**Washington State**
**House of Representatives**
**Office of Program Research**

# BILL ANALYSIS

# State Government Operations & Accountability Committee

# HB 1566

**Brief Description:** Auditing state government.

**Sponsors:** Representatives Jarrett, Linville, Alexander, Hunter, Nixon, Sommers, Priest, P. Sullivan, Anderson, Chase and Buck.

**Brief Summary of Bill**

- Requires that the budget process be developed in consideration with the priorities of government.
- Requires the Governor and the Governor's cabinet to develop a performance measurement system.
- Requires the Joint Legislative Audit and Review Committee to conduct performance reviews of agencies performance and outcome measures.

**Hearing Date:** 2/25/05

**Staff:** Marsha Reilly (786-7135).

**Background:**

Legislative oversight is managed by various procedures, one of which is through performance audits. The Joint Legislative Audit and Review Committee (JLARC) conducts performance audits. The State Auditor conducts performance audits if the Legislature appropriates moneys for specific performance audits in the state budget.

In addition to performance audits, a number of programs have been instituted to improve government efficiency and accountability:

- Legislation enacted in 1996 establishes a performance based budgeting system for state agencies. Agencies are expected to: (a) Establish mission statements and set goals; (b) develop strategies to achieve goals; (c) set outcome based objectives; (d) provide continuous self assessment of each program; (e) link budget proposals with their mission statements and goals; and (f) objectively determine the success in achieving goals.
- Executive Order 97-03 requires all state agencies to develop and implement programs to improve the quality, efficiency, and effectiveness of public services they provide using

quality improvement, business process redesign, employee involvement, and other quality improvement techniques.

- Executive Order 97-02 establishes a rules review process for state agencies to periodically review their rules to determine if the rules should be retained, modified, or repealed.

In developing the 2003-2005 General Fund budget, the Governor established a budget process designed to identify priority functions that all state spending should be measured against. The Governor's budget decisions were based on an assessment of each state program's relative contribution to these priority functions, or "Priorities of Government." These priorities include the following:

- improve student achievement in elementary, middle and high schools;
- improve the quality and productivity of our workforce;
- improve the value of a state college or university education;
- improve the health of Washington citizens;
- improve the security of Washington's vulnerable children and adults;
- improve economic vitality of businesses and individuals;
- improve statewide mobility of people, goods, information and energy;
- improve the safety of people and property;
- improve the quality of Washington's natural resources; and
- improve cultural and recreational opportunities throughout the state.

**Summary of Bill:**

The priorities of government adopted in the 2003-2005 budget process are identified as the basis for budget development and management reviews. One additional "priority" is identified: improve the overall efficiency and effectiveness of the operations of state government.

Agency budget proposals must be directly linked to its stated mission and program goals and objectives as they relate to the priorities of government. The Office of Financial Management (OFM) is directed to merge the budget development process with agency performance assessment procedures and required management reviews.

The Governor and the Governor's executive cabinet must develop a performance measurement system and, using this system, conduct quarterly and annual management reviews of state agencies as related to the priorities of government. The management reviews must be forwarded to the Joint Legislative Audit and Review Committee (JLARC) and relevant fiscal and policy committees of the legislature by January 1st of each year. Fiscal committees must consider the management review reports in developing the budgets and revenue strategies. Policy committees must make recommendations to the fiscal committees for appropriation of state funds consistent with state policy priorities.

The JLARC must review the performance and outcome measures of selected state agencies, according to a five-year work plan. The purpose of reviewing these performance measures is to ensure that the Legislature has means to adequately and accurately assess the performance and outcomes of the agencies.

A performance review is an evaluation of how an agency uses its performance measures to assess the outcomes of its activities and may include assessments of:

- whether the performance and outcome measures are consistent with legislative mandates, strategic plans, mission statements, and goals and objectives;
- whether the legislature has established clear mandates and policy directions;
- if agency management uses the measures to manage resources efficiently and effectively;
- how the agency uses performance benchmarks to assess performance compared to external standards and benchmarks;
- how performance and outcome measures are used to make planning and operational improvements; and
- how performance and outcome measures are used in the budget process and the extent of agency compliance with that process.

Completed reviews will be published and made available to the public through the JLARC web site. Final reports are transmitted to the appropriate policy and fiscal standing committees of the legislature.

Based on the results of the performance measure reviews and the management review reports, the legislative auditor shall recommend full performance audits of specific agencies or departments, or specific programs or activities and publicly post those recommendations. Before making a decision to proceed with a full performance audit, the JLARC must solicit input from the public.

For a full performance audit, JLARC must solicit input from appropriate representatives and experts in the field that is the subject of the audit. The JLARC must make recommendations regarding the continuation, abolition, consolidation, or reorganization of each agency, department, program or activity. They must also identify opportunities to develop government partnerships, and eliminate program redundancies to improve the quality, effectiveness, and efficiency of agencies.

**Appropriation:** None.

**Fiscal Note:** Requested on February 15, 2005.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.