<u>3SHB 2585</u> - S COMM AMD By Committee on Ways & Means

ADOPTED AND ENGROSSED 2/29/12

Strike everything after the enacting clause and insert the following:

3 "Sec. 1. RCW 43.88.160 and 2006 c 1 s 6 are each amended to read 4 as follows:

5 This section sets forth the major fiscal duties and 6 responsibilities of officers and agencies of the executive branch. The 7 regulations issued by the governor pursuant to this chapter shall 8 provide for a comprehensive, orderly basis for fiscal management and 9 control, including efficient accounting and reporting therefor, for the 10 executive branch of the state government and may include, in addition, 11 such requirements as will generally promote more efficient public 12 management in the state.

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

to the appropriate legislative fiscal committees. The director of financial management may require such financial, statistical, and other reports as the director deems necessary from all agencies covering any period.

(2) Except as provided in chapter 43.88C RCW, the director of 5 6 financial management is responsible for quarterly reporting of primary 7 operating budget drivers such as applicable workloads, caseload 8 estimates, and appropriate unit cost data. These reports shall be 9 transmitted to the legislative fiscal committees or by electronic means to the legislative evaluation and accountability program committee. 10 Quarterly reports shall include actual monthly data and the variance 11 12 between actual and estimated data to date. The reports shall also 13 include estimates of these items for the remainder of the budget 14 period.

(3) The director of financial management shall report at least 15 annually to the appropriate legislative committees regarding the status 16 17 of all appropriated capital projects, including transportation 18 projects, showing significant cost overruns or underruns. If funds are 19 shifted from one project to another, the office of financial management shall also reflect this in the annual variance report. Once a project 20 21 is complete, the report shall provide a final summary showing estimated 22 start and completion dates of each project phase compared to actual 23 dates, estimated costs of each project phase compared to actual costs, and whether or not there are any outstanding liabilities or unsettled 24 claims at the time of completion. 25

26 (4) In addition, the director of financial management, as agent of27 the governor, shall:

(a) Develop and maintain a system of internal controls and internal 28 29 audits comprising methods and procedures to be adopted by each agency 30 that will safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage 31 32 adherence to prescribed managerial policies for accounting and financial controls. The system developed by the director shall include 33 criteria for determining the scope and comprehensiveness of internal 34 35 controls required by classes of agencies, depending on the level of 36 resources at risk.

37 Each agency head or authorized designee shall be assigned the

1 responsibility and authority for establishing and maintaining internal 2 audits following the standards of internal auditing of the institute of 3 internal auditors;

4 (b) Make surveys and analyses of agencies with the object of 5 determining better methods and increased effectiveness in the use of 6 manpower and materials; and the director shall authorize expenditures 7 for employee training to the end that the state may benefit from 8 training facilities made available to state employees;

9 (c) Establish policies for allowing the contracting of child care 10 services;

11 (d) Report to the governor with regard to duplication of effort or 12 lack of coordination among agencies;

(e) Review any pay and classification plans, and changes 13 thereunder, developed by any agency for their fiscal impact: PROVIDED, 14 That none of the provisions of this subsection shall affect merit 15 systems of personnel management now existing or hereafter established 16 by statute relating to the fixing of qualifications requirements for 17 18 recruitment, appointment, or promotion of employees of any agency. The 19 director shall advise and confer with agencies including appropriate standing committees of the legislature as may be designated by the 20 21 speaker of the house and the president of the senate regarding the 22 fiscal impact of such plans and may amend or alter the plans, except 23 that for the following agencies no amendment or alteration of the plans 24 may be made without the approval of the agency concerned: Agencies headed by elective officials; 25

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

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

33 (5) The treasurer shall:

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

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

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

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

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

10 It shall be unlawful for the treasurer to disburse public funds in the treasury except upon forms or by alternative means duly prescribed 11 12 by the director of financial management. These forms or alternative 13 means shall provide for authentication and certification by the agency 14 head or the agency head's designee that the services have been rendered or the materials have been furnished; or, in the case of loans or 15 grants, that the loans or grants are authorized by law; or, in the case 16 17 of payments for periodic maintenance services to be performed on state owned equipment, that a written contract for such periodic maintenance 18 services is currently in effect; and the treasurer shall not be liable 19 under the treasurer's surety bond for erroneous or improper payments so 20 21 made. When services are lawfully paid for in advance of full 22 performance by any private individual or business entity other than 23 equipment maintenance providers or as provided for by RCW 42.24.035, 24 such individual or entity other than central stores rendering such services shall make a cash deposit or furnish surety bond coverage to 25 26 the state as shall be fixed in an amount by law, or if not fixed by 27 law, then in such amounts as shall be fixed by the director of the department of ((general administration)) enterprise services but in no 28 case shall such required cash deposit or surety bond be less than an 29 30 amount which will fully indemnify the state against any and all losses on account of breach of promise to fully perform such services. 31 No 32 payments shall be made in advance for any equipment maintenance services to be performed more than twelve months after such payment 33 except that institutions of higher education as defined in RCW 34 28B.10.016 may make payments in advance for equipment maintenance 35 36 services to be performed up to sixty months after such payment. Any 37 such bond so furnished shall be conditioned that the person, firm or corporation receiving the advance payment will apply it toward 38

1 performance of the contract. The responsibility for recovery of 2 erroneous or improper payments made under this section shall lie with 3 the agency head or the agency head's designee in accordance with 4 ((regulations)) rules issued pursuant to this chapter. Nothing in this 5 section shall be construed to permit a public body to advance funds to 6 a private service provider pursuant to a grant or loan before services 7 have been rendered or material furnished.

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(6) The state auditor shall:

(a) Report to the legislature the results of current post audits 9 10 that have been made of the financial transactions of each agency; to 11 this end the auditor may, in the auditor's discretion, examine the 12 books and accounts of any agency, official, or employee charged with 13 the receipt, custody, or safekeeping of public funds. Where feasible in conducting examinations, the auditor shall utilize data and findings 14 from the internal control system prescribed by the office of financial 15 The current post audit of each agency may include a 16 management. section on recommendations to the legislature as provided in (c) of 17 18 this subsection.

(b) Give information to the legislature, whenever required, uponany subject relating to the financial affairs of the state.

21 (c) Make the auditor's official report on or before the thirty-22 first of December which precedes the meeting of the legislature. The 23 report shall be for the last complete fiscal period and shall include 24 determinations as to whether agencies, in making expenditures, complied with the laws of this state. The state auditor is authorized to 25 26 perform or participate in performance verifications and performance 27 audits as expressly authorized by the legislature in the omnibus biennial appropriations acts or in the performance audit work plan 28 approved by the joint legislative audit and review committee. 29 The 30 state auditor, upon completing an audit for legal and financial compliance under chapter 43.09 RCW or a performance verification, may 31 report to the joint legislative audit and review committee or other 32 33 appropriate committees of the legislature, in a manner prescribed by the joint legislative audit and review committee, on facts relating to 34 35 the management or performance of governmental programs where such facts 36 are discovered incidental to the legal and financial audit or 37 performance verification. The auditor may make such a report to a legislative committee only if the auditor has determined that the 38

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

(d) Be empowered to take exception to specific expenditures that 11 12 have been incurred by any agency or to take exception to other 13 practices related in any way to the agency's financial transactions and 14 to cause such exceptions to be made a matter of public record, including disclosure to the agency concerned and to the director of 15 It shall be the duty of the director of 16 financial management. financial management to cause corrective action to be taken within six 17 months, such action to include, as appropriate, the withholding of 18 19 funds as provided in RCW 43.88.110. The director of financial management shall annually report by December 31st the status of audit 20 21 resolution to the appropriate committees of the legislature, the state 22 auditor, and the attorney general. The director of financial 23 management shall include in the audit resolution report actions taken as a result of an audit including, but not limited to, types of 24 personnel actions, costs and types of litigation, and value of recouped 25 26 goods or services.

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

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

30 (((g))) In addition to the authority given to the state auditor in 31 this subsection (6), the state auditor is authorized to conduct 32 performance audits identified in RCW 43.09.470. Nothing in this 33 subsection (6) shall limit, impede, or restrict the state auditor from 34 conducting performance audits identified in RCW 43.09.470.

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

36 (a) Make post audits of the financial transactions of any agency37 and management surveys and program reviews as provided for in chapter

44.28 RCW as well as performance audits and program evaluations. To
 this end the joint committee may in its discretion examine the books,
 accounts, and other records of any agency, official, or employee.

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

7 (c) Make a report to the legislature which shall include at least8 the following:

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

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

17 **Sec. 2.** RCW 41.06.157 and 2011 1st sp.s. c 43 s 411 are each 18 amended to read as follows:

(1) To promote the most effective use of the state's workforce and improve the effectiveness and efficiency of the delivery of services to the citizens of the state, the director shall adopt and maintain a comprehensive classification plan for all positions in the classified service. The classification plan must:

24 (a) Be simple and streamlined;

(b) Support state agencies in responding to changing technologies,
 economic and social conditions, and the needs of its citizens;

27 (c) Value workplace diversity;

28 (d) Facilitate the reorganization and decentralization of 29 governmental services;

30 (e) Enhance mobility and career advancement opportunities; and

31 (f) Consider rates in other public employment and private 32 employment in the state.

33 (2) An appointing authority and an employee organization 34 representing classified employees of the appointing authority for 35 collective bargaining purposes may jointly request the human resources 36 director to initiate a classification study. 1 (3) For institutions of higher education and related boards, the 2 director may adopt special salary ranges to be competitive with 3 positions of a similar nature in the state or the locality in which the 4 institution of higher education or related board is located.

(4) For health care classifications, institutions of higher 5 6 education may implement higher education health care special pay plans to be competitive with positions of a similar nature in the locality in 7 which the institution of higher education is located. In administering 8 9 a special pay plan, institutions may authorize compensation changes including but not limited to increases in salary ranges, new top steps 10 in salary ranges, premium pay, and adjustments for community practice. 11 Such special pay plans are not subject to director approval or 12 adoption; however, institutions of higher education shall report 13 annually to the director actions they have taken under the provisions 14 15 of this section.

16 (5) The director may undertake salary surveys of positions in other 17 public and private employment to establish market rates. Any salary 18 survey information collected from private employers which identifies a 19 specific employer with salary rates which the employer pays to its 20 employees shall not be subject to public disclosure under chapter 42.56 21 RCW.

Sec. 3. RCW 41.04.240 and 1977 ex.s. c 269 s 1 are each amended to read as follows:

(1) Except with regard to institutions of higher education as 24 25 defined in RCW 28B.10.016, any official of the state or of any 26 political subdivision, municipal corporation, or quasi-municipal corporation authorized to disburse funds in payment of salaries and 27 wages of employees is authorized upon written request of at least 28 29 twenty-five employees to pay all or part of such salaries or wages to 30 any financial institution for either: (((1))) (a) Credit to the employees' accounts in such financial institution; or $((\frac{2}{2}))$ (b) 31 immediate transfer therefrom to the employees' accounts in any other 32 financial institutions((+ PROVIDED, That)). 33

34 (2) In disbursing funds for payment of salaries and wages of
 35 employees, institutions of higher education as defined in RCW
 36 28B.10.016 are authorized to require the following payment methods:

(a) For employees who have an account in a financial institution,
 payment to any financial institution for either: (i) Credit to the
 employees' accounts in such financial institution; or (ii) immediate
 transfer therefrom to the employees' accounts in any other financial
 institutions; and

6 <u>(b) For employees who do not have an account in a financial</u> 7 <u>institution, payment by alternate methods such as payroll cards.</u>

(3) Nothing in this section shall be construed as authorizing any 8 employer to require the employees to have an account in any particular 9 financial institution or type of financial institution. A single 10 warrant may be drawn in favor of such financial institution, for the 11 12 total amount due the employees involved, and written directions 13 provided to such financial institution of the amount to be credited to the account of an employee or to be transferred to an account in 14 another financial institution for such employee. The issuance and 15 delivery by the disbursing officer of a warrant in accordance with the 16 17 procedure set forth herein and proper indorsement thereof by the financial institution shall have the same legal effect as payment 18 19 directly to the employee.

For the purposes of this section "financial institution" means any 20 21 bank or trust company established in this state pursuant to chapter 2, 22 Title 12, United States Code, or Title 30 RCW, and any credit union 23 established in this state pursuant to chapter 14, Title 12, United 24 States Code, or chapter 31.12 RCW, and any mutual savings bank established in this state pursuant to Title 32 RCW, and any savings and 25 26 loan association established in this state pursuant to chapter 12, 27 Title 12, United States Code, or Title 33 RCW.

28 Sec. 4. RCW 28B.10.029 and 2011 1st sp.s. c 43 s 303 and 2011 c 29 198 s 1 are each reenacted and amended to read as follows:

institution of higher 30 (1)(a) An education may exercise 31 independently those powers otherwise granted to the director of enterprise services in chapter 43.19 RCW in connection with the 32 purchase and disposition of all material, supplies, services, and 33 34 equipment needed for the support, maintenance, and use of the 35 respective institution of higher education.

36 (b) Property disposition policies followed by institutions of

higher education shall be consistent with policies followed by the
 department of enterprise services.

3 (c)(i) Except as provided in (c)(ii) and (iii) of this subsection, 4 purchasing policies and procedures followed by institutions of higher 5 education shall be in compliance with chapters 39.19, 39.29, and 43.03 6 RCW, and RCW 43.19.1901, 43.19.1906, 43.19.1911, 43.19.1917, 7 43.19.1937, 43.19.685, 43.19.700 through 43.19.704, and 43.19.560 8 through 43.19.637.

9 (ii) Institutions of higher education may use all appropriate means for making and paying for travel arrangements including, but not 10 limited to, electronic booking and reservations, advance payment and 11 deposits for tours, lodging, and other necessary expenses, and other 12 travel transactions based on standard industry practices and federal 13 accountable plan requirements. Such arrangements shall support 14 student, faculty, staff, and other participants' travel, by groups and 15 individuals, both domestic and international, in the most cost-16 effective and efficient manner possible, regardless of the source of 17 funds. 18

(iii) Formal sealed, electronic, or web-based competitive bidding 19 is not necessary for purchases or personal services contracts by 20 institutions of higher education for less than one hundred thousand 21 dollars. However, for purchases and personal services contracts of ten 22 thousand dollars or more and less than one hundred thousand dollars, 23 24 quotations must be secured from at least three vendors to assure establishment of a competitive price and may be obtained by telephone, 25 26 electronic, or written quotations, or any combination thereof. As part of securing the three vendor quotations, institutions of higher 27 education must invite at least one quotation each from a certified 28 minority and a certified woman-owned vendor that otherwise qualifies to 29 perform the work. A record of competition for all such purchases and 30 personal services contracts of ten thousand dollars or more and less 31 than one hundred thousand dollars must be documented for audit 32 33 purposes.

(d) Purchases under chapter 39.29, 43.19, or 43.105 RCW by
 institutions of higher education may be made by using contracts for
 materials, supplies, services, or equipment negotiated or entered into
 by, for, or through group purchasing organizations.

(e) The community and technical colleges shall comply with RCW
 43.19.450.

3 (f) Except for the University of Washington, institutions of higher
4 education shall comply with RCW 43.19.769, 43.19.763, and 43.19.781.

5 (g) If an institution of higher education can satisfactorily 6 demonstrate to the director of the office of financial management that 7 the cost of compliance is greater than the value of benefits from any 8 of the following statutes, then it shall be exempt from them: RCW 9 43.19.685 and 43.19.637.

10 (h) Any institution of higher education that chooses to exercise independent purchasing authority for a commodity or of 11 group 12 commodities shall notify the director of enterprise services. 13 Thereafter the director of enterprise services shall not be required to provide those services for that institution for the duration of the 14 enterprise services contract term for that commodity or group of 15 commodities. 16

17 (2) The council of presidents and the state board for community and 18 technical colleges shall convene its correctional industries business 19 development advisory committee, and work collaboratively with 20 correctional industries, to:

(a) Reaffirm purchasing criteria and ensure that quality, service,
and timely delivery result in the best value for expenditure of state
dollars;

(b) Update the approved list of correctional industries productsfrom which higher education shall purchase; and

26 (c) Develop recommendations on ways to continue to build 27 correctional industries' business with institutions of higher 28 education.

(3) Higher education and correctional industries shall develop a 29 30 plan to build higher education business with correctional industries to higher education purchases of correctional industries 31 increase products, based upon the criteria established in subsection (2) of this 32 The plan shall include the correctional industries' section. 33 production and sales goals for higher education and an approved list of 34 35 products from which higher education institutions shall purchase, based 36 on the criteria established in subsection (2) of this section. Higher 37 education and correctional industries shall report to the legislature

regarding the plan and its implementation no later than January 30,
 2005.

(4)(a) Institutions of higher education shall set as a target to 3 4 contract, beginning not later than June 30, 2006, to purchase one percent of the total goods and services required by the institutions 5 each year produced or provided in whole or in part from class II inmate б 7 work programs operated by the department of corrections. Institutions 8 of higher education shall set as a target to contract, beginning not later than June 30, 2008, to purchase two percent of the total goods 9 10 and services required by the institutions each year produced or provided in whole or in part from class II inmate work programs 11 12 operated by the department of corrections.

(b) Institutions of higher education shall endeavor to assure the department of corrections has notifications of bid opportunities with the goal of meeting or exceeding the purchasing target in (a) of this subsection.

NEW SECTION. Sec. 5. By January 1, 2017, institutions of higher education as defined in RCW 28B.10.016 must report to the legislature and the governor on: (1) The amount of savings resulting from use of the higher education provisions of this act; and (2) the manner in which such savings were used to promote student academic success.

Sec. 6. RCW 28B.15.031 and 2011 1st sp.s. c 10 s 2 and 2011 c 274 s 2 are each reenacted and amended to read as follows:

24 (1) The term "operating fees" as used in this chapter shall include 25 the fees, other than building fees, charged all students registering at the state's colleges and universities but shall not include fees for 26 short courses, self-supporting degree credit programs and courses, 27 28 marine station work, experimental station work, correspondence or extension courses, and individual instruction and student deposits or 29 30 rentals, disciplinary and library fines, which colleges and universities shall have the right to impose, laboratory, gymnasium, 31 health, technology and student activity fees, or fees, charges, 32 rentals, and other income derived from any or all revenue producing 33 34 lands, buildings and facilities of the colleges or universities 35 heretofore or hereafter acquired, constructed or installed, including but not limited to income from rooms, dormitories, dining rooms, 36

hospitals, infirmaries, housing or student activity buildings, 1 vehicular parking facilities, land, or the appurtenances thereon, or 2 such other special fees as may be established by any college or 3 4 university board of trustees or regents from time to time. All moneys received as operating fees at any institution of higher education shall 5 6 be deposited in a local account containing only operating fees revenue 7 and related interest: PROVIDED, That a minimum of five percent of 8 operating fees shall be retained by the four-year institutions of 9 higher education that increase tuition for resident undergraduate students above assumed tuition increases in the omnibus appropriations 10 11 act, a minimum of four percent of operating fees shall be retained by 12 four-year institutions of higher education that do not increase tuition 13 for resident undergraduates above assumed increases in the omnibus appropriations act, and a minimum of three and one-half percent of 14 15 operating fees shall be retained by the community and technical colleges for the purposes of RCW 28B.15.820. At least thirty percent 16 of operating fees required to be retained by the four-year institutions 17 for purposes of RCW 28B.15.820 shall be used only for the purposes of 18 19 RCW 28B.15.820(10).

20 (2) In addition to the three and one-half percent of operating fees 21 retained by the institutions under subsection (1) of this section, up 22 to three percent of operating fees charged to students at community and 23 technical colleges shall be transferred to the community and technical 24 college innovation account for the implementation of the college board's strategic technology plan in RCW 28B.50.515. The percentage to 25 26 be transferred to the community and technical college innovation 27 account shall be determined by the college board each year but shall 28 not exceed three percent of the operating fees collected each year.

29 (3) Local operating fee accounts shall not be subject to 30 appropriation by the legislature ((or)) <u>but shall be subject to</u> 31 allotment procedures <u>by budget program and fiscal year</u> under chapter 32 43.88 RCW.

33 **Sec. 7.** RCW 43.88.150 and 2011 1st sp.s. c 50 s 948 are each 34 amended to read as follows:

35 (1) For those agencies that make expenditures from both 36 appropriated and nonappropriated funds for the same purpose, the 37 governor shall direct such agencies to charge their expenditures in

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such ratio, as between appropriated and nonappropriated funds, as will conserve appropriated funds. ((This subsection does not apply to)) For institutions of higher education, as defined in RCW 28B.10.016, ((except during the 2011-2013 fiscal biennium)) this subsection applies only to operating fee accounts.

6 (2) Unless otherwise provided by law, if state moneys are 7 appropriated for a capital project and matching funds or other 8 contributions are required as a condition of the receipt of the state 9 moneys, the state moneys shall be disbursed in proportion to and only 10 to the extent that the matching funds or other contributions have been 11 received and are available for expenditure.

12 (3) The office of financial management shall adopt guidelines for 13 the implementation of this section. The guidelines may account for 14 federal matching requirements or other requirements to spend other 15 moneys in a particular manner."

<u>3SHB 2585</u> - S COMM AMD

By Committee on Ways & Means

ADOPTED 2/29/12

16 On page 1, line 2 of the title, after "education;" strike the 17 remainder of the title and insert "amending RCW 43.88.160, 41.06.157, 18 41.04.240, and 43.88.150; reenacting and amending RCW 28B.10.029 and 19 28B.15.031; and creating a new section."

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