
SENATE BILL 5777

State of Washington

63rd Legislature

2013 Regular Session

By Senators Hasegawa and Chase

Read first time 02/14/13. Referred to Committee on Higher Education.

1 AN ACT Relating to the audit of the state universities; creating
2 new sections; and providing an expiration date.

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

4 NEW SECTION. **Sec. 1.** The legislature recognizes the historical
5 financial hardship being placed on students and the chilling effect
6 high tuition places on prospective students. The legislature finds
7 that in order to evaluate and appropriate public resources in a manner
8 that best supports and promotes equity of access to higher education,
9 it needs complete information regarding the financial situation and
10 circumstances of Washington state's public research universities, the
11 University of Washington and Washington State University. Therefore,
12 the legislature intends to direct a comprehensive audit of the public
13 research universities to identify cost and profit centers within their
14 broadly defined institutional and ecological systems.

15 NEW SECTION. **Sec. 2.** (1) The state auditor shall conduct a
16 comprehensive financial audit of Washington's state universities. The
17 purpose of the audit is to identify cost and profit centers within, and
18 in partnership with, the state universities. The audit must focus on

1 public funds; student fees, in particular tuition; and auxiliary
2 enterprises, which for the purposes of the audit at the University of
3 Washington includes University of Washington medical center, the
4 internal lending program, the W fund, and the center for
5 commercialization. The audit at each university must achieve the
6 following:

7 (a) Identify the major sources of funding over the most recent five
8 years, including public funding and funding from the federal
9 government;

10 (b) Review and evaluate the policies and practices that the
11 university uses to track and allocate public funding;

12 (c) Determine how the university spent its state appropriations,
13 student fees, federal grant funding, and any inflationary increases in
14 federal grant funding;

15 (d) Review and evaluate the procedures and practices used by the
16 university to track and adjust nonsalary expenditure categories such as
17 travel, consultants, entertainment, and general supplies;

18 (e) Identify how the university defines restricted funds and
19 determine for each type of public funding the amount that is restricted
20 to specific purposes by the funding source;

21 (f) Assess the university's policies and practices for tracking
22 per-student expenditures for instruction and identify the average
23 amount per student that the university has spent on instruction for
24 undergraduate students in each of the past five fiscal years;

25 (g) Obtain the university's definition of auxiliary enterprises and
26 determine the number of auxiliary enterprises, including the University
27 of Washington medical center, the University of Washington internal
28 lending program, the W fund, and the center for commercialization, that
29 exist in the university system, the methods the university uses to
30 track revenues and expenditures of auxiliary enterprises, and the
31 policies and practices the university has in place to ensure that state
32 funding is not used to supplement or guarantee projects or programs
33 authorized by auxiliary enterprises;

34 (h) Identify how much money is being spent on undergraduate
35 education and to what extent undergraduate education is subsidizing
36 graduate education; and

37 (i) Determine how tuition funds are being used and to what extent
38 they are being used to fund the University of Washington medical

1 center, the University of Washington internal lending program, the W
2 fund, and the center for commercialization and to back bonds authorized
3 by the university.

4 (2) Any work performed by the state auditor's office shall not
5 duplicate existing audits, and where applicable, shall make maximum use
6 of existing audit records, accreditation reviews, and performance
7 measures required by the office of financial management and nationally
8 or regionally recognized accreditation organizations including
9 accreditation of hospitals licensed under chapter 70.41 RCW and
10 ambulatory care facilities.

11 (3) By January 1, 2014, the state auditor shall deliver the
12 comprehensive financial audit of the state universities to the governor
13 and relevant committees of the legislature. The state auditor shall
14 recommend whether follow-up audits are necessary to ensure the
15 effective use of public funds, student fees, and auxiliary enterprises.

16 (4) This section expires July 1, 2014.

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