

2 **ESSB 6680** - H COMM AMD **ADOPTED 3-1-96**
3 By Committee on Appropriations

4

5 Strike everything after the enacting clause and insert the
6 following:

7 "NEW SECTION. **Sec. 1.** Public officials, public employees,
8 legislators, and citizens recognize the need to review the value and
9 relative priority of many programs throughout state government in the
10 context of constantly changing conditions, limitations, and
11 requirements for state government. They also share the objective of
12 improving the performance of state agencies and programs, thereby
13 increasing effectiveness and efficiency.

14 The legislature must become more effective in its role of directing
15 public policy and ensuring the public accountability of state programs,
16 managers, and employees. With the support of the legislature, the
17 executive branch must implement practices and processes that will
18 improve performance, accountability, and public confidence in state
19 government. The governor and the legislature shall use results from
20 the performance assessment processes established by this chapter in
21 establishing state budget policy and priorities. The budget process
22 must become an effective means of ensuring compliance with performance
23 improvement requirements.

24 The purpose of this chapter is to ensure that all state agencies
25 and programs have a valid and necessary mission and that the agencies
26 have clearly defined performance objectives, quality objectives, and
27 cost objectives that are appropriately balanced. Each agency and
28 program should operate within a strategic plan that includes the
29 mission of the agency or program, measurable goals, strategies, and
30 performance measurement systems that are vital tools used for agency
31 management, legislative budget and policy deliberations, and public
32 accountability. State agencies should engage customers, taxpayers,
33 employees, and the legislature in the development and redevelopment of
34 these plans. The strategic plans should be the framework within which
35 agencies continuously assess the value and relative priority of their
36 various functions. In order to streamline state government and

1 redirect resources more effectively, the legislature intends to begin
2 a systematic, fundamental review of the functions of state programs.

3 In developing future legislation to create new programs and
4 activities in state government, or redirect existing programs and
5 activities, the legislature shall include in such legislation the
6 specific purpose and measurable goals of the program or activity.

7 NEW SECTION. **Sec. 2.** The legislative committee on performance
8 review is established.

9 (1) The thirteen-member committee consists of:

10 (a) The majority leader of the senate;

11 (b) The majority leader of the house of representatives;

12 (c) The minority leader of the senate;

13 (d) The minority leader of the house of representatives;

14 (e) The chair and ranking minority member of the senate ways and
15 means committee;

16 (f) The chair and ranking minority member of the house of
17 representatives appropriations committee;

18 (g) Four additional members, one each from the majority and
19 minority caucuses of the senate and the house of representatives; and

20 (h) The lieutenant governor, who shall serve as a nonvoting member
21 and chair of the committee.

22 (2) Members of the committee shall serve without additional
23 compensation but shall be reimbursed for travel expenses in accordance
24 with RCW 44.04.120 while attending meetings of the committee or any
25 subcommittee or on other business authorized by the committee.

26 (3) An executive committee is established, consisting of the
27 majority leader and minority leader of the senate and the majority
28 leader and minority leader of the house of representatives. The
29 function of the executive committee is to appoint the director of the
30 legislative office of performance review. Approval by an affirmative
31 vote of at least three members of the committee is required for
32 decisions regarding employment of the director. Employment of the
33 director terminates after each term of three years. At the end of the
34 first year of each three-year term, the committee shall consider
35 extension of the term by one year. However, at any time during the
36 term of office, the employment of the director may be terminated by a
37 unanimous vote of the executive committee. The executive committee
38 shall set the salary of the director.

1 NEW SECTION. **Sec. 3.** (1) The director shall establish and manage
2 a legislative office of performance review to carry out the functions
3 described in this chapter.

4 (2) In consultation with the executive committee, the director may
5 select and employ personnel necessary to carry out the purposes of this
6 chapter. Salaries for employees of the legislative office of
7 performance review, other than the director, shall be set with the
8 approval of the executive committee, the secretary of the senate, and
9 the chief clerk of the house of representatives.

10 (3) The director has primary responsibility for performance reviews
11 of state agencies, programs, and activities. The director shall
12 consult with the state auditor, the legislative auditor of the
13 legislative budget committee, and the director of financial management
14 in the conduct of performance reviews. The director shall also consult
15 with the chairs and staff of the appropriate legislative standing
16 committees.

17 NEW SECTION. **Sec. 4.** (1) Performance reviews under this chapter
18 shall include a rethinking of the programs and functions of state
19 agencies to assess whether or not they have a vital purpose or valid
20 mission. The director shall work to involve frontline employees,
21 agency and program managers, customers of the program or service, other
22 taxpayers, legislators, legislative staff, office of financial
23 management staff, and other external public and private sector experts
24 as deemed appropriate in conducting performance reviews. The director
25 shall, as necessary, contract with experts from either the private or
26 public sector to assist in performance reviews.

27 (2) In preparation for a performance review, a state agency shall
28 identify each of its discrete functions or activities, along with
29 associated costs and full-time equivalent staff, as requested by the
30 director. In reviewing the agency or program, the director shall
31 identify those activities and programs that should be strengthened,
32 those that should be abandoned, and those that need to be redirected or
33 other alternatives explored. The review should consider: (a) Whether
34 or not the purpose for which the agency or program was created is still
35 valid based on the circumstances under which the program was created
36 versus those that exist at the time of the review; (b) the relative
37 priority of the program among the agency's functions; (c) costs or
38 implications of not performing the function; (d) citizen's individual

1 responsibilities and freedoms; (e) whether or not the mission of the
2 agency or program is attainable considering the effect of factors and
3 circumstances beyond the control of the agency; and (f) in the event of
4 inadequate performance by the program, the potential for a workable,
5 affordable plan to improve performance.

6 (3) Performance reviews must also determine the existence and
7 utility of an agency or program strategic plan that includes a concise
8 statement of the agency's or program's mission, a vision for future
9 direction, measurable goals and objectives, and clear strategies and
10 specific timelines to achieve them. The director shall determine the
11 extent to which the plan: (a) Forms the basis of agency management
12 practices and continuous process reevaluation and improvement; (b) can
13 be used to clearly identify and prioritize agency functions; (c)
14 provides a valuable basis for legislative policy and budget
15 deliberations; (d) is used to ensure accountability of employees,
16 particularly managers, for achieving program goals, and is a primary
17 consideration in retention and promotion of staff; (e) is used to
18 assess the quality and effectiveness of the agency's programs and
19 activities; (f) appropriately balances cost objectives, quality
20 objectives, and performance objectives; and (g) is useful in
21 demonstrating public accountability. The agency strategic plan shall
22 provide for periodic self-assessment by the agency to determine whether
23 the agency is achieving the goals and objectives of its programs.
24 Where self-assessments have been completed by an agency, the
25 assessments must be incorporated into a performance review conducted
26 under this chapter.

27 (4) If the state agency or program being reviewed has not
28 identified acceptable organizations or programs in the public or
29 private sector to be used as benchmarks against which to measure its
30 performance, the director shall conduct a review sufficient to
31 recommend such benchmarks to the agency, the governor, and the
32 legislature.

33 (5) As a part of each performance review and in consultation with
34 the director of the agency being reviewed and the director of financial
35 management, the director of the legislative office of performance
36 review shall develop recommendations regarding statutes that inhibit or
37 do not contribute to the agency's ability to perform its functions
38 effectively and efficiently.

1 (6) Based on the information and conclusions compiled from the work
2 required in subsections (1) through (5) of this section, the director
3 shall develop an advisory recommendation for the governor and the
4 legislature regarding whether an agency, programs of an agency, or
5 activities within an agency should be continued, abandoned, or
6 restructured.

7 NEW SECTION. **Sec. 5.** Before the completion of each legislative
8 session and in conjunction with development of the final omnibus
9 appropriations act, the legislative committee on performance review
10 shall approve a performance review plan for the next twelve to fifteen
11 months. The performance review plan must include a schedule of
12 agencies, programs, or activities for which performance reviews will be
13 initiated during that period. The plan must also include anticipated
14 performance review revolving fund charges to each individual agency
15 scheduled for review. Appropriations for scheduled agencies shall be
16 adjusted in the omnibus appropriations act to reflect the anticipated
17 charges. For each performance review included, the plan must identify
18 the role of the legislative office of performance review and the state
19 auditor, as well as the need to contract for additional public or
20 private sector expertise. In preparing a draft plan for consideration
21 by the committee, the director shall consult with the state auditor,
22 the chair and staff of the legislative budget committee, the director
23 of financial management, and the chairs and staff of appropriate
24 legislative standing committees. The committee shall meet quarterly to
25 review progress on the plan and, if necessary, revise the plan.

26 NEW SECTION. **Sec. 6.** When the director has completed a
27 performance review and before public release of the findings, the
28 affected agency and the office of financial management may respond to
29 the review. The director shall incorporate the agency's and the office
30 of financial management's response into the final report. The
31 legislative committee on performance review may also review and comment
32 on the director's findings. The director shall include the comments of
33 the committee in the final report as a separate addendum. Final
34 reports of findings of the director from agency and program performance
35 reviews must be transmitted to the agency, the director of financial
36 management, and appropriate legislative committees and must be made
37 available for public review.

1 NEW SECTION. **Sec. 7.** The performance review revolving fund is
2 established in the state treasury. Expenditures from the fund may be
3 spent only by appropriation. The fund is established to assist in
4 recovering the costs of performance reviews from the audited agency or
5 program. Subject to appropriation, the director shall assess agencies
6 all or a portion of the cost of performance reviews.

7 The cost of performance reviews includes all direct and indirect
8 costs and other expenses incurred by the director in fulfilling his or
9 her statutory responsibilities.

10 Costs of the reviews may also be paid from other funds appropriated
11 to the legislative office of performance review.

12 NEW SECTION. **Sec. 8.** To ensure the accuracy and timeliness of
13 information used as the basis for performance reviews and other
14 responsibilities of the legislature, the director shall be provided
15 direct and unrestricted access to information held by any state agency.
16 Agencies shall submit directly to the legislative office of performance
17 review, on a confidential basis, all data and other information
18 requested, including tax records and client data.

19 **Sec. 9.** RCW 43.88.030 and 1994 c 247 s 7 and 1994 c 219 s 2 are
20 each reenacted and amended to read as follows:

21 (1) The director of financial management shall provide all agencies
22 with a complete set of instructions for submitting biennial budget
23 requests to the director at least three months before agency budget
24 documents are due into the office of financial management. The
25 director shall provide agencies that are required under RCW 44.40.070
26 to develop comprehensive six-year program and financial plans with a
27 complete set of instructions for submitting these program and financial
28 plans at the same time that instructions for submitting other budget
29 requests are provided. The budget document or documents shall consist
30 of the governor's budget message which shall be explanatory of the
31 budget and shall contain an outline of the proposed financial policies
32 of the state for the ensuing fiscal period, as well as an outline of
33 the proposed six-year financial policies where applicable, and shall
34 describe in connection therewith the important features of the budget.
35 The message shall set forth the reasons for salient changes from the
36 previous fiscal period in expenditure and revenue items and shall
37 explain any major changes in financial policy. Attached to the budget

1 message shall be such supporting schedules, exhibits and other
2 explanatory material in respect to both current operations and capital
3 improvements as the governor shall deem to be useful to the
4 legislature. The budget document or documents shall set forth a
5 proposal for expenditures in the ensuing fiscal period, or six-year
6 period where applicable, based upon the estimated revenues as approved
7 by the economic and revenue forecast council or upon the estimated
8 revenues of the office of financial management for those funds,
9 accounts, and sources for which the office of the economic and revenue
10 forecast council does not prepare an official forecast, including those
11 revenues anticipated to support the six-year programs and financial
12 plans under RCW 44.40.070. In estimating revenues to support financial
13 plans under RCW 44.40.070, the office of financial management shall
14 rely on information and advice from the interagency revenue task force.
15 Revenues shall be estimated for such fiscal period from the source and
16 at the rates existing by law at the time of submission of the budget
17 document, including the supplemental budgets submitted in the even-
18 numbered years of a biennium. However, the estimated revenues for use
19 in the governor's budget document may be adjusted to reflect budgetary
20 revenue transfers and revenue estimates dependent upon budgetary
21 assumptions of enrollments, workloads, and caseloads. All adjustments
22 to the approved estimated revenues must be set forth in the budget
23 document. The governor may additionally submit, as an appendix to each
24 supplemental, biennial, or six-year agency budget or to the budget
25 document or documents, a proposal for expenditures in the ensuing
26 fiscal period from revenue sources derived from proposed changes in
27 existing statutes.

28 Supplemental and biennial documents shall reflect a six-year
29 expenditure plan consistent with estimated revenues from existing
30 sources and at existing rates for those agencies required to submit
31 six-year program and financial plans under RCW 44.40.070. Any
32 additional revenue resulting from proposed changes to existing statutes
33 shall be separately identified within the document as well as related
34 expenditures for the six-year period.

35 The budget document or documents shall also contain:

36 (a) Revenues classified by fund and source for the immediately past
37 fiscal period, those received or anticipated for the current fiscal
38 period, those anticipated for the ensuing biennium, and those

1 anticipated for the ensuing six-year period to support the six-year
2 programs and financial plans required under RCW 44.40.070;

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

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

7 (d) Such additional information dealing with revenues and
8 expenditures as the governor shall deem pertinent and useful to the
9 legislature;

10 (e) Tabulations showing expenditures classified by fund, function,
11 activity and object;

12 (f) A delineation of each agency's activities, including those
13 activities funded from nonbudgeted, nonappropriated sources, including
14 funds maintained outside the state treasury;

15 (g) Identification of all proposed direct expenditures to implement
16 the Puget Sound water quality plan under chapter 90.70 RCW, shown by
17 agency and in total; and

18 (h) Tabulations showing each postretirement adjustment by
19 retirement system established after fiscal year 1991, to include, but
20 not be limited to, estimated total payments made to the end of the
21 previous biennial period, estimated payments for the present biennium,
22 and estimated payments for the ensuing biennium.

23 (2) The budget document or documents shall include detailed
24 estimates of all anticipated revenues applicable to proposed operating
25 or capital expenditures and shall also include all proposed operating
26 or capital expenditures. The total of beginning undesignated fund
27 balance and estimated revenues less working capital and other reserves
28 shall equal or exceed the total of proposed applicable expenditures.
29 The budget document or documents shall further include:

30 (a) Interest, amortization and redemption charges on the state
31 debt;

32 (b) Payments of all reliefs, judgments and claims;

33 (c) Other statutory expenditures;

34 (d) Expenditures incident to the operation for each agency;

35 (e) Revenues derived from agency operations;

36 (f) Expenditures and revenues shall be given in comparative form
37 showing those incurred or received for the immediately past fiscal
38 period and those anticipated for the current biennium and next ensuing

1 biennium, as well as those required to support the six-year programs
2 and financial plans required under RCW 44.40.070;

3 (g) A showing and explanation of amounts of general fund and other
4 funds obligations for debt service and any transfers of moneys that
5 otherwise would have been available for appropriation;

6 (h) Common school expenditures on a fiscal-year basis;

7 (i) A showing, by agency, of the value and purpose of financing
8 contracts for the lease/purchase or acquisition of personal or real
9 property for the current and ensuing fiscal periods; ((and))

10 (j) A showing and explanation of anticipated amounts of general
11 fund and other funds required to amortize the unfunded actuarial
12 accrued liability of the retirement system specified under chapter
13 41.45 RCW, and the contributions to meet such amortization, stated in
14 total dollars and as a level percentage of total compensation; and

15 (k) For each agency, a description of the findings and
16 recommendations of any applicable review by the legislative office of
17 performance review conducted during the prior fiscal period. The
18 budget document must describe the potential costs and savings
19 associated with implementing the findings and recommendations,
20 including any recommendations for program eliminations.

21 (3) A separate capital budget document or schedule shall be
22 submitted that will contain the following:

23 (a) A statement setting forth a long-range facilities plan for the
24 state that identifies and includes the highest priority needs within
25 affordable spending levels;

26 (b) A capital program consisting of proposed capital projects for
27 the next biennium and the two biennia succeeding the next biennium
28 consistent with the long-range facilities plan. Inasmuch as is
29 practical, and recognizing emergent needs, the capital program shall
30 reflect the priorities, projects, and spending levels proposed in
31 previously submitted capital budget documents in order to provide a
32 reliable long-range planning tool for the legislature and state
33 agencies;

34 (c) A capital plan consisting of proposed capital spending for at
35 least four biennia succeeding the next biennium;

36 (d) A statement of the reason or purpose for a project;

37 (e) Verification that a project is consistent with the provisions
38 set forth in chapter 36.70A RCW;

- 1 (f) A statement about the proposed site, size, and estimated life
2 of the project, if applicable;
- 3 (g) Estimated total project cost;
- 4 (h) For major projects valued over five million dollars, estimated
5 costs for the following project components: Acquisition, consultant
6 services, construction, equipment, project management, and other costs
7 included as part of the project. Project component costs shall be
8 displayed in a standard format defined by the office of financial
9 management to allow comparisons between projects;
- 10 (i) Estimated total project cost for each phase of the project as
11 defined by the office of financial management;
- 12 (j) Estimated ensuing biennium costs;
- 13 (k) Estimated costs beyond the ensuing biennium;
- 14 (l) Estimated construction start and completion dates;
- 15 (m) Source and type of funds proposed;
- 16 (n) Estimated ongoing operating budget costs or savings resulting
17 from the project, including staffing and maintenance costs;
- 18 (o) For any capital appropriation requested for a state agency for
19 the acquisition of land or the capital improvement of land in which the
20 primary purpose of the acquisition or improvement is recreation or
21 wildlife habitat conservation, the capital budget document, or an
22 omnibus list of recreation and habitat acquisitions provided with the
23 governor's budget document, shall identify the projected costs of
24 operation and maintenance for at least the two biennia succeeding the
25 next biennium. Omnibus lists of habitat and recreation land
26 acquisitions shall include individual project cost estimates for
27 operation and maintenance as well as a total for all state projects
28 included in the list. The document shall identify the source of funds
29 from which the operation and maintenance costs are proposed to be
30 funded;
- 31 (p) Such other information bearing upon capital projects as the
32 governor deems to be useful;
- 33 (q) Standard terms, including a standard and uniform definition of
34 maintenance for all capital projects;
- 35 (r) Such other information as the legislature may direct by law or
36 concurrent resolution.

37 For purposes of this subsection (3), the term "capital project"
38 shall be defined subsequent to the analysis, findings, and
39 recommendations of a joint committee comprised of representatives from

1 the house capital appropriations committee, senate ways and means
2 committee, legislative transportation committee, legislative evaluation
3 and accountability program committee, and office of financial
4 management.

5 (4) No change affecting the comparability of agency or program
6 information relating to expenditures, revenues, workload, performance
7 and personnel shall be made in the format of any budget document or
8 report presented to the legislature under this section or RCW
9 43.88.160(1) relative to the format of the budget document or report
10 which was presented to the previous regular session of the legislature
11 during an odd-numbered year without prior legislative concurrence.
12 Prior legislative concurrence shall consist of (a) a favorable majority
13 vote on the proposal by the standing committees on ways and means of
14 both houses if the legislature is in session or (b) a favorable
15 majority vote on the proposal by members of the legislative evaluation
16 and accountability program committee if the legislature is not in
17 session.

18 **Sec. 10.** RCW 43.88.090 and 1994 c 184 s 10 are each amended to
19 read as follows:

20 (1) For purposes of developing budget proposals to the legislature,
21 the governor shall have the power, and it shall be the governor's duty,
22 to require from proper agency officials such detailed estimates and
23 other information in such form and at such times as the governor shall
24 direct. The estimates for the legislature and the judiciary shall be
25 transmitted to the governor and shall be included in the budget without
26 revision. The estimates for state pension contributions shall be based
27 on the rates provided in chapter 41.45 RCW. Copies of all such
28 estimates shall be transmitted to the standing committees on ways and
29 means of the house and senate at the same time as they are filed with
30 the governor and the office of financial management.

31 The estimates shall include statements or tables which indicate, by
32 agency, the state funds which are required for the receipt of federal
33 matching revenues. The estimates shall be revised as necessary to
34 reflect legislative enactments and adopted appropriations and shall be
35 included with the initial biennial allotment submitted under RCW
36 43.88.110.

37 (2) Each state agency shall define its mission and establish
38 measurable goals for achieving desirable results for those who receive

1 its services and the taxpayers who pay for those services. Each agency
2 shall also develop clear strategies and timelines to achieve its goals.
3 This section does not require an agency to develop a new mission or
4 goals in place of identifiable missions or goals that meet the intent
5 of this section. The mission and goals of each agency must conform to
6 statutory direction and limitations.

7 (3) For the purpose of assessing program performance, each state
8 agency shall establish program objectives for each major program in its
9 budget. The objectives must be consistent with the missions and goals
10 developed under this section. The objectives must be expressed to the
11 extent practicable in outcome-based, objective, and measurable form
12 unless an exception to adopt a different standard is granted by the
13 office of financial management and approved by the legislative
14 committee on performance review. The office of financial management
15 shall provide necessary professional and technical assistance to assist
16 state agencies in the development of strategic plans that include the
17 mission of the agency and its programs, measurable goals, strategies,
18 and performance measurement systems.

19 (4) Each state agency shall adopt procedures for continuous self-
20 assessment of each program and activity, using the mission, goals,
21 objectives, and measurements required under subsections (2) and (3) of
22 this section.

23 (5) It is the policy of the legislature that each agency's budget
24 proposals must be directly linked to the agency's stated mission and
25 program goals and objectives. Consistent with this policy, agency
26 budget proposals must include integration of performance measures that
27 allow objective determination of a program's success in achieving its
28 goals. The office of financial management shall develop a plan to
29 merge the budget development process with agency performance assessment
30 procedures. The plan must include a schedule to integrate agency
31 strategic plans and performance measures into agency budget requests
32 and the governor's budget proposal over three fiscal biennia. The plan
33 must identify those agencies that will implement the revised budget
34 process in the 1997-1999 biennium, the 1999-2001 biennium, and the
35 2001-2003 biennium. In consultation with the legislative fiscal
36 committees, the office of financial management shall recommend
37 statutory and procedural modifications to the state's budget,
38 accounting, and reporting systems to facilitate the performance
39 assessment procedures and the merger of those procedures with the state

1 budget process. The plan and recommended statutory and procedural
2 modifications must be submitted to the legislative fiscal committees by
3 September 30, 1996.

4 (6) In the year of the gubernatorial election, the governor shall
5 invite the governor-elect or the governor-elect's designee to attend
6 all hearings provided in RCW 43.88.100; and the governor shall furnish
7 the governor-elect or the governor-elect's designee with such
8 information as will enable the governor-elect or the governor-elect's
9 designee to gain an understanding of the state's budget requirements.
10 The governor-elect or the governor-elect's designee may ask such
11 questions during the hearings and require such information as the
12 governor-elect or the governor-elect's designee deems necessary and may
13 make recommendations in connection with any item of the budget which,
14 with the governor-elect's reasons therefor, shall be presented to the
15 legislature in writing with the budget document. Copies of all such
16 estimates and other required information shall also be submitted to the
17 standing committees on ways and means of the house and senate.

18 **Sec. 11.** RCW 43.88.160 and 1994 c 184 s 11 are each amended to
19 read as follows:

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

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

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

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

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

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

34 (a) Develop and maintain a system of internal controls and internal
35 audits comprising methods and procedures to be adopted by each agency
36 that will safeguard its assets, check the accuracy and reliability of
37 its accounting data, promote operational efficiency, and encourage
38 adherence to prescribed managerial policies for accounting and
39 financial controls. The system developed by the director shall include

1 criteria for determining the scope and comprehensiveness of internal
2 controls required by classes of agencies, depending on the level of
3 resources at risk.

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

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

13 (c) Establish policies for allowing the contracting of child care
14 services;

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

17 (e) Review any pay and classification plans, and changes
18 thereunder, developed by any agency for their fiscal impact: PROVIDED,
19 That none of the provisions of this subsection shall affect merit
20 systems of personnel management now existing or hereafter established
21 by statute relating to the fixing of qualifications requirements for
22 recruitment, appointment, or promotion of employees of any agency. The
23 director shall advise and confer with agencies including appropriate
24 standing committees of the legislature as may be designated by the
25 speaker of the house and the president of the senate regarding the
26 fiscal impact of such plans and may amend or alter said plans, except
27 that for the following agencies no amendment or alteration of said
28 plans may be made without the approval of the agency concerned:
29 Agencies headed by elective officials;

30 (f) Fix the number and classes of positions or authorized man years
31 of employment for each agency and during the fiscal period amend the
32 determinations previously fixed by the director except that the
33 director shall not be empowered to fix said number or said classes for
34 the following: Agencies headed by elective officials;

35 ~~(g) ((Provide for transfers and repayments between the budget
36 stabilization account and the general fund as directed by appropriation
37 and RCW 43.88.525 through 43.88.540;~~

38 ~~(h))~~ Adopt rules to effectuate provisions contained in (a) through
39 ~~((g))~~ (f) of this subsection.

1 (5) The treasurer shall:

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

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

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

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

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

16 It shall be unlawful for the treasurer to disburse public funds in
17 the treasury except upon forms or by alternative means duly prescribed
18 by the director of financial management. These forms or alternative
19 means shall provide for authentication and certification by the agency
20 head or the agency head's designee that the services have been rendered
21 or the materials have been furnished; or, in the case of loans or
22 grants, that the loans or grants are authorized by law; or, in the case
23 of payments for periodic maintenance services to be performed on state
24 owned equipment, that a written contract for such periodic maintenance
25 services is currently in effect and copies thereof are on file with the
26 office of financial management; and the treasurer shall not be liable
27 under the treasurer's surety bond for erroneous or improper payments so
28 made. When services are lawfully paid for in advance of full
29 performance by any private individual or business entity other than as
30 provided for by RCW 42.24.035, such individual or entity other than
31 central stores rendering such services shall make a cash deposit or
32 furnish surety bond coverage to the state as shall be fixed in an
33 amount by law, or if not fixed by law, then in such amounts as shall be
34 fixed by the director of the department of general administration but
35 in no case shall such required cash deposit or surety bond be less than
36 an amount which will fully indemnify the state against any and all
37 losses on account of breach of promise to fully perform such services.
38 No payments shall be made in advance for any equipment maintenance
39 services to be performed more than three months after such payment.

1 Any such bond so furnished shall be conditioned that the person, firm
2 or corporation receiving the advance payment will apply it toward
3 performance of the contract. The responsibility for recovery of
4 erroneous or improper payments made under this section shall lie with
5 the agency head or the agency head's designee in accordance with
6 regulations issued pursuant to this chapter. Nothing in this section
7 shall be construed to permit a public body to advance funds to a
8 private service provider pursuant to a grant or loan before services
9 have been rendered or material furnished.

10 (6) The state auditor shall:

11 (a) Report to the legislature the results of current post audits
12 that have been made of the financial transactions of each agency; to
13 this end the auditor may, in the auditor's discretion, examine the
14 books and accounts of any agency, official, or employee charged with
15 the receipt, custody, or safekeeping of public funds. Where feasible
16 in conducting examinations, the auditor shall utilize data and findings
17 from the internal control system prescribed by the office of financial
18 management. The current post audit of each agency may include a
19 section on recommendations to the legislature as provided in (c) of
20 this subsection.

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

23 (c) Make the auditor's official report on or before the thirty-
24 first of December which precedes the meeting of the legislature. The
25 report shall be for the last complete fiscal period and shall include
26 determinations as to whether agencies, in making expenditures, complied
27 with the laws of this state. The state auditor (~~(is authorized to)~~)
28 may perform or participate in performance verifications ((only as)) and
29 performance reviews under chapter 44.--- RCW (sections 1 through 8 of
30 this act) if expressly authorized by the performance review plan
31 adopted by the legislative committee on performance review or if
32 expressly authorized by the legislature in the omnibus biennial
33 appropriations acts. The state auditor, upon completing an audit for
34 legal and financial compliance under chapter 43.09 RCW or a performance
35 verification or performance review, may report to the legislative
36 budget committee, legislative committee on performance review, or other
37 appropriate committees of the legislature, in a manner prescribed by
38 the legislative budget committee or the director of the legislative
39 office of performance review, on facts relating to the management or

1 performance of governmental programs where such facts are discovered
2 incidental to the legal and financial audit ~~((or))~~, performance
3 verification, or performance review. The auditor may make such a
4 report to a legislative committee only if the auditor has determined
5 that the agency has been given an opportunity and has failed to resolve
6 the management or performance issues raised by the auditor. If the
7 auditor makes a report to a legislative committee, the agency may
8 submit to the committee a response to the report. This subsection (6)
9 shall not be construed to authorize the auditor to allocate other than
10 de minimis resources to performance audits except as expressly
11 authorized in the appropriations acts or the performance review plan.

12 (d) Be empowered to take exception to specific expenditures that
13 have been incurred by any agency or to take exception to other
14 practices related in any way to the agency's financial transactions and
15 to cause such exceptions to be made a matter of public record,
16 including disclosure to the agency concerned and to the director of
17 financial management. It shall be the duty of the director of
18 financial management to cause corrective action to be taken promptly,
19 such action to include, as appropriate, the withholding of funds as
20 provided in RCW 43.88.110.

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

22 (f) Investigate improper governmental activity under chapter 42.40
23 RCW.

24 (7) The legislative budget committee may:

25 (a) Make post audits of the financial transactions of any agency
26 and management surveys and program reviews as provided for in RCW
27 44.28.085 as well as performance audits and program evaluations. To
28 this end the committee may in its discretion examine the books,
29 accounts, and other records of any agency, official, or employee.

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

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

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

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

5 NEW SECTION. **Sec. 12.** The following acts or parts of acts are
6 each repealed:

- 7 (1) RCW 43.88B.005 and 1994 c 184 s 1;
- 8 (2) RCW 43.88B.007 and 1994 c 184 s 2;
- 9 (3) RCW 43.88B.010 and 1994 c 184 s 3;
- 10 (4) RCW 43.88B.020 and 1994 c 184 s 4;
- 11 (5) RCW 43.88B.030 and 1994 c 184 s 5;
- 12 (6) RCW 43.88B.031 and 1994 c 184 s 6;
- 13 (7) RCW 43.88B.040 and 1994 c 184 s 7;
- 14 (8) RCW 43.88B.050 and 1994 c 184 s 8;
- 15 (9) RCW 43.88B.900 and 1994 c 184 s 13; and
- 16 (10) RCW 43.88B.901 and 1994 c 184 s 15.

17 NEW SECTION. **Sec. 13.** Sections 1 through 8 of this act constitute
18 a new chapter in Title 44 RCW.

19 NEW SECTION. **Sec. 14.** If specific funding for purposes of this
20 act, referencing this act by bill or chapter number, is not provided by
21 June 30, 1996, in the supplemental omnibus appropriations act, this act
22 is null and void."

23 **ESSB 6680** - H COMM AMD
24 By Committee on Appropriations

25

26 In line 1 of the title, after "government;" strike the remainder of
27 the title and insert "amending RCW 43.88.090 and 43.88.160; reenacting
28 and amending RCW 43.88.030; adding a new chapter to Title 44 RCW;
29 creating a new section; and repealing RCW 43.88B.005, 43.88B.007,
30 43.88B.010, 43.88B.020, 43.88B.030, 43.88B.031, 43.88B.040, 43.88B.050,
31 43.88B.900, and 43.88B.901."

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