
SUBSTITUTE HOUSE BILL 2756

State of Washington

53rd Legislature

1994 Regular Session

By House Committee on Appropriations (originally sponsored by Representatives Mastin, Silver, Peery, Long, Dunshee, Linville, Dyer, L. Thomas, Schoesler, Talcott, Cooke, Brough, Roland, Pruitt, Rayburn, Moak, Lisk, R. Meyers, H. Myers, Jones, Karahalios, Springer and Quall; by request of Commission on Efficiency and Accountability in State Government)

Read first time 03/04/94.

1 AN ACT Relating to a pilot project within the department of
2 corrections and the department of information services to reduce
3 financial and operational barriers to efficient service delivery;
4 amending RCW 39.29.040, 41.04.340, 43.01.090, 43.78.030, 43.78.100,
5 43.82.010, 43.88.150, 43.88.180, 43.105.041, 43.105.052, and 72.09.100;
6 reenacting and amending RCW 43.19.190, 43.88.030, 43.88.110, and
7 43.88.160; adding a new section to chapter 41.06 RCW; creating new
8 sections; providing an effective date; and providing an expiration
9 date.

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

11 NEW SECTION. **Sec. 1.** (1) The legislature finds that efficient,
12 cost-effective delivery of quality services are essential as the state
13 is faced with increasing revenue and expenditure constraints. It is,
14 therefore, prudent for the state to determine whether or not greater
15 budget and operational flexibility for agencies will result in better
16 service delivery, and to provide agencies with a range of management
17 tools to meet the challenges of the future.

18 (2) The commission on efficiency and accountability in state
19 government, referred to in sections 1 through 7 of this act as the

1 efficiency commission, has identified certain financial and operational
2 requirements for state agencies that may be excessive and overly
3 complex, inhibit sound budgetary and management practices, reduce risk-
4 taking, innovation, and initiative in program management, and result in
5 unnecessary barriers to providing cost-effective and quality service to
6 our citizens. The efficiency commission has determined that the state
7 should test whether or not agencies that operate without these
8 requirements can provide services more efficiently and at less cost.

9 (3) It is, therefore, the purpose of this act to initiate a pilot
10 project that will provide the legislature and the governor with
11 sufficient information to evaluate the effectiveness of a variety of
12 waivers and incentives that provide agencies with greater freedom to
13 innovate. The goal of the project is an effective, efficient, quality-
14 driven state government within which agencies have incentives and
15 flexibility to continually improve service delivery.

16 (4) This act shall be known as the Blueprint for Change.

17 NEW SECTION. **Sec. 2.** (1) A three-year pilot project designed to
18 evaluate the effects of waiving certain financial and administrative
19 requirements for agencies and providing financial incentives to achieve
20 improved service delivery and efficiency savings is established. The
21 pilot project applies to the department of corrections and the
22 department of information services.

23 (2) The pilot agencies, in collaboration with the efficiency
24 commission, shall develop procedures to implement the pilot project.

25 (3) The pilot agencies, in collaboration with the efficiency
26 commission and the office of financial management, shall develop (a)
27 reporting mechanisms to evaluate the effects of waivers and incentives;
28 and (b) outcome-based performance measures for programs and internal
29 operations affected by the incentives and waivers.

30 (4) The pilot agencies shall collaborate with their employees and
31 employee organizations, if any, in the development of the
32 implementation procedures and reporting mechanisms under subsections
33 (2) and (3) of this section.

34 (5) The pilot agencies shall report on the status of the project to
35 the efficiency commission and the office of financial management on a
36 quarterly basis for the period of the pilot project, unless otherwise
37 determined by the efficiency commission, the office of financial
38 management, and the pilot agencies.

1 NEW SECTION. **Sec. 3.** (1) To carry out the pilot projects provided
2 for in section 2 of this act, pilot agencies may institute, from July
3 1, 1994, to July 1, 1997, any or all of the following incentives and
4 waivers:

5 (a) Pilot agencies may be exempt from:

6 (i) Allotment plan requirements under RCW 43.88.110, in those cases
7 where the pilot agency can document that appropriate fiscal controls
8 are in place;

9 (ii) Developing budgets at the object and subobject level under RCW
10 43.88.030 upon concurrence of the efficiency commission and the
11 director of financial management that performance-based measures are
12 adequate to identify and monitor agency performance and that the
13 necessary agency internal controls are in place;

14 (iii) Full-time equivalent (FTE) and position/classification
15 controls in the budget and by the office of financial management under
16 RCW 43.88.160;

17 (iv) Limitations on entering into personal service contracts, as
18 specified in chapter 39.29 RCW, if the agency can document that
19 appropriate management and fiscal controls over the contracts are in
20 place and competitive procurement practices are followed;

21 (v) State-wide requirements for purchasing, material control, and
22 central stores under chapter 43.19 RCW;

23 (vi) State-wide requirements for acquisition of real estate under
24 RCW 43.82.010 and for payment of real estate services under RCW
25 43.01.090;

26 (vii) Requirements for purchasing information services and products
27 under chapter 43.105 RCW in those cases where the pilot agency can
28 document that services and products can be obtained in a more timely or
29 efficient manner, or at a lower price, and that adequate management
30 controls are in place;

31 (viii) Provisions of civil service statutes and rules applicable to
32 other state employees to the extent provided for in section 10 of this
33 act;

34 (ix) Requirements for purchasing services from the state printer in
35 RCW 43.78.030 and 43.78.100.

36 (b) To improve operating efficiency and reduce the use of sick
37 leave, overtime, and callback, a pilot agency may provide an incentive
38 of twenty-five percent of the sick leave accrued and not used to

1 employees whose sick leave usage for a fiscal year is no more than
2 twenty-four hours. Incentives may be in the form of a bonus payment or
3 the employee may convert the sick leave to use for planned annual
4 leave.

5 (c) The department of information services may make available
6 information services to tribal organizations and the federal
7 government.

8 (d) The department of information services may enter into strategic
9 partnerships with nongovernmental organizations to advance the state's
10 economic development, improve delivery of technology services and
11 infrastructure, leverage public investments, and ensure success of
12 state information technology application development projects, if
13 competitive procurement practices are followed.

14 (e) The department of information services may be exempt from the
15 agency rate plan provisions of RCW 43.105.052(3) if the department and
16 the office of financial management mutually agree to any rate changes.

17 (f) Correctional industries of the department of corrections may
18 expand its instate products and services to the private sector in areas
19 not currently provided by Washington-based businesses.

20 (2) During the pilot project the director of financial management
21 may exempt a pilot agency from office of financial management policies
22 and procedures as determined necessary for the successful
23 implementation of the project.

24 (3) Documentation required of a pilot agency must be available upon
25 request by the legislature, the director of financial management, or
26 the efficiency commission. The director of financial management may
27 establish conditions and requirements on pilot agency waivers and
28 incentives to ensure responsible financial management.

29 NEW SECTION. **Sec. 4.** A pilot agency may retain, beyond the fiscal
30 biennium, up to fifty percent of savings resulting from operating
31 efficiencies that are documented by the agency and verified by the
32 director of financial management. A pilot agency shall deposit the
33 savings in the efficiency incentive account, hereby established as a
34 nonappropriated account in the custody of the state treasurer to be
35 used by the agency during the project period solely for continued
36 productivity or service delivery improvements.

37 A pilot agency may spend the funds transferred into the efficiency
38 incentive account as follows:

1 (1) Fifty percent of the savings shall be spent for the purposes of
2 sections 1, 2, and 3 of this act, as mutually agreed to by the agency
3 and the appropriate employee organization or the employee management
4 committee if there is no appropriate employee organization representing
5 the division in which the savings occurred;

6 (2) Fifty percent of the savings shall be spent as determined by
7 the agency director to improve productivity, enhance service delivery,
8 reprioritize agency services, and provide employee incentives.

9 NEW SECTION. **Sec. 5.** (1) The director of financial management
10 shall cause to be conducted a study of the costs and benefits of the
11 waivers and incentives used by the pilot agencies. The study shall
12 include, but not be limited to: (a) An assessment of the impact of the
13 incentives and waivers impact on efficiency, quality, and economy of
14 services provided by the pilot agencies; and (b) an analysis and
15 recommendations for continuing, expanding, or terminating the
16 incentives and waivers.

17 (2) The director of financial management shall report the results
18 of the study to the governor and the legislature no later than December
19 1, 1997.

20 NEW SECTION. **Sec. 6.** The efficiency commission may review
21 organizational and personal incentive programs and activities in
22 Washington state, including but not limited to agency-based programs,
23 the teamwork incentive program, and the brainstorm program and evaluate
24 the methods and programs for providing incentives in other states and
25 in the private sector. The commission shall report its findings to the
26 governor and the legislature by November 1, 1994.

27 NEW SECTION. **Sec. 7.** The efficiency commission shall evaluate
28 requests by pilot agencies for additional modifications to legislative
29 and administrative requirements or incentive systems identified during
30 the pilot period, and the commission may make recommendations to the
31 legislature for further modifications as deemed appropriate.

32 **Sec. 8.** RCW 39.29.040 and 1987 c 414 s 7 are each amended to read
33 as follows:

34 This chapter does not apply to:

1 (1) Contracts specifying a fee of less than two thousand five
2 hundred dollars if the total of the contracts from that agency with the
3 contractor within a fiscal year does not exceed two thousand five
4 hundred dollars;

5 (2) Contracts awarded to companies that furnish a service where the
6 tariff is established by the utilities and transportation commission or
7 other public entity;

8 (3) Intergovernmental agreements awarded to any governmental
9 entity, whether federal, state, or local and any department, division,
10 or subdivision thereof;

11 (4) Contracts awarded for services to be performed for a standard
12 fee, when the standard fee is established by the contracting agency or
13 any other governmental entity and a like contract is available to all
14 qualified applicants;

15 (5) Contracts for services that are necessary to the conduct of
16 collaborative research if prior approval is granted by the funding
17 source;

18 (6) Contracts for client services;

19 (7) Contracts for architectural and engineering services as defined
20 in RCW 39.80.020, which shall be entered into under chapter 39.80 RCW;
21 (~~and~~)

22 (8) Contracts for the employment of expert witnesses for the
23 purposes of litigation, except that such contracts shall be filed
24 within the same time period as emergency contracts; and

25 (9) Contracts entered into by the department of corrections and the
26 department of information services to the extent that these agencies
27 may be exempt from this chapter under sections 1, 2, 3, and 4 of this
28 act, if competitive procurement practices are followed.

29 **Sec. 9.** RCW 41.04.340 and 1993 c 281 s 17 are each amended to read
30 as follows:

31 (1) An attendance incentive program is established for all eligible
32 employees. As used in this section the term "eligible employee" means
33 any employee of the state, other than teaching and research faculty at
34 the state and regional universities and The Evergreen State College,
35 entitled to accumulate sick leave and for whom accurate sick leave
36 records have been maintained. No employee may receive compensation
37 under this section for any portion of sick leave accumulated at a rate
38 in excess of one day per month. The state and regional universities

1 and The Evergreen State College shall maintain complete and accurate
2 sick leave records for all teaching and research faculty.

3 (2) In January of the year following any year in which a minimum of
4 sixty days of sick leave is accrued, and each January thereafter, any
5 eligible employee may receive remuneration for unused sick leave
6 accumulated in the previous year at a rate equal to one day's monetary
7 compensation of the employee for each four full days of accrued sick
8 leave in excess of sixty days. Sick leave for which compensation has
9 been received shall be deducted from accrued sick leave at the rate of
10 four days for every one day's monetary compensation.

11 (3) As provided for in sections 1, 2, 3, and 4 of this act, the
12 department of corrections and the department of information services
13 may provide an additional incentive of twenty-five percent of the sick
14 leave accrued and not used to employees whose sick leave usage for a
15 fiscal year is no more than twenty-four hours. Incentives may be in
16 the form of a (i) bonus payment, (ii) the employee may convert the sick
17 leave to use for planned annual leave, or (iii) as provided in section
18 10 of this act.

19 (4) At the time of separation from state service due to retirement
20 or death, an eligible employee or the employee's estate may elect to
21 receive remuneration at a rate equal to one day's current monetary
22 compensation of the employee for each four full days of accrued sick
23 leave.

24 (~~(4)~~) (5) Pursuant to this subsection, in lieu of cash
25 remuneration the state may, with equivalent funds, provide eligible
26 employees with a benefit plan providing for reimbursement of medical
27 expenses. The committee for deferred compensation shall develop any
28 benefit plan established under this subsection, but may offer and
29 administer the plan only if (a) each eligible employee has the option
30 of whether to receive cash remuneration or to have his or her employer
31 transfer equivalent funds to the plan; and (b) the committee has
32 received an opinion from the United States internal revenue service
33 stating that participating employees, prior to the time of receiving
34 reimbursement for expenses, will incur no United States income tax
35 liability on the amount of the equivalent funds transferred to the
36 plan.

37 (~~(5)~~) (6) Remuneration or benefits received under this section
38 shall not be included for the purpose of computing a retirement
39 allowance under any public retirement system in this state.

1 (~~(6)~~) (7) With the exception of subsection (~~(4)~~) (5) of this
2 section, this section shall be administered, and rules shall be adopted
3 to carry out its purposes, by the Washington personnel resources board
4 for persons subject to chapter 41.06 RCW: PROVIDED, That determination
5 of classes of eligible employees shall be subject to approval by the
6 office of financial management.

7 (~~(7)~~) (8) Should the legislature revoke any remuneration or
8 benefits granted under this section, no affected employee shall be
9 entitled thereafter to receive such benefits as a matter of contractual
10 right.

11 NEW SECTION. Sec. 10. A new section is added to chapter 41.06 RCW
12 to read as follows:

13 (1) This chapter applies to pilot agencies except as provided in
14 subsections (2) and (3) of this section.

15 (2)(a) The pilot agencies and the employee organizations
16 representing employees of the pilot agencies may negotiate any proposed
17 rules changes affecting those employees in the rules adopted under RCW
18 41.06.150, except for RCW 41.06.150 (11) through (14).

19 (b) Proposed rule changes that affect employees of the pilot
20 agencies represented by the employee organizations must be mutually
21 agreed to by both the agency and the employee organization and
22 submitted to the director of personnel for review and approval. If:

23 (i) The agency and the employee organization cannot agree; or

24 (ii) The director of personnel does not accept the proposed rule
25 change after determining it is not consistent with the purposes of
26 section 1, 2, 3, or 4 of this act or does not represent progressive
27 personnel practices;

28 the director of personnel may suggest alternate rules or facilitate
29 agreement between the agency and the employee organization. Alternate
30 rules proposed by the director must be mutually agreed upon by the
31 agency and the employee organization.

32 (c) Once adopted, the director's rules are final and take
33 precedence over rules adopted by the personnel resources board or the
34 Washington management service, except for rules adopted under RCW
35 41.06.150 (11) through (14).

36 (3) For employees not covered by collective bargaining agreements,
37 upon request, the director of personnel, after consultation with the
38 pilot agencies and the employee management committee, may adopt rules

1 consistent with the purposes of sections 1, 2, 3, and 4 of this act
2 regarding personnel matters. Once adopted, the director's rules are
3 final and take precedence over rules adopted by the personnel resources
4 board or the Washington management service, except for rules adopted
5 under RCW 41.06.150 (11) through (14) regarding collective bargaining.

6 **Sec. 11.** RCW 43.01.090 and 1991 sp.s. c 31 s 10 are each amended
7 to read as follows:

8 The director of general administration may assess a charge or rent
9 against each state board, commission, agency, office, department,
10 activity, or other occupant or user for payment of a proportionate
11 share of costs for occupancy of buildings, structures, or facilities
12 including but not limited to all costs of acquiring, constructing,
13 operating, and maintaining such buildings, structures, or facilities
14 and the repair, remodeling, or furnishing thereof and for the rendering
15 of any service or the furnishing or providing of any supplies,
16 equipment, or materials.

17 The director of general administration may recover the full costs
18 including appropriate overhead charges of the foregoing by periodic
19 billings as determined by the director including but not limited to
20 transfers upon accounts and advancements into the general
21 administration facilities and services revolving fund. Rates shall be
22 established by the director of general administration after
23 consultation with the director of financial management. The director
24 of general administration may allot, provide, or furnish any of such
25 facilities, structures, services, equipment, supplies, or materials to
26 any other public service type occupant or user at such rates or charges
27 as are equitable and reasonably reflect the actual costs of the
28 services provided: PROVIDED, HOWEVER, That the legislature, its duly
29 constituted committees, interim committees, and other committees shall
30 be exempted from the provisions of this section. As provided for in
31 sections 1, 2, 3, and 4 of this act, the director of general
32 administration shall adjust the charges or rents for the department of
33 corrections and the department of information services to reflect
34 changes in service levels provided to those departments.

35 Upon receipt of such bill, each entity, occupant, or user shall
36 cause a warrant or check in the amount thereof to be drawn in favor of
37 the department of general administration which shall be deposited in
38 the state treasury to the credit of the general administration

1 facilities and services revolving fund established in RCW 43.19.500
2 unless the director of financial management has authorized another
3 method for payment of costs.

4 **Sec. 12.** RCW 43.19.190 and 1993 sp.s. c 10 s 2 and 1993 c 379 s
5 102 are each reenacted and amended to read as follows:

6 The director of general administration, through the state
7 purchasing and material control director, shall:

8 (1) Establish and staff such administrative organizational units
9 within the division of purchasing as may be necessary for effective
10 administration of the provisions of RCW 43.19.190 through 43.19.1939;

11 (2) Purchase all material, supplies, services, and equipment needed
12 for the support, maintenance, and use of all state institutions,
13 colleges, community colleges, technical colleges, college districts,
14 and universities, the offices of the elective state officers, the
15 supreme court, the court of appeals, the administrative and other
16 departments of state government, and the offices of all appointive
17 officers of the state: PROVIDED, That the provisions of RCW 43.19.190
18 through 43.19.1937 do not apply in any manner to the operation of the
19 state legislature except as requested by the legislature: PROVIDED,
20 That any agency may purchase material, supplies, services, and
21 equipment for which the agency has notified the purchasing and material
22 control director that it is more cost-effective for the agency to make
23 the purchase directly from the vendor: PROVIDED, That primary
24 authority for the purchase of specialized equipment, instructional, and
25 research material for their own use shall rest with the colleges,
26 community colleges, and universities: PROVIDED FURTHER, That
27 universities operating hospitals and the state purchasing and material
28 control director, as the agent for state hospitals as defined in RCW
29 72.23.010, and for health care programs provided in state correctional
30 institutions as defined in RCW 72.65.010(3) and veterans' institutions
31 as defined in RCW 72.36.010 and 72.36.070, may make purchases for
32 hospital operation by participating in contracts for materials,
33 supplies, and equipment entered into by nonprofit cooperative hospital
34 group purchasing organizations: PROVIDED FURTHER, That primary
35 authority for the purchase of materials, supplies, and equipment for
36 resale to other than public agencies shall rest with the state agency
37 concerned: PROVIDED FURTHER, That authority to purchase services as
38 included herein does not apply to personal services as defined in

1 chapter 39.29 RCW, unless such organization specifically requests
2 assistance from the division of purchasing in obtaining personal
3 services and resources are available within the division to provide
4 such assistance: PROVIDED FURTHER, That the authority for the purchase
5 of insurance and bonds shall rest with the risk manager under RCW
6 43.19.1935: PROVIDED FURTHER, That, except for the authority of the
7 risk manager to purchase insurance and bonds, the director is not
8 required to provide purchasing services for institutions of higher
9 education that choose to exercise independent purchasing authority
10 under RCW 28B.10.029: PROVIDED FURTHER, That the provisions of this
11 chapter relating to purchasing, material control, and central stores do
12 not apply to the department of corrections and the department of
13 information services to the extent that these agencies may be exempt
14 from these requirements under sections 1, 2, 3, and 4 of this act;

15 (3) Provide the required staff assistance for the state supply
16 management advisory board through the division of purchasing;

17 (4) Have authority to delegate to state agencies authorization to
18 purchase or sell, which authorization shall specify restrictions as to
19 dollar amount or to specific types of material, equipment, services,
20 and supplies: PROVIDED, That acceptance of the purchasing
21 authorization by a state agency does not relieve such agency from
22 conformance with other sections of RCW 43.19.190 through 43.19.1939, or
23 from policies established by the director after consultation with the
24 state supply management advisory board: PROVIDED FURTHER, That
25 delegation of such authorization to a state agency, including an
26 educational institution to which this section applies, to purchase or
27 sell material, equipment, services, and supplies shall not be granted,
28 or otherwise continued under a previous authorization, if such agency
29 is not in substantial compliance with overall state purchasing and
30 material control policies as established herein;

31 (5) Contract for the testing of material, supplies, and equipment
32 with public and private agencies as necessary and advisable to protect
33 the interests of the state;

34 (6) Prescribe the manner of inspecting all deliveries of supplies,
35 materials, and equipment purchased through the division;

36 (7) Prescribe the manner in which supplies, materials, and
37 equipment purchased through the division shall be delivered, stored,
38 and distributed;

1 (8) Provide for the maintenance of a catalogue library,
2 manufacturers' and wholesalers' lists, and current market information;

3 (9) Provide for a commodity classification system and may, in
4 addition, provide for the adoption of standard specifications after
5 receiving the recommendation of the supply management advisory board;

6 (10) Provide for the maintenance of inventory records of supplies,
7 materials, and other property;

8 (11) Prepare rules and regulations governing the relationship and
9 procedures between the division of purchasing and state agencies and
10 vendors;

11 (12) Publish procedures and guidelines for compliance by all state
12 agencies, including those educational institutions to which this
13 section applies, which implement overall state purchasing and material
14 control policies;

15 (13) Conduct periodic visits to state agencies, including those
16 educational institutions to which this section applies, to determine if
17 statutory provisions and supporting purchasing and material control
18 policies are being fully implemented, and based upon such visits, take
19 corrective action to achieve compliance with established purchasing and
20 material control policies under existing statutes when required.

21 **Sec. 13.** RCW 43.78.030 and 1993 c 379 s 104 are each amended to
22 read as follows:

23 The public printer shall print and bind the session laws, the
24 journals of the two houses of the legislature, all bills, resolutions,
25 documents, and other printing and binding of either the senate or
26 house, as the same may be ordered by the legislature; and such forms,
27 blanks, record books, and printing and binding of every description as
28 may be ordered by all state officers, boards, commissions, and
29 institutions, and the supreme court, and the court of appeals and
30 officers thereof, as the same may be ordered on requisition, from time
31 to time, by the proper authorities. This section shall not apply to
32 the printing of the supreme court and the court of appeals reports, to
33 the printing of bond certificates or bond offering disclosure
34 documents, or to any printing done or contracted for by institutions of
35 higher education, the department of corrections, or the department of
36 information services to the extent that these agencies may be exempt
37 from these requirements under sections 1, 2, 3, and 4 of this act:
38 PROVIDED, That institutions of higher education, in consultation with

1 the public printer, develop vendor selection procedures comparable to
2 those used by the public printer for contracted printing jobs. Where
3 any institution or institution of higher learning of the state is or
4 may become equipped with facilities for doing such work, it may do any
5 printing: (1) For itself, or (2) for any other state institution when
6 such printing is done as part of a course of study relative to the
7 profession of printer. Any printing and binding of whatever
8 description as may be needed by any institution or agency of the state
9 department of social and health services not at Olympia, or the supreme
10 court or the court of appeals or any officer thereof, the estimated
11 cost of which shall not exceed one thousand dollars, may be done by any
12 private printing company in the general vicinity within the state of
13 Washington so ordering, if in the judgment of the officer of the agency
14 so ordering, the saving in time and processing justifies the award to
15 such local private printing concern.

16 Beginning on July 1, 1989, and on July 1 of each succeeding odd-
17 numbered year, the dollar limit specified in this section shall be
18 adjusted as follows: The office of financial management shall
19 calculate such limit by adjusting the previous biennium's limit by an
20 appropriate federal inflationary index reflecting the rate of inflation
21 for the previous biennium. Such amounts shall be rounded to the
22 nearest fifty dollars.

23 **Sec. 14.** RCW 43.78.100 and 1993 c 379 s 106 are each amended to
24 read as follows:

25 The public printer shall furnish all paper, stock, and binding
26 materials required in all public work, and shall charge the same to the
27 state, as it is actually used, at the actual price at which it was
28 purchased plus five percent for waste, insurance, storage, and
29 handling. This section does not apply to institutions of higher
30 education, the department of corrections, or the department of
31 information services, to the extent that the department of corrections
32 and the department of information services may be exempt from this
33 requirement under sections 1, 2, 3, and 4 of this act.

34 **Sec. 15.** RCW 43.82.010 and 1990 c 47 s 1 are each amended to read
35 as follows:

36 (1) The director of the department of general administration, on
37 behalf of the agency involved, shall purchase, lease, rent, or

1 otherwise acquire all real estate, improved or unimproved, as may be
2 required by elected state officials, institutions, departments,
3 commissions, boards, and other state agencies, or federal agencies
4 where joint state and federal activities are undertaken and may grant
5 easements and transfer, exchange, sell, lease, or sublease all or part
6 of any surplus real estate for those state agencies which do not
7 otherwise have the specific authority to dispose of real estate. This
8 section does not transfer financial liability for the acquired property
9 to the department of general administration.

10 (2) Except for real estate occupied by federal agencies, the
11 director shall determine the location, size, and design of any real
12 estate or improvements thereon acquired or held pursuant to subsection
13 (1) of this section.

14 (3) The director is authorized to purchase, lease, rent, or
15 otherwise acquire improved or unimproved real estate as owner or lessee
16 and to lease or sublet all or a part of such real estate to state or
17 federal agencies. The director shall charge each using agency its
18 proportionate rental which shall include an amount sufficient to pay
19 all costs, including, but not limited to, those for utilities,
20 janitorial and accounting services, and sufficient to provide for
21 contingencies; which shall not exceed five percent of the average
22 annual rental, to meet unforeseen expenses incident to management of
23 the real estate.

24 (4) If the director determines that it is necessary or advisable to
25 undertake any work, construction, alteration, repair, or improvement on
26 any real estate acquired pursuant to subsections (1) or (3) of this
27 section, the director shall cause plans and specifications thereof and
28 an estimate of the cost of such work to be made and filed in his office
29 and the state agency benefiting thereby is hereby authorized to pay for
30 such work out of any available funds: PROVIDED, That the cost of
31 executing such work shall not exceed the sum of twenty-five thousand
32 dollars. Work, construction, alteration, repair, or improvement in
33 excess of twenty-five thousand dollars, other than that done by the
34 owner of the property if other than the state, shall be performed in
35 accordance with the public works law of this state.

36 (5) In order to obtain maximum utilization of space, the director
37 shall make space utilization studies, and shall establish standards for
38 use of space by state agencies.

1 (6) The director may construct new buildings on, or improve
2 existing facilities, and furnish and equip, all real estate under his
3 management.

4 (7) All conveyances and contracts to purchase, lease, rent,
5 transfer, exchange, or sell real estate and to grant and accept
6 easements shall be approved as to form by the attorney general, signed
7 by the director or the director's designee, and recorded with the
8 county auditor of the county in which the property is located.

9 (8) The director may delegate any or all of the functions specified
10 in this section to any agency upon such terms and conditions as the
11 director deems advisable.

12 (9) This section does not apply to the acquisition of real estate
13 by:

14 (a) The state college and universities for research or experimental
15 purposes;

16 (b) The state liquor control board for liquor stores and
17 warehouses; ((and))

18 (c) The department of natural resources, the department of
19 ((fisheries, the department of)) fish and wildlife, the department of
20 transportation, and the state parks and recreation commission for
21 purposes other than the leasing of offices, warehouses, and real estate
22 for similar purposes; and

23 (d) The department of corrections and the department of information
24 services to the extent that these agencies may be exempt from these
25 requirements under sections 1, 2, 3, and 4 of this act.

26 (10) Notwithstanding any provision in this chapter to the contrary,
27 the department of general administration may negotiate ground leases
28 for public lands on which property is to be acquired under a financing
29 contract pursuant to chapter 39.94 RCW under terms approved by the
30 state finance committee.

31 **Sec. 16.** RCW 43.88.030 and 1991 c 358 s 1 and 1991 c 284 s 1 are
32 each reenacted and amended to read as follows:

33 (1) The director of financial management shall provide all agencies
34 with a complete set of instructions for submitting biennial budget
35 requests to the director at least three months before agency budget
36 documents are due into the office of financial management. The
37 director shall provide agencies that are required under RCW 44.40.070
38 to develop comprehensive six-year program and financial plans with a

1 complete set of instructions for submitting these program and financial
2 plans at the same time that instructions for submitting other budget
3 requests are provided. The budget document or documents shall consist
4 of the governor's budget message which shall be explanatory of the
5 budget and shall contain an outline of the proposed financial policies
6 of the state for the ensuing fiscal period, as well as an outline of
7 the proposed six-year financial policies where applicable, and shall
8 describe in connection therewith the important features of the budget.
9 The message shall set forth the reasons for salient changes from the
10 previous fiscal period in expenditure and revenue items and shall
11 explain any major changes in financial policy. Attached to the budget
12 message shall be such supporting schedules, exhibits and other
13 explanatory material in respect to both current operations and capital
14 improvements as the governor shall deem to be useful to the
15 legislature. The budget document or documents shall set forth a
16 proposal for expenditures in the ensuing fiscal period, or six-year
17 period where applicable, based upon the estimated revenues as approved
18 by the economic and revenue forecast council or upon the estimated
19 revenues of the office of financial management for those funds,
20 accounts, and sources for which the office of the economic and revenue
21 forecast council does not prepare an official forecast, including those
22 revenues anticipated to support the six-year programs and financial
23 plans under RCW 44.40.070. In estimating revenues to support financial
24 plans under RCW 44.40.070, the office of financial management shall
25 rely on information and advice from the interagency revenue task force.
26 Revenues shall be estimated for such fiscal period from the source and
27 at the rates existing by law at the time of submission of the budget
28 document, including the supplemental budgets submitted in the even-
29 numbered years of a biennium. However, the estimated revenues for use
30 in the governor's budget document may be adjusted to reflect budgetary
31 revenue transfers and revenue estimates dependent upon budgetary
32 assumptions of enrollments, workloads, and caseloads. All adjustments
33 to the approved estimated revenues must be set forth in the budget
34 document. The governor may additionally submit, as an appendix to each
35 supplemental, biennial, or six-year agency budget or to the budget
36 document or documents, a proposal for expenditures in the ensuing
37 fiscal period from revenue sources derived from proposed changes in
38 existing statutes.

1 Supplemental and biennial documents shall reflect a six-year
2 expenditure plan consistent with estimated revenues from existing
3 sources and at existing rates for those agencies required to submit
4 six-year program and financial plans under RCW 44.40.070. Any
5 additional revenue resulting from proposed changes to existing statutes
6 shall be separately identified within the document as well as related
7 expenditures for the six-year period.

8 The budget document or documents shall also contain:

9 (a) Revenues classified by fund and source for the immediately past
10 fiscal period, those received or anticipated for the current fiscal
11 period, those anticipated for the ensuing biennium, and those
12 anticipated for the ensuing six-year period to support the six-year
13 programs and financial plans required under RCW 44.40.070;

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

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

18 (d) Such additional information dealing with revenues and
19 expenditures as the governor shall deem pertinent and useful to the
20 legislature;

21 (e) Tabulations showing expenditures classified by fund, function,
22 activity, and object: PROVIDED, That the department of corrections and
23 the department of information services may be exempt from developing
24 budgets at the object and subobject level under sections 1, 2, 3, and
25 4 of this act;

26 (f) A delineation of each agency's activities, including those
27 activities funded from nonbudgeted, nonappropriated sources, including
28 funds maintained outside the state treasury; and

29 (g) Identification of all proposed direct expenditures to implement
30 the Puget Sound water quality plan under chapter 90.70 RCW, shown by
31 agency and in total.

32 (2) The budget document or documents shall include detailed
33 estimates of all anticipated revenues applicable to proposed operating
34 or capital expenditures and shall also include all proposed operating
35 or capital expenditures. The total of beginning undesignated fund
36 balance and estimated revenues less working capital and other reserves
37 shall equal or exceed the total of proposed applicable expenditures.
38 The budget document or documents shall further include:

- 1 (a) Interest, amortization, and redemption charges on the state
2 debt;
- 3 (b) Payments of all reliefs, judgments, and claims;
- 4 (c) Other statutory expenditures;
- 5 (d) Expenditures incident to the operation for each agency;
- 6 (e) Revenues derived from agency operations;
- 7 (f) Expenditures and revenues shall be given in comparative form
8 showing those incurred or received for the immediately past fiscal
9 period and those anticipated for the current biennium and next ensuing
10 biennium, as well as those required to support the six-year programs
11 and financial plans required under RCW 44.40.070;
- 12 (g) A showing and explanation of amounts of general fund and other
13 funds obligations for debt service and any transfers of moneys that
14 otherwise would have been available for appropriation;
- 15 (h) Common school expenditures on a fiscal-year basis;
- 16 (i) A showing, by agency, of the value and purpose of financing
17 contracts for the lease/purchase or acquisition of personal or real
18 property for the current and ensuing fiscal periods.
- 19 (3) A separate capital budget document or schedule shall be
20 submitted that will contain the following:
- 21 (a) A capital plan consisting of proposed capital spending for at
22 least four fiscal periods succeeding the next fiscal period;
- 23 (b) A capital program consisting of proposed capital projects for
24 at least the two fiscal periods succeeding the next fiscal period;
- 25 (c) A capital plan consisting of proposed capital spending for at
26 least four fiscal periods succeeding the next fiscal period;
- 27 (d) A statement of the reason or purpose for a project;
- 28 (e) Verification that a project is consistent with the provisions
29 set forth in chapter 36.70A RCW;
- 30 (f) A statement about the proposed site, size, and estimated life
31 of the project, if applicable;
- 32 (g) Estimated total project cost;
- 33 (h) Estimated total project cost for each phase of the project as
34 defined by the office of financial management;
- 35 (i) Estimated ensuing biennium costs;
- 36 (j) Estimated costs beyond the ensuing biennium;
- 37 (k) Estimated construction start and completion dates;
- 38 (l) Source and type of funds proposed;

1 (m) Such other information bearing upon capital projects as the
2 governor deems to be useful;

3 (n) Standard terms, including a standard and uniform definition of
4 maintenance for all capital projects;

5 (o) Such other information as the legislature may direct by law or
6 concurrent resolution.

7 For purposes of this subsection (3), the term "capital project"
8 shall be defined subsequent to the analysis, findings, and
9 recommendations of a joint committee comprised of representatives from
10 the house capital appropriations committee, senate ways and means
11 committee, legislative transportation committee, legislative evaluation
12 and accountability program committee, and office of financial
13 management.

14 (4) No change affecting the comparability of agency or program
15 information relating to expenditures, revenues, workload, performance
16 and personnel shall be made in the format of any budget document or
17 report presented to the legislature under this section or RCW
18 43.88.160(1) relative to the format of the budget document or report
19 which was presented to the previous regular session of the legislature
20 during an odd-numbered year without prior legislative concurrence.
21 Prior legislative concurrence shall consist of (a) a favorable majority
22 vote on the proposal by the standing committees on ways and means of
23 both houses if the legislature is in session or (b) a favorable
24 majority vote on the proposal by members of the legislative evaluation
25 and accountability program committee if the legislature is not in
26 session.

27 **Sec. 17.** RCW 43.88.110 and 1991 sp.s. c 32 s 27 and 1991 c 358 s
28 2 are each reenacted and amended to read as follows:

29 This section sets forth the expenditure programs and the allotment
30 and reserve procedures to be followed by the executive branch for
31 public funds.

32 (1) Allotments of an appropriation for any fiscal period shall
33 conform to the terms, limits, or conditions of the appropriation.

34 (2) The director of financial management shall provide all agencies
35 with a complete set of operating and capital instructions for preparing
36 a statement of proposed expenditures at least thirty days before the
37 beginning of a fiscal period. The set of instructions need not include
38 specific appropriation amounts for the agency.

1 (3) Within forty-five days after the beginning of the fiscal period
2 or within forty-five days after the governor signs the omnibus biennial
3 appropriations act, whichever is later, all agencies other than the
4 department of corrections and the department of information services,
5 which may be exempt from these requirements under sections 1, 2, 3, and
6 4 of this act, shall submit to the governor a statement of proposed
7 expenditures at such times and in such form as may be required by the
8 governor.

9 (4) The office of financial management shall develop a method for
10 monitoring capital appropriations and expenditures that will capture at
11 least the following elements:

12 (a) Appropriations made for capital projects including
13 transportation projects;

14 (b) Estimates of total project costs including past, current,
15 ensuing, and future biennial costs;

16 (c) Comparisons of actual costs to estimated costs;

17 (d) Comparisons of estimated construction start and completion
18 dates with actual dates;

19 (e) Documentation of fund shifts between projects.

20 This data may be incorporated into the existing accounting system
21 or into a separate project management system, as deemed appropriate by
22 the office of financial management.

23 (5) If at any time during the fiscal period the governor projects
24 a cash deficit in a particular fund or account as defined by RCW
25 43.88.050, the governor shall make across-the-board reductions in
26 allotments for that particular fund or account so as to prevent a cash
27 deficit, unless the legislature has directed the liquidation of the
28 cash deficit over one or more fiscal periods. Except for the
29 legislative and judicial branches and other agencies headed by elective
30 officials, the governor shall review the statement of proposed
31 operating expenditures for reasonableness and conformance with
32 legislative intent. Once the governor approves the statements of
33 proposed operating expenditures, further revisions shall be made only
34 at the beginning of the second fiscal year and must be initiated by the
35 governor. However, changes in appropriation level authorized by the
36 legislature, changes required by across-the-board reductions mandated
37 by the governor, changes caused by executive increases to spending
38 authority, and changes caused by executive decreases to spending
39 authority for failure to comply with the provisions of chapter 36.70A

1 RCW may require additional revisions. Revisions shall not be made
2 retroactively. Revisions caused by executive increases to spending
3 authority shall not be made after June 30, 1987. However, the governor
4 may assign to a reserve status any portion of an agency appropriation
5 withheld as part of across-the-board reductions made by the governor
6 and any portion of an agency appropriation conditioned on a contingent
7 event by the appropriations act. The governor may remove these amounts
8 from reserve status if the across-the-board reductions are subsequently
9 modified or if the contingent event occurs. The director of financial
10 management shall enter approved statements of proposed expenditures
11 into the state budgeting, accounting, and reporting system within
12 forty-five days after receipt of the proposed statements from the
13 agencies. If an agency or the director of financial management is
14 unable to meet these requirements, the director of financial management
15 shall provide a timely explanation in writing to the legislative fiscal
16 committees.

17 (6) It is expressly provided that all agencies shall be required to
18 maintain accounting records and to report thereon in the manner
19 prescribed in this chapter and under the regulations issued pursuant to
20 this chapter. Within ninety days of the end of the fiscal year, all
21 agencies shall submit to the director of financial management their
22 final adjustments to close their books for the fiscal year. Prior to
23 submitting fiscal data, written or oral, to committees of the
24 legislature, it is the responsibility of the agency submitting the data
25 to reconcile it with the budget and accounting data reported by the
26 agency to the director of financial management.

27 (7) The director of financial management shall monitor agency
28 operating expenditures against the approved statement of proposed
29 expenditures and shall provide the legislature with quarterly
30 explanations of major variances.

31 (8) The director of financial management may exempt certain public
32 funds from the allotment controls established under this chapter if it
33 is not practical or necessary to allot the funds. Allotment control
34 exemptions expire at the end of the fiscal biennium for which they are
35 granted. The director of financial management shall report any
36 exemptions granted under this subsection to the legislative fiscal
37 committees.

1 **Sec. 18.** RCW 43.88.150 and 1991 c 284 s 3 are each amended to read
2 as follows:

3 (1) For those agencies that make expenditures from both
4 appropriated and nonappropriated funds for the same purpose, the
5 governor shall direct such agencies to charge their expenditures in
6 such ratio, as between appropriated and nonappropriated funds, as will
7 conserve appropriated funds.

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

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

18 (4) The department of corrections and the department of information
19 services may be exempted from this section as provided in sections 1,
20 2, 3, and 4 of this act.

21 **Sec. 19.** RCW 43.88.160 and 1993 c 500 s 7, 1993 c 406 s 4, and
22 1993 c 194 s 6 are each reenacted and amended to read as follows:

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

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

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

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

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

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

37 (a) Develop and maintain a system of internal controls and internal
38 audits comprising methods and procedures to be adopted by each agency
39 that will safeguard its assets, check the accuracy and reliability of

1 its accounting data, promote operational efficiency, and encourage
2 adherence to prescribed managerial policies for accounting and
3 financial controls. The system developed by the director shall include
4 criteria for determining the scope and comprehensiveness of internal
5 controls required by classes of agencies, depending on the level of
6 resources at risk.

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

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

16 (c) Establish policies for allowing the contracting of child care
17 services;

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

20 (e) Review any pay and classification plans, and changes
21 thereunder, developed by any agency other than the department of
22 corrections or the department of information services, which may be
23 exempt from this requirement under sections 1, 2, 3, and 4 of this act,
24 for their fiscal impact: PROVIDED, That none of the provisions of this
25 subsection shall affect merit systems of personnel management now
26 existing or hereafter established by statute relating to the fixing of
27 qualifications requirements for recruitment, appointment, or promotion
28 of employees of any agency. The director shall advise and confer with
29 agencies including appropriate standing committees of the legislature
30 as may be designated by the speaker of the house and the president of
31 the senate regarding the fiscal impact of such plans and may amend or
32 alter said plans, except that for the following agencies no amendment
33 or alteration of said plans may be made without the approval of the
34 agency concerned: Agencies headed by elective officials;

35 (f) Fix the number and classes of positions or authorized ((~~man~~)
36 staff years of employment for each agency and during the fiscal period
37 amend the determinations previously fixed by the director except that
38 the director shall not be empowered to fix said number or said classes
39 for the following: Agencies headed by elective officials, and the

1 department of corrections and the department of information services,
2 which may be exempt from this requirement under sections 1, 2, 3, and
3 4 of this act;

4 (g) Provide for transfers and repayments between the budget
5 stabilization account and the general fund as directed by appropriation
6 and RCW 43.88.525 through 43.88.540;

7 (h) Adopt rules to effectuate provisions contained in (a) through
8 (g) of this subsection. However, the director of financial management
9 may waive such rules for the department of corrections and the
10 department of information services under sections 1, 2, 3, and 4 of
11 this act.

12 (5) The treasurer shall:

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

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

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

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

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

27 It shall be unlawful for the treasurer to disburse public funds in
28 the treasury except upon forms or by alternative means duly prescribed
29 by the director of financial management. These forms or alternative
30 means shall provide for authentication and certification by the agency
31 head or the agency head's designee that the services have been rendered
32 or the materials have been furnished; or, in the case of loans or
33 grants, that the loans or grants are authorized by law; or, in the case
34 of payments for periodic maintenance services to be performed on state
35 owned equipment, that a written contract for such periodic maintenance
36 services is currently in effect and copies thereof are on file with the
37 office of financial management; and the treasurer shall not be liable
38 under the treasurer's surety bond for erroneous or improper payments so
39 made. When services are lawfully paid for in advance of full

1 performance by any private individual or business entity other than as
2 provided for by RCW 42.24.035, such individual or entity other than
3 central stores rendering such services shall make a cash deposit or
4 furnish surety bond coverage to the state as shall be fixed in an
5 amount by law, or if not fixed by law, then in such amounts as shall be
6 fixed by the director of the department of general administration but
7 in no case shall such required cash deposit or surety bond be less than
8 an amount which will fully indemnify the state against any and all
9 losses on account of breach of promise to fully perform such services.
10 No payments shall be made in advance for any equipment maintenance
11 services to be performed more than three months after such payment.
12 Any such bond so furnished shall be conditioned that the person, firm
13 or corporation receiving the advance payment will apply it toward
14 performance of the contract. The responsibility for recovery of
15 erroneous or improper payments made under this section shall lie with
16 the agency head or the agency head's designee in accordance with
17 regulations issued pursuant to this chapter. Nothing in this section
18 shall be construed to permit a public body to advance funds to a
19 private service provider pursuant to a grant or loan before services
20 have been rendered or material furnished.

21 (6) The state auditor shall:

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

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

34 (c) Make the auditor's official report on or before the thirty-
35 first of December which precedes the meeting of the legislature. The
36 report shall be for the last complete fiscal period and shall include
37 determinations as to whether agencies, in making expenditures, complied
38 with the laws of this state. The state auditor is authorized to
39 perform or participate in performance audits only as expressly

1 authorized by the legislature in the omnibus biennial appropriations
2 acts. A performance audit for the purpose of this section is the
3 examination of the effectiveness of the administration, its efficiency,
4 and its adequacy in terms of the programs of departments or agencies as
5 previously approved by the legislature. The state auditor, upon
6 completing an audit for legal and financial compliance under chapter
7 43.09 RCW, may report to the legislative budget committee or other
8 appropriate committees of the legislature, in a manner prescribed by
9 the legislative budget committee, on facts relating to the management
10 or performance of governmental programs where such facts are discovered
11 incidental to the legal and financial audit. The auditor may make such
12 a report to a legislative committee only if the auditor has determined
13 that the agency has been given an opportunity and has failed to resolve
14 the management or performance issues raised by the auditor. If the
15 auditor makes a report to a legislative committee, the agency may
16 submit to the committee a response to the report. This subsection (6)
17 shall not be construed to authorize the auditor to allocate other than
18 de minimis resources to performance audits except as expressly
19 authorized in the appropriations acts.

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

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

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

32 (7) The legislative budget committee may:

33 (a) Make post audits of the financial transactions of any agency
34 and management surveys and program reviews as provided for in RCW
35 44.28.085 as well as performance audits and program evaluations. To
36 this end the committee may in its discretion examine the books,
37 accounts, and other records of any agency, official, or employee.

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

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

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

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

14 **Sec. 20.** RCW 43.88.180 and 1973 1st ex.s. c 100 s 8 are each
15 amended to read as follows:

16 Appropriations shall not be required for refunds, as provided in
17 RCW 43.88.170, nor in the case of payments other than for
18 administrative expenses or capital improvements to be made from trust
19 funds specifically created by law to discharge awards, claims,
20 annuities and other liabilities of the state. Said trust funds shall
21 include, but shall not be limited to, the accident fund, medical aid
22 fund, retirement system fund, Washington state patrol retirement fund
23 ((and)), unemployment trust fund, and the efficiency incentive account
24 established on behalf of the department of information services and the
25 department of corrections under section 4 of this act. Appropriations
26 may be required in the case of public service enterprises defined for
27 the purposes of this section as proprietary functions conducted by an
28 agency of the state. An appropriation may be required to permit
29 payment of obligations by revolving funds, as provided in RCW
30 43.88.190.

31 **Sec. 21.** RCW 43.105.041 and 1990 c 208 s 6 are each amended to
32 read as follows:

33 The board shall have the following powers and duties related to
34 information services:

35 (1) To develop standards governing the acquisition and disposition
36 of equipment, proprietary software and purchased services, and
37 confidentiality of computerized data;

1 (2) To purchase, lease, rent, or otherwise acquire, dispose of, and
2 maintain equipment, proprietary software, and purchased services, or to
3 delegate to other agencies and institutions of state government, under
4 appropriate standards, the authority to purchase, lease, rent, or
5 otherwise acquire, dispose of, and maintain equipment, proprietary
6 software, and purchased services: PROVIDED, That, agencies and
7 institutions of state government are expressly prohibited from
8 acquiring or disposing of equipment, proprietary software, and
9 purchased services without such delegation of authority. The
10 acquisition and disposition of equipment, proprietary software, and
11 purchased services is exempt from RCW 43.19.1919 and, as provided in
12 RCW 43.19.1901, from the provisions of RCW 43.19.190 through 43.19.200.
13 This subsection does not apply to the legislative branch. This
14 subsection does not apply to the department of corrections and the
15 department of information services to the extent that the department of
16 corrections and the department of information services may be exempt
17 from these requirements under sections 1, 2, 3, and 4 of this act and
18 that architectural and other standards identified by the board are met
19 and competitive procurement practices are followed;

20 (3) To develop state-wide or interagency technical policies,
21 standards, and procedures;

22 (4) To assure the cost-effective development and incremental
23 implementation of a state-wide video telecommunications system to
24 serve: Public schools; educational service districts; vocational-
25 technical institutes; community colleges; colleges and universities;
26 state and local government; and the general public through public
27 affairs programming;

28 (5) To provide direction concerning strategic planning goals and
29 objectives for the state. The board shall seek input from the
30 legislature and the judiciary;

31 (6) To develop and implement a process for the resolution of
32 appeals by:

33 (a) Vendors concerning the conduct of an acquisition process by an
34 agency or the department; or

35 (b) A customer agency concerning the provision of services by the
36 department or by other state agency providers;

37 (c) As provided for in sections 1, 2, 3, and 4 of this act, this
38 subsection (6) does not apply to the department of corrections or the

1 department of information services if the pilot agencies and the office
2 of financial management mutually agree to an alternate appeals process;

3 (7) To establish policies for the periodic review by the department
4 of agency performance which may include but are not limited to analysis
5 of:

6 (a) Planning, management, control, and use of information services;

7 (b) Training and education; and

8 (c) Project management;

9 (8) To set its meeting schedules and convene at scheduled times, or
10 meet at the request of a majority of its members, the chair, or the
11 director; and

12 (9) To review and approve that portion of the department's budget
13 requests that provides for support to the board.

14 **Sec. 22.** RCW 43.105.052 and 1993 c 281 s 53 are each amended to
15 read as follows:

16 The department shall:

17 (1) Perform all duties and responsibilities the board delegates to
18 the department, including but not limited to:

19 (a) The review of agency acquisition plans and requests; and

20 (b) Implementation of state-wide and interagency policies,
21 standards, and guidelines;

22 (2) Make available information services to state agencies and local
23 governments on a full cost-recovery basis. As provided for in sections
24 1, 2, 3, and 4 of this act, information services may also be made
25 available to tribal organizations and the federal government. These
26 services may include, but are not limited to:

27 (a) Telecommunications services for voice, data, and video;

28 (b) Mainframe computing services;

29 (c) Support for departmental and microcomputer evaluation,
30 installation, and use;

31 (d) Equipment acquisition assistance, including leasing, brokering,
32 and establishing master contracts;

33 (e) Facilities management services for information technology
34 equipment, equipment repair, and maintenance service;

35 (f) Negotiation with local cable companies and local governments to
36 provide for connection to local cable services to allow for access to
37 these public and educational channels in the state;

38 (g) Office automation services;

1 (h) System development services; and

2 (i) Training.

3 These services are for discretionary use by customers and customers
4 may elect other alternatives for service if those alternatives are more
5 cost-effective or provide better service. Agencies may be required to
6 use the backbone network portions of the telecommunications services
7 during an initial start-up period not to exceed three years;

8 (3) Establish rates and fees for services provided by the
9 department to assure that the services component of the department is
10 self-supporting. A billing rate plan shall be developed for a two-year
11 period to coincide with the budgeting process(~~(. The rate plan shall~~
12 ~~be subject to review at least annually by the customer oversight~~
13 ~~committees. The rate plan shall show the proposed rates by each cost~~
14 ~~center and will show the components of the rate structure as mutually~~
15 ~~determined by the department and the customer oversight committees.~~
16 ~~The same rate structure will apply to all user agencies of each cost~~
17 ~~center. The rate plan and any adjustments to rates shall be approved~~
18 ~~by the office of financial management. The services component shall~~
19 ~~not subsidize the operations of the planning component)) and must be
20 mutually agreed to by the department of information services and the
21 office of financial management as provided for in sections 1, 2, 3, and
22 4 of this act;~~

23 (4) With the advice of the information services board and agencies,
24 develop a state strategic information technology plan and performance
25 reports as required under RCW 43.105.160;

26 (5) Develop plans for the department's achievement of state-wide
27 goals and objectives set forth in the state strategic information
28 technology plan required under RCW 43.105.160. These plans shall
29 address such services as telecommunications, central and distributed
30 computing, local area networks, office automation, and end user
31 computing. The department shall seek the advice of customer oversight
32 committees and the board in the development of these plans;

33 (6) Under direction of the information services board and in
34 collaboration with the department of personnel, and other agencies as
35 may be appropriate, develop training plans and coordinate training
36 programs that are responsive to the needs of agencies;

37 (7) Identify opportunities for the effective use of information
38 services and coordinate appropriate responses to those opportunities;

1 (8) Assess agencies' projects, acquisitions, plans, or overall
2 information processing performance as requested by the board, agencies,
3 the director of financial management, or the legislature. Agencies may
4 be required to reimburse the department for agency-requested reviews;

5 (9) Develop planning, budgeting, and expenditure reporting
6 requirements, in conjunction with the office of financial management,
7 for agencies to follow;

8 (10) Assist the office of financial management with budgetary and
9 policy review of agency plans for information services;

10 (11) Provide staff support from the planning component to the board
11 for:

12 (a) Meeting preparation, notices, and minutes;

13 (b) Promulgation of policies, standards, and guidelines adopted by
14 the board;

15 (c) Supervision of studies and reports requested by the board;

16 (d) Conducting reviews and assessments as directed by the board;

17 (12) Be the lead agency in coordinating video telecommunications
18 services for all state agencies and develop, pursuant to board
19 policies, standards and common specifications for leased and purchased
20 telecommunications equipment. The department shall not evaluate the
21 merits of school curriculum, higher education course offerings, or
22 other education and training programs proposed for transmission and/or
23 reception using video telecommunications resources. Nothing in this
24 section shall abrogate or abridge the legal responsibilities of
25 licensees of telecommunications facilities as licensed by the federal
26 communication commission on March 27, 1990; and

27 (13) Perform all other matters and things necessary to carry out
28 the purposes and provisions of this chapter.

29 As provided in sections 1, 2, 3, and 4 of this act, the department
30 may enter into strategic partnerships with nongovernmental
31 organizations to advance the state's economic development, improve
32 delivery of technology services and infrastructure, leverage public
33 investments, and ensure success of state information technology
34 development projects if the department adheres to competitive
35 acquisition requirements that have been mutually agreed to by the
36 department and the office of financial management.

37 **Sec. 23.** RCW 72.09.100 and 1992 c 123 s 1 are each amended to read
38 as follows:

1 It is the intent of the legislature to vest in the department the
2 power to provide for a comprehensive inmate work program and to remove
3 statutory and other restrictions which have limited work programs in
4 the past. For purposes of establishing such a comprehensive program,
5 the legislature recommends that the department consider adopting any or
6 all, or any variation of, the following classes of work programs:

7 (1) CLASS I: FREE VENTURE INDUSTRIES. The employer model
8 industries in this class shall be operated and managed in total or in
9 part by any profit or nonprofit organization pursuant to an agreement
10 between the organization and the department. The organization shall
11 produce goods or services for sale to both the public and private
12 sector.

13 The customer model industries in this class shall be operated and
14 managed by the department to provide Washington state manufacturers or
15 businesses with products or services currently produced or provided by
16 out-of-state or foreign suppliers. The correctional industries board
17 of directors shall review these proposed industries before the
18 department contracts to provide such products or services. The review
19 shall include an analysis of the potential impact of the proposed
20 products and services on the Washington state business community and
21 labor market.

22 The department of corrections shall supply appropriate security and
23 custody services without charge to the participating firms.

24 Inmates who work in free venture industries shall do so at their
25 own choice. They shall be paid a wage comparable to the wage paid for
26 work of a similar nature in the locality in which the industry is
27 located, as determined by the director of correctional industries. If
28 the director cannot reasonably determine the comparable wage, then the
29 pay shall not be less than the federal minimum wage.

30 (2) CLASS II: TAX REDUCTION INDUSTRIES. Industries in this class
31 shall be state-owned and operated enterprises designed to reduce the
32 costs for goods and services for tax-supported agencies and for
33 nonprofit organizations. The industries selected for development
34 within this class shall, as much as possible, match the available pool
35 of inmate work skills and aptitudes with the work opportunities in the
36 free community. The industries shall be closely patterned after
37 private sector industries but with the objective of reducing public
38 support costs rather than making a profit. The products and services
39 of this industry, including purchased products and services necessary

1 for a complete product line, may be sold to public agencies, to
2 nonprofit organizations, and to private (~~contractors when the goods~~
3 ~~purchased will be ultimately used by a public agency or a nonprofit~~
4 ~~organization~~)) sector companies if those products and services are not
5 currently manufactured by or obtained from a Washington-based business
6 as provided in sections 1, 2, 3, and 4 of this act. Clothing
7 manufactured by an industry in this class may be donated to nonprofit
8 organizations that provide clothing free of charge to low-income
9 persons. Correctional industries products and services shall be
10 reviewed by the correctional industries board of directors before
11 offering such products and services for sale to private contractors.
12 The board of directors shall conduct a yearly marketing review of the
13 products and services offered under this subsection. Such review shall
14 include an analysis of the potential impact of the proposed products
15 and services on the Washington state business community. To avoid
16 waste or spoilage and consequent loss to the state, when there is no
17 public sector market for such goods, byproducts and surpluses of
18 timber, agricultural, and animal husbandry enterprises may be sold to
19 private persons, at private sale. Surplus byproducts and surpluses of
20 timber, agricultural and animal husbandry enterprises that cannot be
21 sold to public agencies or to private persons may be donated to
22 nonprofit organizations. All sales of surplus products shall be
23 carried out in accordance with rules prescribed by the secretary.

24 Security and custody services shall be provided without charge by
25 the department of corrections.

26 Inmates working in this class of industries shall do so at their
27 own choice and shall be paid for their work on a gratuity scale which
28 shall not exceed the wage paid for work of a similar nature in the
29 locality in which the industry is located and which is approved by the
30 director of correctional industries.

31 (3) CLASS III: INSTITUTIONAL SUPPORT INDUSTRIES. Industries in
32 this class shall be operated by the department of corrections. They
33 shall be designed and managed to accomplish the following objectives:

34 (a) Whenever possible, to provide basic work training and
35 experience so that the inmate will be able to qualify for better work
36 both within correctional industries and the free community. It is not
37 intended that an inmate's work within this class of industries should
38 be his or her final and total work experience as an inmate.

1 (b) Whenever possible, to provide forty hours of work or work
2 training per week.

3 (c) Whenever possible, to offset tax and other public support
4 costs.

5 Supervising, management, and custody staff shall be employees of
6 the department.

7 All able and eligible inmates who are assigned work and who are not
8 working in other classes of industries shall work in this class.

9 Except for inmates who work in work training programs, inmates in
10 this class shall be paid for their work in accordance with an inmate
11 gratuity scale. The scale shall be adopted by the secretary of
12 corrections.

13 (4) CLASS IV: COMMUNITY WORK INDUSTRIES. Industries in this class
14 shall be operated by the department of corrections. They shall be
15 designed and managed to provide services in the inmate's resident
16 community at a reduced cost. The services shall be provided to public
17 agencies, to persons who are poor or infirm, or to nonprofit
18 organizations.

19 Inmates in this program shall reside in facilities owned by,
20 contracted for, or licensed by the department of corrections. A unit
21 of local government shall provide work supervision services without
22 charge to the state and shall pay the inmate's wage.

23 The department of corrections shall reimburse participating units
24 of local government for liability and workers compensation insurance
25 costs.

26 Inmates who work in this class of industries shall do so at their
27 own choice and shall receive a gratuity which shall not exceed the wage
28 paid for work of a similar nature in the locality in which the industry
29 is located.

30 (5) CLASS V: COMMUNITY SERVICE PROGRAMS. Programs in this class
31 shall be subject to supervision by the department of corrections. The
32 purpose of this class of industries is to enable an offender, placed on
33 community supervision, to work off all or part of a community service
34 order as ordered by the sentencing court.

35 Employment shall be in a community service program operated by the
36 state, local units of government, or a nonprofit agency.

37 To the extent that funds are specifically made available for such
38 purposes, the department of corrections shall reimburse nonprofit
39 agencies for workers compensation insurance costs.

1 NEW SECTION. **Sec. 24.** This act takes effect July 1, 1994.

2 NEW SECTION. **Sec. 25.** The following acts or parts of acts are
3 each repealed, effective July 1, 1997:

4 (1) 1994 c -- s 1 (section 1 of this act);

5 (2) 1994 c -- s 2 (section 2 of this act);

6 (3) 1994 c -- s 3 (section 3 of this act);

7 (4) 1994 c -- s 6 (section 6 of this act);

8 (5) 1994 c -- s 7 (section 7 of this act); and

9 (6) 1994 c -- s 10 (section 10 of this act).

10 NEW SECTION. **Sec. 26.** 1994 c . . . s 4 (section 4 of this act) is
11 repealed, effective July 1, 1999.

12 NEW SECTION. **Sec. 27.** 1994 c . . . s 5 (section 5 of this act) is
13 repealed, effective December 1, 1997.

14 NEW SECTION. **Sec. 28.** The amendments to RCW 39.29.040, 41.04.340,
15 43.01.090, 43.19.190, 43.78.030, 43.78.100, 43.82.010, 43.88.030,
16 43.88.110, 43.88.150, 43.88.160, 43.88.180, 43.105.041, 43.105.052, and
17 72.09.100 by sections 8, 9, and 11 through 23 of this act,
18 respectively, each expire July 1, 1997, and those sections will revert
19 to their wording as of June 30, 1994, subject to any other amendments.

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