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**SUBSTITUTE HOUSE BILL 1190**

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**State of Washington**

**55th Legislature**

**1997 Regular Session**

**By** House Committee on Government Administration (originally sponsored by Representatives Backlund, Huff, Lambert, McMorris, Cairnes, Honeyford, Sherstad, McDonald, D. Schmidt and Wensman)

Read first time 02/24/97.

1 AN ACT Relating to performance audits; amending RCW 43.88.090 and  
2 44.28.091; and creating a new section.

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

4 NEW SECTION. **Sec. 1.** The legislature finds that it is important  
5 to maintain public confidence in the various legislative oversight  
6 processes, and that this confidence will be enhanced by the  
7 establishment of a uniform procedure for compliance reviews of  
8 performance audits. Such a uniform procedure will help ensure that  
9 compliance reviews of performance audits are conducted, that they will  
10 be conducted in an even-handed manner, and that there will be greater  
11 opportunities for citizens to provide input regarding how well they are  
12 being served by their government.

13 The legislature also finds that performance audit findings may  
14 include the identification of potential cost savings and ways to  
15 improve service delivery. The legislature recognizes that these  
16 findings can be very meaningful when agencies are developing their  
17 budget estimates. The legislature strongly believes that agencies  
18 should consider these potential methods for becoming more efficient and  
19 effective when developing their budget estimates. Therefore, it is the

1 intent of the legislature to require preliminary compliance reviews of  
2 performance audits and to require performance audit recommendations to  
3 be considered by agencies when they are preparing their budget  
4 estimates.

5 **Sec. 2.** RCW 43.88.090 and 1996 c 317 s 10 are each amended to read  
6 as follows:

7 (1) For purposes of developing budget proposals to the legislature,  
8 the governor shall have the power, and it shall be the governor's duty,  
9 to require from proper agency officials such detailed estimates and  
10 other information in such form and at such times as the governor shall  
11 direct. The estimates for the legislature and the judiciary shall be  
12 transmitted to the governor and shall be included in the budget without  
13 revision. The estimates for state pension contributions shall be based  
14 on the rates provided in chapter 41.45 RCW. Copies of all such  
15 estimates shall be transmitted to the standing committees on ways and  
16 means of the house and senate at the same time as they are filed with  
17 the governor and the office of financial management.

18 The estimates shall include statements or tables which indicate, by  
19 agency, the state funds which are required for the receipt of federal  
20 matching revenues. The estimates shall be revised as necessary to  
21 reflect legislative enactments and adopted appropriations and shall be  
22 included with the initial biennial allotment submitted under RCW  
23 43.88.110. The estimates must reflect that the agency considered any  
24 alternatives to reduce costs or improve service delivery identified in  
25 the findings of a performance audit of the agency by the legislative  
26 auditor of the office of the joint legislative audit and review  
27 committee. Nothing in this subsection requires performance audit  
28 findings to be published as part of the budget.

29 (2) Each state agency shall define its mission and establish  
30 measurable goals for achieving desirable results for those who receive  
31 its services and the taxpayers who pay for those services. Each agency  
32 shall also develop clear strategies and timelines to achieve its goals.  
33 This section does not require an agency to develop a new mission or  
34 goals in place of identifiable missions or goals that meet the intent  
35 of this section. The mission and goals of each agency must conform to  
36 statutory direction and limitations.

37 (3) For the purpose of assessing program performance, each state  
38 agency shall establish program objectives for each major program in its

1 budget. The objectives must be consistent with the missions and goals  
2 developed under this section. The objectives must be expressed to the  
3 extent practicable in outcome-based, objective, and measurable form  
4 unless an exception to adopt a different standard is granted by the  
5 office of financial management and approved by the legislative  
6 committee on performance review. The office of financial management  
7 shall provide necessary professional and technical assistance to assist  
8 state agencies in the development of strategic plans that include the  
9 mission of the agency and its programs, measurable goals, strategies,  
10 and performance measurement systems.

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

15 (5) It is the policy of the legislature that each agency's budget  
16 proposals must be directly linked to the agency's stated mission and  
17 program goals and objectives. Consistent with this policy, agency  
18 budget proposals must include integration of performance measures that  
19 allow objective determination of a program's success in achieving its  
20 goals. The office of financial management shall develop a plan to  
21 merge the budget development process with agency performance assessment  
22 procedures. The plan must include a schedule to integrate agency  
23 strategic plans and performance measures into agency budget requests  
24 and the governor's budget proposal over three fiscal biennia. The plan  
25 must identify those agencies that will implement the revised budget  
26 process in the 1997-1999 biennium, the 1999-2001 biennium, and the  
27 2001-2003 biennium. In consultation with the legislative fiscal  
28 committees, the office of financial management shall recommend  
29 statutory and procedural modifications to the state's budget,  
30 accounting, and reporting systems to facilitate the performance  
31 assessment procedures and the merger of those procedures with the state  
32 budget process. The plan and recommended statutory and procedural  
33 modifications must be submitted to the legislative fiscal committees by  
34 September 30, 1996.

35 (6) In the year of the gubernatorial election, the governor shall  
36 invite the governor-elect or the governor-elect's designee to attend  
37 all hearings provided in RCW 43.88.100; and the governor shall furnish  
38 the governor-elect or the governor-elect's designee with such  
39 information as will enable the governor-elect or the governor-elect's

1 designee to gain an understanding of the state's budget requirements.  
2 The governor-elect or the governor-elect's designee may ask such  
3 questions during the hearings and require such information as the  
4 governor-elect or the governor-elect's designee deems necessary and may  
5 make recommendations in connection with any item of the budget which,  
6 with the governor-elect's reasons therefor, shall be presented to the  
7 legislature in writing with the budget document. Copies of all such  
8 estimates and other required information shall also be submitted to the  
9 standing committees on ways and means of the house and senate.

10 **Sec. 3.** RCW 44.28.091 and 1996 c 288 s 14 are each amended to read  
11 as follows:

12 (1) No later than nine months after the final performance audit has  
13 been transmitted by the joint committee to the appropriate standing  
14 committees of the house of representatives and the senate, the ~~((joint~~  
15 ~~committee in consultation with the standing committees may))~~ agency or  
16 local government shall produce a preliminary compliance report on ((the  
17 agency's or local government's)) its compliance with the final  
18 performance audit recommendations and submit it to the joint committee.  
19 ~~((The agency or local government may attach its comments to the joint~~  
20 ~~committee's preliminary compliance report as a separate addendum.))~~  
21 The agency or local government shall provide the joint committee  
22 updates to the preliminary compliance report every three months until  
23 the joint committee determines that the agency or local government has  
24 complied with the final performance audit recommendations to the joint  
25 committee's satisfaction.

26 (2) ~~((Within three months after the issuance of the preliminary~~  
27 ~~compliance report,))~~ The joint committee may hold ((at least one))  
28 public hearings and receive public testimony ((regarding the findings  
29 and recommendations contained in the preliminary compliance report.  
30 The joint committee may waive the public hearing requirement if the  
31 preliminary compliance report demonstrates that the agency or local  
32 government is in compliance with the audit recommendations)) if the  
33 agency or local government is not making satisfactory progress in  
34 achieving compliance. The joint committee shall issue ((any)) a final  
35 compliance report ((within four weeks after the public hearing or  
36 hearings)) after an agency or local government has satisfactorily  
37 complied with the final audit recommendations. The legislative auditor

1 shall transmit the final compliance report in the same manner as a  
2 final performance audit is transmitted under RCW 44.28.088.

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