4 the senate and the house of representatives.

5 The executive committee is responsible for performing all general  
6 administrative and personnel duties assigned to it in the rules and  
7 procedures adopted by the joint committee, as well as other duties  
8 delegated to it by the joint committee. The executive committee shall  
9 recommend applicants for the position of the legislative auditor to the  
10 membership of the joint committee. The legislative auditor shall be  
11 hired with the approval of a majority of the membership of the joint  
12 committee. The executive committee shall set the salary of the  
13 legislative auditor.

14 The joint committee shall adopt rules and procedures for its  
15 orderly operation. The joint committee may create subcommittees to  
16 perform duties under this chapter.

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

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

28 The ~~((duties of the))~~ legislative auditor shall ~~((be as follows))~~:

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

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

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

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

37 (2) Direct the audit and review functions described in this chapter  
38 and ensure that performance audits are performed in accordance with the

1 "Government Auditing Standards" published by the comptroller general of  
2 the United States as applicable to the scope of the audit;

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

7 (4) In consultation with and with the approval of the executive  
8 committee, hire staff necessary to carry out the purposes of this  
9 chapter. Employee salaries, other than the legislative auditor, shall  
10 be set by the legislative auditor with the approval of the executive  
11 committee;

12 (5) Assist the several standing committees of the house and senate  
13 in consideration of legislation affecting state departments and their  
14 efficiency; ((tø)) appear before other legislative committees; and  
15 ((tø)) assist any other legislative committee upon instruction by the  
16 joint legislative ((budget)) audit and review committee.

17 ((+3-Tø)) (6) Provide the legislature with information obtained  
18 under the direction of the joint legislative ((budget)) audit and  
19 review committee((-));

20 ((+4-Tø)) (7) Maintain a record of all work performed by the  
21 legislative auditor under the direction of the joint legislative  
22 ((budget)) audit and review committee and ((tø)) keep and make  
23 available all documents, data, and reports submitted to ((him)) the  
24 legislative auditor by any legislative committee.

25 NEW SECTION. Sec. 9. (1) In conducting performance audits and  
26 other reviews, the legislative auditor shall work closely with the  
27 chairs and staff of standing committees of the senate and house of  
28 representatives, and may work in consultation with the state auditor  
29 and the director of financial management.

30 (2) The legislative auditor may contract with and consult with  
31 public and private independent professional and technical experts as  
32 necessary in conducting the performance audits. The legislative  
33 auditor should also involve front-line employees and internal auditors  
34 in the performance audit process to the highest possible degree.

35 (3) The legislative auditor shall work with the legislative  
36 evaluation and accountability program committee and the office of  
37 financial management to develop information system capabilities  
38 necessary for the performance audit requirements of this chapter.

1 (4) The legislative auditor shall work with the legislative office  
2 of performance review and the office of financial management to  
3 facilitate the implementation of effective performance measures  
4 throughout state government. In agencies and programs where effective  
5 systems for performance measurement exist, the measurements  
6 incorporated into those systems should be a basis for performance  
7 audits conducted under this chapter.

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

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

15 (b) Identification of viable alternatives for reducing costs or  
16 improving service delivery;

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

19 (d) Comparison with other states whose agencies perform similar  
20 functions, as well as their relative funding levels and performance.

21 (2) As part of a performance audit, the legislative auditor may  
22 review the costs of programs recently implemented by the legislature to  
23 compare actual agency costs with the appropriations provided and the  
24 cost estimates that were included in the fiscal note for the program at  
25 the time the program was enacted.

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

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

29 (1) To make examinations and reports concerning whether or not  
30 appropriations are being expended for the purposes and within the  
31 statutory restrictions provided by the legislature; (~~concerning the~~  
32 ~~economic outlook and estimates of revenue to meet expenditures;~~) and  
33 concerning the organization and operation of procedures necessary or  
34 desirable to promote economy, efficiency, and effectiveness in state  
35 government, its officers, boards, committees, commissions,  
36 institutions, and other state agencies, and to make recommendations and  
37 reports to the legislature.

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

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

9 (4) To perform other legislative staff studies of state government  
10 or the use of state funds.

11 (5) To conduct performance audits in accordance with the work plan  
12 adopted by the joint committee under RCW 44.28.180.

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

17 (7) To develop internal tracking procedures that will allow the  
18 legislature to measure the effectiveness of performance audits  
19 conducted by the joint committee including, where appropriate,  
20 measurements of cost-savings and increases in efficiency and  
21 effectiveness in how state agencies deliver their services.

22 (8) To receive messages and reports in person or in writing from  
23 the governor or any other state officials and to study generally any  
24 and all business relating to economy, efficiency, and effectiveness in  
25 state government and state agencies.

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

28 (1) ~~((In conducting program evaluations as defined in RCW~~  
29 ~~43.88.020, the legislative budget committee may establish a biennial~~  
30 ~~work plan))~~ During the regular legislative session of each odd-numbered  
31 year, beginning with 1997, the joint legislative audit and review  
32 committee shall develop and approve a performance audit work plan for  
33 the subsequent sixteen to twenty-four-month period and an overall work  
34 plan that identifies state agency programs for which formal evaluation  
35 appears necessary. Among the factors to be considered in preparing the  
36 work plans are:

37 (a) Whether a program newly created or significantly altered by the  
38 legislature warrants continued oversight because (i) the fiscal impact

1 of the program is significant, or (ii) the program represents a  
2 relatively high degree of risk in terms of reaching the stated goals  
3 and objectives for that program;

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

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

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

11 (3) The legislative auditor may consult with the chairs and staff  
12 of appropriate legislative committees, the state auditor, and the  
13 director of financial management in developing the performance audit  
14 work plan.

15 (4) The performance audit work plan and the overall work plan may  
16 include proposals to employ contract (~~evaluators~~) resources. As  
17 conditions warrant, the (~~program evaluation~~) performance audit work  
18 plan and the overall work plan may be amended from time to time. All  
19 (~~biennial~~) performance audit work plans shall be transmitted to the  
20 appropriate fiscal and policy committees of the senate and the house of  
21 representatives no later than the sixtieth day of the regular  
22 legislative session of each odd-numbered year, beginning with 1997.  
23 All overall work plans shall be transmitted to the appropriate fiscal  
24 and policy committees of the senate and the house of representatives.

25 NEW SECTION. Sec. 13. (1) When the legislative auditor has  
26 completed a performance audit authorized in the performance audit work  
27 plan, the legislative auditor shall transmit the preliminary  
28 performance audit report to the affected state agency or local  
29 government and the office of financial management for comment. The  
30 agency or local government and the office of financial management shall  
31 provide any response to the legislative auditor within thirty days  
32 after receipt of the preliminary performance audit report unless a  
33 different time period is approved by the joint committee. The  
34 legislative auditor shall incorporate the response of the agency or  
35 local government and the office of financial management into the final  
36 performance audit report.

37 (2) Before releasing the results of a performance audit to the  
38 legislature or the public, the legislative auditor shall submit the

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

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

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

1        NEW SECTION.    **Sec. 15.**    Subject to the joint committee's approval,  
2 the office of the joint committee shall undergo an external quality  
3 control review within three years of the effective date of this act and  
4 at regular intervals thereafter.    The review must be conducted by an  
5 independent organization that has experience in conducting performance  
6 audits.    The quality control review must include, at a minimum, an  
7 evaluation of the quality of the audits conducted by the joint  
8 committee, an assessment of the audit procedures used by the joint  
9 committee, and an assessment of the qualifications of the joint  
10 committee staff to conduct performance audits.

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

18        (2) The legislative auditor shall assess state agencies all or a  
19 portion of the costs of a performance audit from funds appropriated to  
20 the agencies for administrative expenses.    Agencies operating in whole  
21 or in part from nonappropriated funds must pay into the revolving fund  
22 such funds as will fully reimburse for the costs of a performance  
23 audit.

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

26        NEW SECTION.    **Sec. 17.**    To ensure the accuracy and timeliness of  
27 information used as the basis for performance audits and other  
28 responsibilities of the legislature, the legislative auditor or the  
29 legislative auditor's staff must be provided direct access to  
30 information held by any state agency.    Agencies shall submit directly  
31 to the joint legislative audit and review committee all data and other  
32 information requested, including tax records and client data.    Any  
33 confidential data or information provided to the committee must be kept  
34 confidential by the joint committee.

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

1 All agency reports concerning program performance, including  
2 administrative review, quality control, and other internal audit or  
3 performance reports, as requested by the (~~legislative budget~~) joint  
4 committee, shall be furnished by the agency requested to provide such  
5 report.

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

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

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

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

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

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

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

33 The joint committee shall cooperate, act, and function with  
34 legislative committees and with the councils or committees of other

1 states similar to this joint committee and with other interstate  
2 research organizations.

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

5 (1) "Budget" means a proposed plan of expenditures for a given  
6 period or purpose and the proposed means for financing these  
7 expenditures.

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

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

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

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

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

31 (7) "Ensuing biennium" means the fiscal biennium beginning on July  
32 1st of the same year in which a regular session of the legislature is  
33 held during an odd-numbered year pursuant to Article II, section 12 of  
34 the Constitution and which biennium next succeeds the current biennium.

35 (8) "Dedicated fund" means a fund in the state treasury, or a  
36 separate account or fund in the general fund in the state treasury,  
37 that by law is dedicated, appropriated, or set aside for a limited

1 object or purpose; but "dedicated fund" does not include a revolving  
2 fund or a trust fund.

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

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

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

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

19 (13) "Lapse" means the termination of authority to expend an  
20 appropriation.

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

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

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

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

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

38 ~~((19))~~ (18) "General state revenues" means the revenues defined  
39 by Article VIII, section 1(c) of the state Constitution.

1       (~~(20)~~) (19) "Annual growth rate in real personal income" means  
2 the estimated percentage growth in personal income for the state during  
3 the current fiscal year, expressed in constant value dollars, as  
4 published by the office of financial management or its successor  
5 agency.

6       (~~(21)~~) (20) "Estimated revenues" means estimates of revenue in  
7 the most recent official economic and revenue forecast prepared under  
8 RCW 82.33.020, and prepared by the office of financial management for  
9 those funds, accounts, and sources for which the office of the economic  
10 and revenue forecast council does not prepare an official forecast  
11 including estimates of revenues to support financial plans under RCW  
12 44.40.070, that are prepared by the office of financial management in  
13 consultation with the interagency task force.

14       (~~(22)~~) (21) "Estimated receipts" means the estimated receipt of  
15 cash in the most recent official economic and revenue forecast prepared  
16 under RCW 82.33.020, and prepared by the office of financial management  
17 for those funds, accounts, and sources for which the office of the  
18 economic and revenue forecast council does not prepare an official  
19 forecast.

20       (~~(23)~~) (22) "State budgeting, accounting, and reporting system"  
21 means a system that gathers, maintains, and communicates fiscal  
22 information. The system links fiscal information beginning with  
23 development of agency budget requests through adoption of legislative  
24 appropriations to tracking actual receipts and expenditures against  
25 approved plans.

26       (~~(24)~~) (23) "Allotment of appropriation" means the agency's  
27 statement of proposed expenditures, the director of financial  
28 management's review of that statement, and the placement of the  
29 approved statement into the state budgeting, accounting, and reporting  
30 system.

31       (~~(25)~~) (24) "Statement of proposed expenditures" means a plan  
32 prepared by each agency that breaks each appropriation out into monthly  
33 detail representing the best estimate of how the appropriation will be  
34 expended.

35       (~~(26)~~) (25) "Undesignated fund balance (or deficit)" means  
36 unreserved and undesignated current assets or other resources available  
37 for expenditure over and above any current liabilities which are  
38 expected to be incurred by the close of the fiscal period.

1        ~~((27))~~ (26) "Internal audit" means an independent appraisal  
2 activity within an agency for the review of operations as a service to  
3 management, including a systematic examination of accounting and fiscal  
4 controls to assure that human and material resources are guarded  
5 against waste, loss, or misuse; and that reliable data are gathered,  
6 maintained, and fairly disclosed in a written report of the audit  
7 findings.

8        ~~((28))~~ (27) "Performance verification" means an analysis that (a)  
9 verifies the accuracy of data used by state agencies in quantifying  
10 intended results and measuring performance toward those results, and  
11 (b) verifies whether or not the reported results were achieved.

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

20        (28) "Performance audit" has the same meaning as it is defined in  
21 section 2 of this act.

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

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

35        The estimates shall include statements or tables which indicate, by  
36 agency, the state funds which are required for the receipt of federal  
37 matching revenues. The estimates shall be revised as necessary to  
38 reflect legislative enactments and adopted appropriations and shall be

1 included with the initial biennial allotment submitted under RCW  
2 43.88.110. The estimates must include consideration of findings made  
3 by the legislative auditor of the office of the joint legislative audit  
4 and review committee under a performance audit of the agency.

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

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

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

29 (1) Governor; director of financial management. The governor,  
30 through the director of financial management, shall devise and  
31 supervise a modern and complete accounting system for each agency to  
32 the end that all revenues, expenditures, receipts, disbursements,  
33 resources, and obligations of the state shall be properly and  
34 systematically accounted for. The accounting system shall include the  
35 development of accurate, timely records and reports of all financial  
36 affairs of the state. The system shall also provide for central  
37 accounts in the office of financial management at the level of detail  
38 deemed necessary by the director to perform central financial

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

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

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

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

35 (a) Develop and maintain a system of internal controls and internal  
36 audits comprising methods and procedures to be adopted by each agency  
37 that will safeguard its assets, check the accuracy and reliability of  
38 its accounting data, promote operational efficiency, and encourage  
39 adherence to prescribed managerial policies for accounting and

1 financial controls. The system developed by the director shall include  
2 criteria for determining the scope and comprehensiveness of internal  
3 controls required by classes of agencies, depending on the level of  
4 resources at risk.

5 Each agency head or authorized designee shall be assigned the  
6 responsibility and authority for establishing and maintaining internal  
7 audits following the standards of internal auditing of the institute of  
8 internal auditors;

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

14 (c) Establish policies for allowing the contracting of child care  
15 services;

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

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

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

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

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

3       (5) The treasurer shall:

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

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

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

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

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

18       It shall be unlawful for the treasurer to disburse public funds in  
19 the treasury except upon forms or by alternative means duly prescribed  
20 by the director of financial management. These forms or alternative  
21 means shall provide for authentication and certification by the agency  
22 head or the agency head's designee that the services have been rendered  
23 or the materials have been furnished; or, in the case of loans or  
24 grants, that the loans or grants are authorized by law; or, in the case  
25 of payments for periodic maintenance services to be performed on state  
26 owned equipment, that a written contract for such periodic maintenance  
27 services is currently in effect and copies thereof are on file with the  
28 office of financial management; and the treasurer shall not be liable  
29 under the treasurer's surety bond for erroneous or improper payments so  
30 made. When services are lawfully paid for in advance of full  
31 performance by any private individual or business entity other than as  
32 provided for by RCW 42.24.035, such individual or entity other than  
33 central stores rendering such services shall make a cash deposit or  
34 furnish surety bond coverage to the state as shall be fixed in an  
35 amount by law, or if not fixed by law, then in such amounts as shall be  
36 fixed by the director of the department of general administration but  
37 in no case shall such required cash deposit or surety bond be less than  
38 an amount which will fully indemnify the state against any and all  
39 losses on account of breach of promise to fully perform such services.

1 No payments shall be made in advance for any equipment maintenance  
2 services to be performed more than three months after such payment.  
3 Any such bond so furnished shall be conditioned that the person, firm  
4 or corporation receiving the advance payment will apply it toward  
5 performance of the contract. The responsibility for recovery of  
6 erroneous or improper payments made under this section shall lie with  
7 the agency head or the agency head's designee in accordance with  
8 regulations issued pursuant to this chapter. Nothing in this section  
9 shall be construed to permit a public body to advance funds to a  
10 private service provider pursuant to a grant or loan before services  
11 have been rendered or material furnished.

12 (6) The state auditor shall:

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

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

25 (c) Make the auditor's official report on or before the thirty-  
26 first of December which precedes the meeting of the legislature. The  
27 report shall be for the last complete fiscal period and shall include  
28 determinations as to whether agencies, in making expenditures, complied  
29 with the laws of this state. The state auditor is authorized to  
30 perform or participate in performance verifications ~~((only))~~ and  
31 performance audits as expressly authorized by the legislature in the  
32 omnibus biennial appropriations acts or in the performance audit work  
33 plan approved by the joint legislative audit and review committee. The  
34 state auditor, upon completing an audit for legal and financial  
35 compliance under chapter 43.09 RCW or a performance verification, may  
36 report to the joint legislative ~~((budget))~~ audit and review committee  
37 or other appropriate committees of the legislature, in a manner  
38 prescribed by the joint legislative ~~((budget))~~ audit and review  
39 committee, on facts relating to the management or performance of

1 governmental programs where such facts are discovered incidental to the  
2 legal and financial audit or performance verification. The auditor may  
3 make such a report to a legislative committee only if the auditor has  
4 determined that the agency has been given an opportunity and has failed  
5 to resolve the management or performance issues raised by the auditor.  
6 If the auditor makes a report to a legislative committee, the agency  
7 may submit to the committee a response to the report. This subsection  
8 (6) shall not be construed to authorize the auditor to allocate other  
9 than de minimis resources to performance audits except as expressly  
10 authorized in the appropriations acts or in the performance audit work  
11 plan. The results of a performance audit conducted by the state  
12 auditor that has been requested by the joint legislative audit and  
13 review committee must only be transmitted to the joint legislative  
14 audit and review committee.

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

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

25 (f) Investigate improper governmental activity under chapter 42.40  
26 RCW.

27 (7) The joint legislative (~~(budget)~~) audit and review committee  
28 may:

29 (a) Make post audits of the financial transactions of any agency  
30 and management surveys and program reviews as provided for in chapter  
31 44.28 RCW (~~(44.28.085)~~) as well as performance audits and program  
32 evaluations. To this end the joint committee may in its discretion  
33 examine the books, accounts, and other records of any agency, official,  
34 or employee.

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

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

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

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

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

11 (1) The selection advisory committee is created. The committee  
12 shall be composed of up to three members from the house of  
13 representatives, up to three members from the senate, up to two members  
14 from the office of the superintendent of public instruction, and one  
15 member from each of the following: The office of financial management,  
16 Washington state special education coalition, transitional bilingual  
17 instruction educators, and Washington education association.

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

21 (3) The selection advisory committee shall:

22 (a) Develop appropriate criteria for selecting demonstration  
23 projects;

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

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

28 (d) Advise the superintendent of public instruction on the  
29 evaluation design.

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

32 Until authorized and empowered to do so by statute of the  
33 legislature, the board of regents of the university, with respect to  
34 that certain tract of land in the city of Seattle originally known as  
35 the "old university grounds" and more recently known as the  
36 "Metropolitan Tract" and any land contiguous thereto, shall not sell  
37 (~~((said))~~) the land or any part thereof or any improvement thereon, or

1 lease (~~said~~) the land or any part thereof or any improvement thereon  
2 or renew or extend any lease thereof for a term ending more than sixty  
3 years beyond midnight, December 31, 1980. Any sale of (~~said~~) the  
4 land or any part thereof or any improvement thereon, or any lease or  
5 renewal or extension of any lease of (~~said~~) the land or any part  
6 thereof or any improvement thereon for a term ending more than sixty  
7 years after midnight, December 31, 1980, made or attempted to be made  
8 by the board of regents shall be null and void unless and until the  
9 same has been approved or ratified and confirmed by legislative act.

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

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

30 Each state agency and educational institution shall comply with the  
31 annual goals established for that agency or institution under this  
32 chapter for public works and procuring goods or services. This chapter  
33 applies to all public works and procurement by state agencies and  
34 educational institutions, including all contracts and other procurement  
35 under chapters 28B.10, 39.04, 39.29, 43.19, and 47.28 RCW. Each state  
36 agency shall adopt a plan, developed in consultation with the director  
37 and the advisory committee, to insure that minority and women-owned  
38 businesses are afforded the maximum practicable opportunity to directly

1 and meaningfully participate in the execution of public contracts for  
2 public works and goods and services. The plan shall include specific  
3 measures the agency will undertake to increase the participation of  
4 certified minority and women-owned businesses. The office shall  
5 annually notify the governor, the state auditor, and the joint  
6 legislative (~~(budget)~~) audit and review committee of all agencies and  
7 educational institutions not in compliance with this chapter.

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

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

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

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

31 (2) The office of financial management shall approve sole source  
32 contracts of ten thousand dollars or more that are state funded, before  
33 any such contract becomes binding and before any services may be  
34 performed under the contract. These requirements shall also apply to  
35 sole source contracts of less than ten thousand dollars if the total  
36 amount of such contracts between an agency and the same consultant is  
37 ten thousand dollars or more within a fiscal year. Agencies shall

1 ensure that the costs, fees, or rates negotiated in filed sole source  
2 contracts of ten thousand dollars or more are reasonable.

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

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

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

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

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

24 (5) The office of financial management shall approve amendments  
25 provided to it under this section only if they meet the criteria for  
26 approval of the amendments established by the director of the office of  
27 financial management.

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

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

35 (2) The office of financial management shall review and approve  
36 state-funded personal service contracts subject to competitive  
37 solicitation that provide services relating to management consulting,

1 organizational development, marketing, communications, employee  
2 training, or employee recruiting.

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

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

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

11 (b) The justices of the supreme court, judges of the court of  
12 appeals, judges of the superior courts or of the inferior courts, or to  
13 any employee of, or position in the judicial branch of state  
14 government;

15 (c) Officers, academic personnel, and employees of technical  
16 colleges;

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

18 (e) Elective officers of the state;

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

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

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

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

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

35 (iii) If the members of the board, commission, or committee serve  
36 on a full-time basis: The chief executive officer or administrative  
37 officer as designated by the board, commission, or committee; and a

1 confidential secretary to the chair of the board, commission, or  
2 committee;

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

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

8 (j) Assistant attorneys general;

9 (k) Commissioned and enlisted personnel in the military service of  
10 the state;

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

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

16 (n) Officers and employees of the Washington state fruit  
17 commission;

18 (o) Officers and employees of the Washington state apple  
19 advertising commission;

20 (p) Officers and employees of the Washington state dairy products  
21 commission;

22 (q) Officers and employees of the Washington tree fruit research  
23 commission;

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

25 (s) Officers and employees of any commission formed under chapter  
26 15.66 RCW;

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

29 (u) Officers and employees of agricultural commissions formed under  
30 chapter 15.65 RCW;

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

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

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

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

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

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

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

31 (b) Student, part-time, or temporary employees, and part-time  
32 professional consultants, as defined by the Washington personnel  
33 resources board, employed by institutions of higher education and  
34 related boards;

35 (c) The governing board of each institution, and related boards,  
36 may also exempt from this chapter classifications involving research  
37 activities, counseling of students, extension or continuing education  
38 activities, graphic arts or publications activities requiring  
39 prescribed academic preparation or special training as determined by

1 the board: PROVIDED, That no nonacademic employee engaged in office,  
2 clerical, maintenance, or food and trade services may be exempted by  
3 the board under this provision;

4 (d) Printing craft employees in the department of printing at the  
5 University of Washington.

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

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

38 Any person holding a classified position subject to the provisions  
39 of this chapter shall, when and if such position is subsequently

1 exempted from the application of this chapter, be afforded the  
2 following rights: If such person previously held permanent status in  
3 another classified position, such person shall have a right of  
4 reversion to the highest class of position previously held, or to a  
5 position of similar nature and salary.

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

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

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

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

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

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

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

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

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

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

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

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

1 executive approvals of proposals to expend money in excess of  
2 appropriations provided by law.

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

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

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

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

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

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

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

35 (1) The legislative auditor of the office of the joint legislative  
36 audit and review committee, with the concurrence of the joint

1 legislative (~~budget~~) audit and review committee, may file with the  
2 attorney general any audit exceptions or other findings of any  
3 performance audit, management study, or special report prepared for the  
4 joint legislative (~~budget~~) audit and review committee, any standing  
5 or special committees of the house or senate, or the entire legislature  
6 which indicate a violation of RCW 43.88.290, or any other act of  
7 malfeasance, misfeasance, or nonfeasance on the part of any state  
8 officer or employee.

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

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

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

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

24 (2) The chair of the joint legislative (~~budget~~) audit and review  
25 committee, including a copy to the staff of the 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. 43.** RCW 43.131.050 and 1990 c 297 s 2 are each amended to  
32 read as follows:

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

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

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

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

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

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

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

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

34 (5) The extent to which the regulatory entity duplicates the  
35 activities of other regulatory entities or of the private sector, where  
36 appropriate; and

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

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

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

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

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

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

17 (4) The extent to which the state agency duplicates the activities  
18 of other state agencies or of the private sector, where appropriate;  
19 and

20 (5) The extent to which the termination or modification of the  
21 state agency would adversely affect the public health, safety, or  
22 welfare.

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

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

35 (2) When requested by either of the presiding members of the  
36 appropriate senate and house committees of reference, a regulatory  
37 entity under review shall mail an announcement of any hearing to the

1 persons it regulates who have requested notice of agency rule-making  
2 proceedings as provided in RCW 34.05.320, or who have requested notice  
3 of hearings held pursuant to the provisions of this section. On  
4 request of either presiding member, such mailing shall include an  
5 explanatory statement not exceeding one page in length prepared and  
6 supplied by the member's committee.

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

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

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

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

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

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

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

3       In addition to the powers and duties authorized in RCW 44.40.020,  
4 the committee and the standing committees on transportation of the  
5 house and senate shall, in coordination with the joint legislative  
6 (~~budget~~) audit and review committee, the legislative evaluation and  
7 accountability program committee, and the ways and means committees of  
8 the senate and house of representatives, ascertain, study, and/or  
9 analyze all available facts and matters relating or pertaining to  
10 sources of revenue, appropriations, expenditures, and financial  
11 condition of the motor vehicle fund and accounts thereof, the highway  
12 safety fund, and all other funds or accounts related to transportation  
13 programs of the state.

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

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

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

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

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

31       (3) The manner and type of lottery being conducted, and the  
32 expenses incidental thereto, are the most efficient and cost-effective;  
33 and

34       (4) The commission is not unnecessarily incurring operating and  
35 administrative costs.

36       In conducting a management review, the director of financial  
37 management may inspect the books, documents, and records of the  
38 commission. Upon completion of a management review, all irregularities

1 shall be reported to the attorney general, the joint legislative  
2 (~~budget~~) audit and review committee, and the state auditor. The  
3 director of financial management shall make such recommendations as may  
4 be necessary for the most efficient and cost-effective operation of the  
5 lottery.

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

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

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

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

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

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

4 **Sec. 52.** RCW 44.--.--- and 1996 c . . . (ESSB 6680) s 4 are each  
5 amended to read as follows:

6 (1) Performance reviews under this chapter shall include a  
7 rethinking of the programs and functions of state agencies to assess  
8 whether or not they have a vital purpose or valid mission. The  
9 director shall work to involve frontline employees, agency and program  
10 managers, customers of the program or service, other taxpayers,  
11 legislators, legislative staff, office of financial management staff,  
12 and other external public and private sector experts as deemed  
13 appropriate in conducting performance reviews. The director shall, as  
14 necessary, contract with experts from either the private or public  
15 sector to assist in performance reviews.

16 (2) In preparation for a performance review, a state agency shall  
17 identify each of its discrete functions or activities, along with  
18 associated costs and full-time equivalent staff, as requested by the  
19 director. In reviewing the agency or program, the director shall  
20 identify those activities and programs that should be strengthened,  
21 those that should be abandoned, and those that need to be redirected or  
22 other alternatives explored. The review should consider: (a) Whether  
23 or not the purpose for which the agency or program was created is still  
24 valid based on the circumstances under which the program was created  
25 versus those that exist at the time of the review; (b) the extent to  
26 which the particular activity or function is specifically authorized in  
27 statute or is consistent with statutory direction and intent; (c)  
28 whether or not the agency or program is achieving the results for which  
29 it was established; (d) alternatives for delivering the program or  
30 service, either in the public or private sector; (e) duplication of  
31 services with other government programs or private enterprises or gaps  
32 in services; (f) the relative priority of the program among the  
33 agency's functions; ~~((e))~~ (g) costs or implications of not performing  
34 the function; ~~((d))~~ (h) citizen's individual responsibilities and  
35 freedoms; ~~((e))~~ (i) whether or not the mission of the agency or  
36 program is attainable considering the effect of factors and  
37 circumstances beyond the control of the agency; and ~~((f))~~ (j) in the

1 event of inadequate performance by the program, the potential for a  
2 workable, affordable plan to improve performance.

3 (3) Performance reviews must also determine the existence and  
4 utility of an agency or program strategic plan that includes a concise  
5 statement of the agency's or program's mission, a vision for future  
6 direction, measurable goals and objectives, and clear strategies and  
7 specific timelines to achieve them. The director shall determine the  
8 extent to which the plan: (a) Forms the basis of agency management  
9 practices and continuous process reevaluation and improvement; (b) can  
10 be used to clearly identify and prioritize agency functions; (c)  
11 provides a valuable basis for legislative policy and budget  
12 deliberations; (d) is used to ensure accountability of employees,  
13 particularly managers, for achieving program goals, and is a primary  
14 consideration in retention and promotion of staff; (e) is used to  
15 assess the quality and effectiveness of the agency's programs and  
16 activities; (f) appropriately balances cost objectives, quality  
17 objectives, and performance objectives; and (g) is useful in  
18 demonstrating public accountability. The agency strategic plan shall  
19 provide for periodic self-assessment by the agency to determine whether  
20 the agency is achieving the goals and objectives of its programs.  
21 Where self-assessments have been completed by an agency, the  
22 assessments must be incorporated into a performance review conducted  
23 under this chapter.

24 (4) If the state agency or program being reviewed has not  
25 identified acceptable organizations or programs in the public or  
26 private sector to be used as benchmarks against which to measure its  
27 performance, the director shall conduct a review sufficient to  
28 recommend such benchmarks to the agency, the governor, and the  
29 legislature.

30 (5) As a part of each performance review and in consultation with  
31 the director of the agency being reviewed and the director of financial  
32 management, the director of the legislative office of performance  
33 review shall develop recommendations regarding statutes that inhibit or  
34 do not contribute to the agency's ability to perform its functions  
35 effectively and efficiently.

36 (6) Based on the information and conclusions compiled from the work  
37 required in subsections (1) through (5) of this section, the director  
38 shall develop an advisory recommendation for the governor and the  
39 legislature regarding whether an agency, programs of an agency, or

1 activities within an agency should be continued, abandoned, or  
2 restructured.

3 **Sec. 53.** RCW 43.88.030 and 1996 c . . . (ESSB 6680) s 9 are each  
4 amended to read as follows:

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

1 numbered years of a biennium. However, the estimated revenues for use  
2 in the governor's budget document may be adjusted to reflect budgetary  
3 revenue transfers and revenue estimates dependent upon budgetary  
4 assumptions of enrollments, workloads, and caseloads. All adjustments  
5 to the approved estimated revenues must be set forth in the budget  
6 document. The governor may additionally submit, as an appendix to each  
7 supplemental, biennial, or six-year agency budget or to the budget  
8 document or documents, a proposal for expenditures in the ensuing  
9 fiscal period from revenue sources derived from proposed changes in  
10 existing statutes.

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

18 The budget document or documents shall also contain:

19 (a) Revenues classified by fund and source for the immediately past  
20 fiscal period, those received or anticipated for the current fiscal  
21 period, those anticipated for the ensuing biennium, and those  
22 anticipated for the ensuing six-year period to support the six-year  
23 programs and financial plans required under RCW 44.40.070;

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

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

28 (d) Such additional information dealing with revenues and  
29 expenditures as the governor shall deem pertinent and useful to the  
30 legislature;

31 (e) Tabulations showing expenditures classified by fund, function,  
32 activity and object;

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

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

1 (h) Tabulations showing each postretirement adjustment by  
2 retirement system established after fiscal year 1991, to include, but  
3 not be limited to, estimated total payments made to the end of the  
4 previous biennial period, estimated payments for the present biennium,  
5 and estimated payments for the ensuing biennium.

6 (2) The budget document or documents shall include detailed  
7 estimates of all anticipated revenues applicable to proposed operating  
8 or capital expenditures and shall also include all proposed operating  
9 or capital expenditures. The total of beginning undesignated fund  
10 balance and estimated revenues less working capital and other reserves  
11 shall equal or exceed the total of proposed applicable expenditures.  
12 The budget document or documents shall further include:

13 (a) Interest, amortization and redemption charges on the state  
14 debt;

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

16 (c) Other statutory expenditures;

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

18 (e) Revenues derived from agency operations;

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

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

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

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

31 (j) A showing and explanation of anticipated amounts of general  
32 fund and other funds required to amortize the unfunded actuarial  
33 accrued liability of the retirement system specified under chapter  
34 41.45 RCW, and the contributions to meet such amortization, stated in  
35 total dollars and as a level percentage of total compensation; and

36 (k) For each agency, a description of the findings and  
37 recommendations of any applicable review by the legislative office of  
38 performance review conducted during the prior fiscal period. The  
39 budget document must describe the potential costs and savings

1 associated with implementing the findings and recommendations,  
2 including any recommendations for program eliminations and alternative  
3 delivery methods.

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

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

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

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

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

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

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

24 (g) Estimated total project cost;

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

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

33 (j) Estimated ensuing biennium costs;

34 (k) Estimated costs beyond the ensuing biennium;

35 (l) Estimated construction start and completion dates;

36 (m) Source and type of funds proposed;

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

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

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

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

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

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

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

