

2022 Legislative Auditor Annual Report

Independent | Objective | Credible

JANUARY 2023

JLARC staff are well positioned to build on foundation of excellence under new leadership

I joined the JLARC staff in 2004 and was appointed Legislative Auditor in 2011. During my 18 years of service, JLARC evolved to reflect the myriad of changes in our state and the world around us.

Moving to mobile: In 2004, our reports averaged 75 pages, and no one had a smartphone. Today, we deliver short, focused reports optimized for the web and mobile devices. We share key findings and recommendations in videos, presentations, and one-page summaries.



2022 Legislative Auditor
Annual Report

Conducting tax preference reviews: In 2006, the Legislature created the [Citizen Commission for Performance Measurement of Tax Preferences](#). We became one of the first legislative audit offices to systematically evaluate tax preferences. Our tax team continues to improve our approaches and share with other states by participating in the Pew Center Evaluator's Roundtable.

Analyzing racial equity: At the 2021 Legislature's direction, we developed a [process to incorporate racial equity analysis](#) into our performance audits and tax reviews. We hired our first demographer to support this work and three staff members earned certificates in diversity, equity, and inclusion from major universities.

Developing our staff for the future: JLARC has always had exceptional people. Today, our 27 staffers have expertise in fields such as mathematics, public policy, law, economics, natural resources, and graphic design. Through Committee-supported professional development, they are learning new analytical skills and tools such as R, GIS, Tableau, and Power BI. Our staff are active in professional associations that help us further enhance our knowledge and capabilities, including the National Conference of State Legislatures (NCSL), the Pacific Northwest Intergovernmental Audit Forum, the American Evaluation Association, and the Pew Center for the States. Seven staff members were awarded spots at the selective Legislative Staff Management Institute sponsored by NCSL.

Continuing to provide independent, objective, and credible information: Our work has been recognized nationally and has earned [multiple awards](#) for presentation, impact, and excellence in research methods. Our staff have presented this work at NCSL conferences and conducted multiple webinars for our peers across the country.

I am retiring in January 2023 and am confident that JLARC is well positioned to do great things under incoming Legislative Auditor Eric Thomas' leadership. Eric has served as JLARC's audit coordinator since 2017 and is the Chair of NCSL's National Legislative Program Evaluation Society (NLPES) executive committee ([read his bio here](#)). He embraces JLARC's mission and culture as the foundation for its future.

I would like to thank the members of JLARC for the privilege of serving the Committee, the entire Legislature, and the citizens of our state.



Keenan Konopaski, Washington State Legislative Auditor, January 2011-January 2023


In 2022, staff issued 11 new reports that answer the Legislature's questions and recommend improvements

Eight performance audits gave the Legislature accurate and unbiased answers to its questions about state programs and tax preferences

JLARC receives its studies through policy bills, budget provisos, and in some cases, from the committee itself. The reports completed in 2022 cover a wide range of topics including health care, unemployment benefits, tax preferences, and Medicaid fraud.

In two studies, JLARC staff used extensive data collection or survey research. For our study of School Employees Benefits Board (SEBB) coverage, 95% of school districts provided information. Our study of behavioral health consultation and referral lines included information from 1,900 providers and families served.

JLARC staff also began assessing the effective tax rate in several of our tax preference studies. An effective tax rate (ETR) is the percentage reduction in a hypothetical firm's rate of return due to taxes. Since ETR includes all state and local taxes, it can provide better comparisons to other states.

Every performance audit in 2022 included recommendations for improvement. Nine recommendations were to the Legislature, as indicated with  in the following list.

Commute Trip Reduction

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[ONE PAGE OVERVIEW](#)

[VIDEO](#)

Legislative Auditor's Conclusion

More Washingtonians are using commute alternatives. However, fewer employers are requesting the tax credit, and the credit likely has limited influence on the amount of financial incentives employers provide.

Legislative Auditor's Recommendation

The Legislature should continue and modify the preference. Modifications to the credit might include:

- Amending the preference to further reduce single-occupant vehicle travel.
- Recategorizing the preference as one intended to provide tax relief to employers that provide financial incentives for commute alternatives.

Dairy, Fruit & Vegetable, and Seafood Food Processors

[VIEW FULL REPORT](#)[ONE PAGE OVERVIEW](#)[VIDEO](#)

Legislative Auditor's Conclusion

Dairy and fruit & vegetable beneficiaries had job and wage increases that exceeded industry and state averages. Seafood beneficiaries saw a decline in both.

The preferences reduced the effective tax rates, but rates remain higher than neighboring states.

Legislative Auditor's Recommendations

The Legislature should:

1. Continue and clarify the B&O preferences for dairy processors.
2. Allow to expire the B&O preference for dairy products used as an ingredient or component to create other dairy products.
3. Continue and clarify the B&O preferences for fruit & vegetable processors.
4. Review and clarify the B&O preferences for seafood processors.

Historic Automobile Museums

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Legislative Auditor Conclusion

The tax deferral meets the public policy objective of improving the fiscal stability of its one beneficiary. This may have improved economic vitality, but other local financial incentives likely had a larger influence.

Legislative Auditor's Recommendation

The Legislature should continue the preference until the current deferral is repaid in 2032. After that, the tax preference will no longer be necessary in statute.

Nonprofit Hospitals and Cancer Clinics

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Legislative Auditor's Conclusion

Property tax exemptions for nonprofit hospitals and cancer clinics meet the inferred intent of encouraging charity care and community benefits. Beneficiaries provide 99% of charity care statewide, and the value of charity care exceeds tax savings.

Legislative Auditor's Recommendation

The Legislature should clarify the objectives of the preferences by including performance statements. Both preferences were enacted before the Legislature required a performance statement for new tax preferences.

School Employees Benefits Board (SEBB) Coverage

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Legislative Auditor's Conclusion

The percentage of employees eligible for health care coverage through SEBB during the 2019-20 school year increased to 77% from 68% eligible in the 2018-19 school year.

On average, districts reported paying an estimated 31-44% more per month under SEBB. Ongoing collection of similar eligibility and cost data would require changes to the Office of the Superintendent of Public Instruction (OSPI) and Health Care Authority (HCA) reporting requirements.

Legislative Auditor's Recommendation

OSPI and HCA should work with House and Senate fiscal staff to determine what additional data elements might be needed for ongoing data collection. If new elements are suggested, OSPI and HCA should each develop a data collection plan and identify resource requirements as applicable.

Sunset Review of Medicaid Qui Tam Provisions

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Legislative Auditor's Conclusion

The Legislature should reauthorize the qui tam provisions in the Medicaid Fraud False Claims Act because the process works as intended and maximizes recoveries for the state.

Legislative Auditor's Recommendation

The Legislature should reauthorize the qui tam provisions in the Medicaid Fraud False Claims Act and make them permanent because the process meets legislative intent and maximizes recoveries for the state.

Unemployment Insurance Training Benefits Program

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Legislative Auditor's Conclusion

The Employment Security Department's administration of the Training Benefits Program complies with statute. However, the Program caused most participants to earn less than their peers over time.

Legislative Auditor's Recommendation

Because the Training Benefits Program is not meeting the Legislature's stated objective to enhance participants' earning power, the Legislature should consider eliminating or modifying the Program.

The University of Washington and Seattle Children's Consultation and Referral Lines for Mental and Behavioral Health

[VIEW FULL REPORT](#)[ONE PAGE OVERVIEW](#)[VIDEO](#)

Legislative Auditor's Conclusion

Providers were satisfied with the consultation lines, which they said have improved patient access to mental and behavioral health care. The referral service has helped families find outpatient care, but it has struggled to meet timeliness goals and achieve statewide participation.

Legislative Auditor's Recommendation

The Health Care Authority and Seattle Children's Hospital should develop a plan to meet statutory and contractual timeliness requirements and investigate disproportionately low participation in the referral service from Eastern Washington families.

Our informative dashboards made data about public records, lodging taxes, and state facts easily accessible

Public Records Reporting

[VIEW FULL REPORT](#)

[RCW 40.14.026](#) requires agencies subject to the Public Records Act to report information about public records retention, management, and disclosure. JLARC staff collect this information and make it available to the public.

Lodging Tax Expenditures

[VIEW FULL REPORT](#)

In 2013, the Legislature directed JLARC to collect and report information about local use of lodging tax revenue for tourism purposes (Ch. 196, Laws of 2013). This report currently summarizes lodging tax data for calendar years 2014 through 2021, as reported by cities, towns, and counties that received a distribution of lodging tax revenue.

How Washington Compares

[VIEW FULL REPORT](#)

JLARC staff prepared this reference guide for Washington legislators. It illustrates how Washington compares to other states in five broad areas:

1. Population size, economy, health and environment
2. Government spending and debt
3. Education costs and spending
4. Taxes and revenue
5. Public assistance, transportation, and public safety spending

Our review of the Targeted Urban Area Exemption tax preference earned the NLPES impact award

The National Legislative Program Evaluation Society (NLPES) Impact Awards recognize audit reports that resulted in documented public policy changes, program improvements, dollar savings or other public impacts.

JLARC Report Finding: The 2015 Legislature authorized cities meeting certain requirements to enact a ten-year local property tax exemption for new industrial or manufacturing development in designated areas. However, the preference had not been used and it was possible that no cities were eligible.

Legislative Auditor Recommendation: If the Legislature wants the preference to be available, it should modify the population criteria and set an expiration date for new participants.

Impact: The 2021 Legislature made the preference available statewide, extended the expiration date, expanded qualifying business types, and increased minimum wage requirements.



Our reports helped legislators and agencies increase government accountability and efficiency

The 2022 Legislature addressed Legislative Auditor recommendations and findings

In 2022, the Legislature acted on recommendations related to tax preferences for the [Health Benefit Exchange](#), [renewable energy](#), and [custom farming](#). Actions included removing or changing expiration dates for the tax preferences and clarifying legislative intent.

Legislators also took action on an issue raised in JLARC's 2019 report on [Employment and Community Inclusion Services for People with Developmental Disabilities](#). The report noted that clients could not access employment and community inclusion services simultaneously. SHB 1980 removed the prohibition.

State agencies took action on 92% of the recommendations issued in the last four years

Between 2018 and 2021, the Legislative Auditor issued 52 recommendations to state agencies to improve their efficiency, effectiveness, and accountability.

- State agencies have implemented, partially implemented, or begun acting on 92% of them.
- Another 8% have either not been implemented to date or the completion date is in the future.

Additional information about [recommendations](#) is available on our website.



We're excited to continue providing objective, credible, independent answers to the Legislature

Although Keenan is leaving, some things will not change. We remain committed to our professional standards, including objectivity, credibility, and independence. We'll continue to deliver exceptional research and analysis to answer the Legislature's questions.

- In 2023, we'll deliver reports on the statewide reentry council, hybrid-electric ferry procurement, how restricting in-person K-12 education during the pandemic impacted racial equity, and cannabis revenues. Our tax preference reviews will include interstate commercial transportation, rural county and community empowerment zones, and more. You can see a full list of upcoming reports in our [biennial work plan](#).
- We also will continue work on studies that will be delivered in future years. This includes three studies related to farmworker issues, the paid family leave medical insurance program, and the impact of higher education tuition changes.

Please consider following us on our [website](#), [TVW](#), [YouTube](#), [Facebook](#), and [Twitter](#).



Incoming Washington State Legislative Auditor

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