

**INITIATIVE 338**

I, Sam Reed, Secretary of State of the State of Washington and custodian of its seal, hereby certify that, according to the records on file in my office, the attached copy of Initiative Measure No. 338 to the Legislature is a true and correct copy as it was received by this office.

AN ACT Relating to performance audits of governmental entities; amending RCW 82.08.020; adding new sections to chapter 43.09 RCW; adding a new section to chapter 82.12 RCW; adding new sections to chapter 43.09 RCW; creating new sections; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF WASHINGTON:

**POLICIES AND PURPOSES**

NEW SECTION. **Sec. 1.** It is essential that state and local governments establish credibility with the taxpayers by implementing long-overdue performance audits to ensure accountability and guarantee that tax dollars are spent as cost-effectively as possible. Are politicians spending our current tax revenues as cost-effectively as possible? Voters don't know because politicians have repeatedly blocked our state auditor from conducting independent, comprehensive performance audits on state and local governments, agencies, programs, and accounts. Currently, Washington is the only state in the nation that prohibits the independently elected state auditor from doing the job he or she was hired to do without explicit legislative permission.

This handicap is costing the taxpayers billions of dollars in potential savings. Thankfully, this common sense initiative remedies this egregious failure of politicians to enact this reform. It is absurd for politicians to unilaterally impose tax increases or to seek voter approval for tax increases without first learning if we're getting the biggest bang for the buck from our current tax revenues. This measure requires the state auditor to conduct independent, comprehensive performance audits on state and local governments, agencies, programs, and accounts. This act dedicates a portion of the state's existing retail sales and use tax (1/100th of 1%) to fund these comprehensive performance audits. Similar performance reviews in Texas have saved taxpayers there nine billion dollars out of nineteen billion dollars in identified savings over the past decade. The performance audits required by this common sense initiative will identify solutions to our public policy problems, saving the taxpayers billions of dollars.

**REQUIRING INDEPENDENT, COMPREHENSIVE PERFORMANCE AUDITS OF STATE AND LOCAL GOVERNMENTS, AGENCIES, PROGRAMS, AND ACCOUNTS**

NEW SECTION. **Sec. 2.** A new section is added to chapter 43.09 RCW to read as follows:

The state auditor shall conduct independent, comprehensive performance audits of state government and each of its agencies, accounts, and programs; local governments and each of their agencies, accounts, and programs; state and local education governmental entities and each of their agencies, accounts, and programs; state and local transportation governmental entities and each of their agencies, accounts, and programs; and other governmental entities, agencies, accounts, and programs. The term "government" means an agency, department, office, officer, board commission, bureau, division, institution, or institution of higher education. This includes individual agencies and programs, as well as those programs and activities that cross agency lines. "Government" includes all elective and nonelective offices in the executive branch and includes the judicial and legislative branches. The state auditor shall review and analyze the economy, efficiency, and effectiveness of the policies, management, fiscal affairs, and operations of state and local governments, agencies, programs, and accounts. These performance audits shall be conducted in accordance with the United States general

accounting office government auditing standards. The scope for each performance audit shall not be limited and shall include nine specific elements: (1) identification of cost savings; (2) identification of services that can be reduced or eliminated; (3) identification of programs or services that can be transferred to the private sector; (4) analysis of gaps or overlaps in programs or services and recommendations to correct gaps or overlaps; (5) feasibility of pooling information technology systems within the department; (6) analysis of the roles and functions of the department, and recommendations to change or eliminate departmental roles or functions; (7) recommendations for statutory or regulatory changes that may be necessary for the department to properly carry out its functions; (8) analysis of departmental performance data, performance measures, and self-assessment systems; and (9) identification of best practices. The state auditor may contract out any performance audits. For counties and cities, the audit may be conducted as part of audits otherwise required by state law. Each audit report shall be submitted to the corresponding legislative body or legislative bodies and made available to the public on or before thirty days after the completion of each audit or each follow-up audit. On or before thirty days after the performance audit is made public, the corresponding legislative body or legislative bodies shall hold at least one public hearing to consider the findings of the audit and shall receive comments from the public. The state auditor is authorized to issue subpoenas to governmental entities for required documents, memos, and budgets to conduct the performance audits. The state auditor may, at any time, conduct a performance audit to determine not only the efficiency, but also the effectiveness, of any government agency, account, or program. No legislative body, officeholder, or employee may impede or restrict the authority or the actions of the state auditor to conduct independent, comprehensive performance audits. To the greatest extent possible, the state auditor shall instruct and advise the appropriate governmental body on a step-by-step remedy to whatever ineffectiveness and inefficiency is discovered in the audited entity. For performance audits of state government and its agencies, programs, and accounts, the legislature must consider the state auditor reports in connection with the legislative appropriations process. An annual report will be submitted by the joint legislative audit and review committee by July 1st of each year detailing the status of the legislative implementation

of the state auditor's recommendations. Justification must be provided for recommendations not implemented. Details of other corrective action must be provided as well. For performance audits of local governments and their agencies, programs, and accounts, the corresponding legislative body must consider the state auditor reports in connection with its spending practices. An annual report will be submitted by the legislative body by July 1st of each year detailing the status of the legislative implementation of the state auditor's recommendations. Justification must be provided for recommendations not implemented. Details of other corrective action must be provided as well. The people encourage the state auditor to aggressively pursue the largest, costliest governmental entities first but to pursue all governmental entities in due course. Follow-up performance audits on any state and local government, agency, account, and program may be conducted when determined necessary by the state auditor. Revenues from the Performance Audits of Government Account, created in section 5 of this act, shall be used for the cost of the audits.

**DEDICATING A PORTION OF THE STATE'S EXISTING RETAIL SALES  
TAX (1/100TH OF 1%) TO FUND THE PERFORMANCE AUDITS**

**Sec. 3.** RCW 82.08.020 and 2003 c 361 s 301 are each amended to read as follows:

(1) There is levied and there shall be collected a tax on each retail sale in this state equal to (a) six and forty-nine hundredths percent of the selling price plus (b) one one-hundredth of one percent of the selling price, for a total of six and five-tenths percent of the selling price. Beginning on December 1, 2005, the tax levied and collected under (b) of this subsection shall be dedicated to funding comprehensive performance audits required under section 2 of this act. The revenue identified under (b) of this subsection shall be deposited in the Performance Audits of Government Account in accordance with section 5 of this act.

(2) There is levied and there shall be collected an additional tax on each retail car rental, regardless of whether the vehicle is licensed in this state, equal to five and nine-tenths percent of the selling price. The revenue collected under this subsection shall be deposited in the multimodal transportation account created in RCW 47.66.070.

(3) Beginning July 1, 2003, there is levied and collected an additional tax of three-tenths of one percent of the selling price on each retail sale of a motor vehicle in this state, other than retail car rentals taxed under subsection (2) of this section. The revenue collected under this subsection shall be deposited in the multimodal transportation account created in RCW 47.66.070.

(4) For purposes of subsection (3) of this section, "motor vehicle" has the meaning provided in RCW 46.04.320, but does not include farm tractors or farm vehicles as defined in RCW 46.04.180 and 46.04.181, off-road and nonhighway vehicles as defined in RCW 46.09.020, and snowmobiles as defined in RCW 46.10.010.

(5) The taxes imposed under this chapter shall apply to successive retail sales of the same property.

(6) The rates provided in this section apply to taxes imposed under chapter 82.12 RCW as provided in RCW 82.12.020.

**DEDICATING A PORTION OF THE STATE'S EXISTING  
RETAIL USE TAX (1/100TH OF 1%) TO FUND THE PERFORMANCE AUDITS**

NEW SECTION. **Sec. 4.** A new section is added to chapter 82.12 RCW to read as follows:

Beginning on December 1, 2005, one one-hundredth of one percent from the rate under RCW 82.12.020, the rate based on RCW 82.08.020(1)(b), shall be dedicated to funding comprehensive performance audits under section 2 of this act. Revenue identified in this section shall be deposited in the Performance Audits of Government Account created in section 5 of this act.

**CREATING THE PERFORMANCE AUDITS OF GOVERNMENT ACCOUNT**

NEW SECTION. **Sec. 5.** A new section is added to chapter 43.09 RCW to read as follows:

The Performance Audits of Government Account is hereby created in the custody of the state treasurer. Revenue from RCW 82.08.020(1)(b) and section 4 of this act shall be deposited in the account. Money in the account shall be used to fund the performance audits and follow-up performance audits under section 2 of this act and shall be expended by the state auditor in accordance with this act. Only the state auditor or the state auditor's designee may authorize expenditures from the

account. The account is subject to allotment procedures under chapter 43.88 RCW, but an appropriation is not required for expenditures.

**CONSTRUCTION CLAUSE**

NEW SECTION. **Sec. 6.** The provisions of this act are to be liberally construed to effectuate the intent, policies, and purposes of this act.

**SEVERABILITY CLAUSE**

NEW SECTION. **Sec. 7.** If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

**MISCELLANEOUS**

NEW SECTION. **Sec. 8.** Part headings used in this act are not part of the law.

**EFFECTIVE DATE**

NEW SECTION. **Sec. 9.** This act shall be called the Performance Audits of Government Act and takes effect December 1, 2005.

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