

SENATE BILL REPORT

SHB 1399

As Reported By Senate Committee On:
Ways & Means, April 3, 1995

Title: An act relating to greater fiscal responsibility and accountability during the budget adoption process by providing for a modified zero-base budget review.

Brief Description: Providing for a modified zero-based budget review.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Silver, Johnson, D. Schmidt, Carrell, Thompson, Goldsmith, McMahan, Robertson, Hargrove, Hymes, Clements, Pennington, Crouse, Lambert, Elliot, Hankins, Hickel, Honeyford, Smith, Delvin, Foreman, Lisk, Schoesler, Mielke, Sheahan, Van Luven, Sheldon, Chandler, Casada, Mulliken, B. Thomas, Backlund, Talcott, Dyer, Cooke, L. Thomas, Mitchell, Huff, Boldt and McMorris).

Brief History:

Committee Activity: Ways & Means: 4/3/95 [DPA].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Bauer, Cantu, Drew, Finkbeiner, Fraser, Gaspard, Hargrove, Hochstatter, Johnson, Pelz, Roach, Snyder, Spanel, Strannigan, Sutherland, West, Winsley and Wojahn.

Staff: Stan Pynch (786-7512)

Background: Authority and responsibility for performance assessment, performance audits, and performance improvement is vested in a number of agencies within state government.

The Legislature created the Washington Performance Partnership (WPP) in 1994, setting forth the expectation that Washington State government be the most effective and best performing state government in the United States, measured in terms of quality of customer service, accountability for cost-effective services, and productivity. The WPP is a two-tracked process for the long-term improvement of state government. The first area of effort is to clarify the purpose, goals, basic services, priorities, and values of state government, consistent with the desires of the public. The second area of effort is a focus on improving performance of programs and services by clarifying objectives, measuring performance, analyzing and improving processes, redesigning systems, and removing barriers to performance.

In addition, the Legislative Budget Committee is authorized to conduct performance audits, program evaluations, and management surveys, all of which are intended to provide independent examination of agency and program performance, along with recommendations for improvement.

Currently, the State Auditor is authorized to conduct performance verifications to verify the accuracy of measurements and reports used by agencies in measuring their performance. Such performance verifications must be specifically authorized by the Legislature in the omnibus biennial appropriations act.

Summary of Amended Bill: The Legislative Budget Committee and the Legislative Evaluation and Accountability Program Committee are consolidated and re-constituted into a new Joint Committee on Performance Audits. The 12-member committee consists of an even number of House and Senate and minority and majority party members: the minority and majority leaders of each house, the chairs and ranking minority members of the appropriations committees of each house, and four additional members, one from each caucus.

An executive committee consisting of the minority and majority leaders of each house appoints a director who will be employed through a three-year contract, renewable at the end of each year by an affirmative vote of three of the four members. The director establishes and manages the Legislative Office of Performance Audit and Fiscal Analysis.

The director has primary responsibility for performance audits of state agencies, programs, and activities, including any unit of local government receiving state funds. The director is required to work in consultation with the State Auditor to conduct performance audits. As authorized by the Legislature in the annual audit plan or the budget bill, the State Auditor is authorized to participate in or perform performance audits, with findings submitted to the Director of the Legislative Office. The director is also required to use other private and public sector expertise when necessary, and to involve front-line employees in the performance audit process.

Performance audit is defined as an objective and systematic assessment of state agencies and programs by an independent evaluator in order to improve efficiency, effectiveness, and accountability. In conducting performance audits subject to an annual audit plan, the director may be required to: (1) determine whether an agency or program is using its resources economically and efficiently, (2) identify causes of inefficient or uneconomical practices, (3) determine the extent to which an agency or program is achieving desired results, (4) identify causes for not achieving results, (5) examine costs and benefits of agency programs, (6) identify alternative service delivery options, and (7) identify gaps and overlaps in service delivery, along with corrective action.

The bill requires that expenditures for each agency be thoroughly examined, without consideration as to whether expenditures are included in the base or are incremental changes to the base. The zero-base review must identify staff and costs associated with each discreet program, function, and activity of an agency, including administrative staffing levels and an estimate of the amount of funds that reach the intended recipients of the program or activity.

The Legislative Office also conducts independent review and analysis of fiscal notes, working with agencies to develop cost estimates that accurately reflect the intent of the proposed legislation, or submitting an alternative to the agency estimates. The director must approve all fiscal notes submitted to standing committees of the Legislature.

The Joint Committee on Performance Audits is required to develop an annual performance audit plan prior to the completion of each legislative session. The plan identifies agencies and programs subject to audit in the subsequent year, along with the respective roles of the Legislative Office, the State Auditor, and other public and private sector experts.

The Performance Audit Revolving Fund is created, allowing the cost of performance audits to be partially or wholly charged to the audited agency. The fund is subject to appropriation.

Amended Bill Compared to Substitute Bill: The substitute bill was not considered.

The substitute bill addressed only zero-based budget review, requiring all general-fund supported agencies to be independently reviewed by the fiscal committees of the Senate and House according to a continuous 6-year cycle established in the bill.

The amended bill consolidates the Legislative Budget Committee and the Legislative Evaluation and Accountability Program Committee into a re-constituted Joint Committee on Performance Audits, and establishes a Legislative Office of Performance Audit and Fiscal Analysis. Pursuant to an annual plan developed by the Joint Committee, the amended bill authorizes zero-based budget review, as well as performance audits and legislative review and approval of fiscal notes.

Appropriation: None.

Fiscal Note: Not requested on original bill; available on amended bill (see fiscal note on ESSB 5607).

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: State government needs to improve accountability. There is a need for information regarding base expenditure levels to better determine how our money is being spent.

Testimony Against: None.

Testified: Representative Silver, original sponsor.