
SECOND SUBSTITUTE HOUSE BILL 1834

State of Washington

59th Legislature

2006 Regular Session

By House Committee on Appropriations (originally sponsored by Representatives McIntire, Anderson, Kessler, Conway, Fromhold, Clements, Kagi, Linville, Jarrett, Hunter, Tom, Hinkle, Upthegrove, Kilmer, Wood and Santos)

READ FIRST TIME 02/09/06.

1 AN ACT Relating to establishing a process for reporting, reviewing,
2 and collecting data on performance measures; amending RCW 43.88.090 and
3 43.88.030; adding a new section to chapter 43.88 RCW; and adding a new
4 chapter to Title 44 RCW.

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

6 NEW SECTION. **Sec. 1.** The legislature finds that state agencies
7 have established missions, goals, and objectives to aid in self-
8 assessment and budget development. Legislators need key performance
9 measures that help them assess the degree to which the state is
10 achieving the results citizens need from their government. To
11 accomplish this, both legislative and executive policymakers require
12 quantifiable, objective data that are measurable over time in order to
13 gauge whether progress is being made toward the state's goals.
14 Specifically, budget managers and the legislature must have the data to
15 move toward better statewide results that produce the intended public
16 benefit. In addition, reliable data on valid performance measures for
17 the state's policy priorities will help legislative and executive
18 policymakers make better budgeting decisions.

1 **Sec. 2.** RCW 43.88.090 and 2005 c 386 s 2 are each amended to read
2 as follows:

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

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

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

36 (3)(a) For the purpose of assessing activity performance, each
37 state agency shall establish quality and productivity objectives and
38 performance measures for each major activity in its budget. The

1 objectives and performance measures must be consistent with the
2 missions and goals developed under this section and with the statutory
3 purpose of the program. The objectives must be measurable over time
4 and expressed to the extent practicable in outcome-based, objective,
5 and measurable form unless an exception to adopt a different standard
6 is granted by the office of financial management (~~and approved by the~~
7 ~~legislative committee on performance review~~). Objectives must
8 specifically address the statutory purpose or intent of the program or
9 activity and focus on data that measure whether the agency is achieving
10 or making progress toward the purpose of the activity and toward
11 statewide priorities.

12 (b) The office of financial management shall provide necessary
13 professional and technical assistance to assist state agencies in the
14 development of strategic plans that include the mission of the agency
15 and its programs, measurable goals, strategies, and performance
16 measurement systems.

17 (c) From among the performance measures developed under (a) of this
18 subsection, the office of financial management shall identify a subset
19 of key performance measures that reflect statewide budgeting
20 priorities. The legislature will review these key measures under the
21 process established in section 3 of this act. The total number of key
22 performance measures for state government as a whole should be at least
23 one hundred but not more than two hundred.

24 (4) Each state agency shall adopt procedures for and perform
25 continuous self-assessment of each activity, using the mission, goals,
26 objectives, and measurements required under subsections (2) and (3) of
27 this section. The assessment of the activity must also include an
28 evaluation of major information technology systems or projects that may
29 assist the agency in achieving or making progress toward the activity
30 purpose and statewide priorities. The evaluation of proposed major
31 information technology systems or projects shall be in accordance with
32 the standards and policies established by the information services
33 board. Agencies' progress toward the mission, goals, objectives, and
34 measurements required by subsections (2) and (3) of this section is
35 subject to review as set forth in this subsection.

36 (a) The office of financial management shall regularly conduct
37 reviews of selected activities to analyze whether the objectives and

1 measurements submitted by agencies demonstrate progress toward
2 statewide results.

3 (b) The office of financial management shall consult with the
4 higher education coordinating board and the state board for community
5 and technical colleges in those reviews that involve institutions of
6 higher education.

7 (c) The goal is for all major activities to receive at least one
8 review each year.

9 (d) The office of financial management shall consult with the
10 information services board when conducting reviews of major information
11 technology systems in use by state agencies. The goal is that reviews
12 of these information technology systems occur periodically.

13 (5) It is the policy of the legislature that each agency's budget
14 recommendations must be directly linked to the agency's stated mission
15 and program, quality, and productivity goals and objectives.
16 Consistent with this policy, agency budget proposals must include
17 integration of performance measures that allow objective determination
18 of an activity's success in achieving its goals. When a review under
19 subsection (4) of this section or other analysis determines that the
20 agency's objectives demonstrate that the agency is making insufficient
21 progress toward the goals of any particular program or is otherwise
22 underachieving or inefficient, the agency's budget request shall
23 contain proposals to remedy or improve the selected programs. The
24 office of financial management shall develop a plan to merge the budget
25 development process with agency performance assessment procedures.
26 ~~((The plan must include a schedule to integrate agency strategic plans
27 and performance measures into agency budget requests and the governor's
28 budget proposal over three fiscal biennia. The plan must identify
29 those agencies that will implement the revised budget process in the
30 1997-1999 biennium, the 1999-2001 biennium, and the 2001-2003 biennium.
31 In consultation with the legislative fiscal committees, the office of
32 financial management shall recommend statutory and procedural
33 modifications to the state's budget, accounting, and reporting systems
34 to facilitate the performance assessment procedures and the merger of
35 those procedures with the state budget process. The plan and
36 recommended statutory and procedural modifications must be submitted to
37 the legislative fiscal committees by September 30, 1996.))~~

1 (6) In reviewing agency budget requests in order to prepare the
2 governor's biennial budget request, the office of financial management
3 shall consider the extent to which the agency's activities demonstrate
4 progress toward the statewide budgeting priorities, along with any
5 specific review conducted under subsection (4) of this section.

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

21 NEW SECTION. **Sec. 3.** By October 1st of each odd-numbered year,
22 beginning in 2007, the office of financial management shall ensure that
23 current key performance measures are made available to the legislative
24 fiscal committees under RCW 43.88.030. The key performance measures
25 are subject to legislative review as provided in this section.

26 (1) Upon receipt of the governor's key performance measures, the
27 legislative fiscal committees shall distribute the measures among the
28 appropriate legislative committees for those committees' review.

29 (2) The legislative committees shall review these key performance
30 measures for policy and program priority, measurability, specificity,
31 objectivity, and conformance with statutes and legislative intent.

32 (3) The legislative committees shall recommend any revisions to the
33 governor's key performance measures to the legislative fiscal
34 committees. The legislative fiscal committees must consider the
35 proposed revisions and may adopt different or additional measures,
36 based on the state's policy and program priorities and fiscal
37 constraints.

1 (4) The legislative fiscal committees, individually or jointly
2 during the regular session in each even-numbered year, beginning in
3 2008, shall adopt key performance measures during an executive session
4 and shall forward these to the office of financial management for
5 inclusion in the office of financial management performance measure
6 data base.

7 (5) For purposes of this chapter only, "legislative fiscal
8 committees" means the senate committee on ways and means, the house of
9 representatives committee on appropriations, and the house of
10 representatives and senate committees on transportation, or their
11 successors.

12 (6) The house of representatives and senate, jointly or separately,
13 may adopt rules or resolutions to implement their respective
14 responsibilities under this section.

15 NEW SECTION. **Sec. 4.** The joint legislative evaluation and
16 accountability program committee, in consultation with the joint
17 legislative audit and review committee, shall compile, validate, and
18 create a data base of historical information on the key performance
19 measures identified under RCW 43.88.090(3).

20 NEW SECTION. **Sec. 5.** A new section is added to chapter 43.88 RCW
21 to read as follows:

22 The office of financial management shall maintain data on progress
23 toward meeting key performance measures. The office of financial
24 management shall make these data available to the legislative
25 evaluation and accountability program committee.

26 **Sec. 6.** RCW 43.88.030 and 2005 c 386 s 3 are each amended to read
27 as follows:

28 (1) The director of financial management shall provide all agencies
29 with a complete set of instructions for submitting biennial budget
30 requests to the director at least three months before agency budget
31 documents are due into the office of financial management. The budget
32 document or documents shall consist of the governor's budget message
33 which shall be explanatory of the budget and shall contain an outline
34 of the proposed financial policies of the state for the ensuing fiscal
35 period, as well as an outline of the proposed six-year financial

1 policies where applicable, and shall describe in connection therewith
2 the important features of the budget. The biennial budget document or
3 documents shall also describe performance indicators that demonstrate
4 measurable progress towards priority results. The message shall set
5 forth the reasons for salient changes from the previous fiscal period
6 in expenditure and revenue items and shall explain any major changes in
7 financial policy. Attached to the budget message shall be such
8 supporting schedules, exhibits and other explanatory material in
9 respect to both current operations and capital improvements as the
10 governor shall deem to be useful to the legislature. The budget
11 document or documents shall set forth a proposal for expenditures in
12 the ensuing fiscal period, or six-year period where applicable, based
13 upon the estimated revenues and caseloads as approved by the economic
14 and revenue forecast council and caseload forecast council or upon the
15 estimated revenues and caseloads of the office of financial management
16 for those funds, accounts, sources, and programs for which the forecast
17 councils do not prepare an official forecast. Revenues shall be
18 estimated for such fiscal period from the source and at the rates
19 existing by law at the time of submission of the budget document,
20 including the supplemental budgets submitted in the even-numbered years
21 of a biennium. However, the estimated revenues and caseloads for use
22 in the governor's budget document may be adjusted to reflect budgetary
23 revenue transfers and revenue and caseload estimates dependent upon
24 budgetary assumptions of enrollments, workloads, and caseloads. All
25 adjustments to the approved estimated revenues and caseloads must be
26 set forth in the budget document. The governor may additionally
27 submit, as an appendix to each supplemental, biennial, or six-year
28 agency budget or to the budget document or documents, a proposal for
29 expenditures in the ensuing fiscal period from revenue sources derived
30 from proposed changes in existing statutes.

31 Supplemental and biennial documents shall reflect a six-year
32 expenditure plan consistent with estimated revenues from existing
33 sources. Any additional revenue resulting from proposed changes to
34 existing statutes shall be separately identified within the document as
35 well as related expenditures for the six-year period.

36 The budget document or documents shall also contain:

37 (a) Revenues classified by fund and source for the immediately past

1 fiscal period, those received or anticipated for the current fiscal
2 period, and those anticipated for the ensuing biennium;

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 and agency;

12 (f) The expenditures that include nonbudgeted, nonappropriated
13 accounts outside the state treasury;

14 (g) Identification of all proposed direct expenditures to implement
15 the Puget Sound water quality plan under chapter 90.71 RCW, shown by
16 agency and in total; and

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

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

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

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

32 (c) Other statutory expenditures;

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

34 (e) Revenues derived from agency operations;

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

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

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

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

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

13 (3) The governor's operating budget document or documents shall
14 reflect the statewide priorities as required by RCW 43.88.090.

15 (4) The governor's operating budget document or documents shall
16 identify activities that are not addressing the statewide priorities.

17 (5) The governor's operating budget shall also identify the key
18 performance measures identified under RCW 43.88.090(3)(c) and
19 information about progress or current performance for these measures.

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

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

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

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

35 (d) A strategic plan for reducing backlogs of maintenance and
36 repair projects. The plan shall include a prioritized list of specific
37 facility deficiencies and capital projects to address the deficiencies
38 for each agency, cost estimates for each project, a schedule for

1 completing projects over a reasonable period of time, and
2 identification of normal maintenance activities to reduce future
3 backlogs;

4 (e) A statement of the reason or purpose for a project;

5 (f) Verification that a project is consistent with the provisions
6 set forth in chapter 36.70A RCW;

7 (g) A statement about the proposed site, size, and estimated life
8 of the project, if applicable;

9 (h) Estimated total project cost;

10 (i) For major projects valued over five million dollars, estimated
11 costs for the following project components: Acquisition, consultant
12 services, construction, equipment, project management, and other costs
13 included as part of the project. Project component costs shall be
14 displayed in a standard format defined by the office of financial
15 management to allow comparisons between projects;

16 (j) Estimated total project cost for each phase of the project as
17 defined by the office of financial management;

18 (k) Estimated ensuing biennium costs;

19 (l) Estimated costs beyond the ensuing biennium;

20 (m) Estimated construction start and completion dates;

21 (n) Source and type of funds proposed;

22 (o) Estimated ongoing operating budget costs or savings resulting
23 from the project, including staffing and maintenance costs;

24 (p) For any capital appropriation requested for a state agency for
25 the acquisition of land or the capital improvement of land in which the
26 primary purpose of the acquisition or improvement is recreation or
27 wildlife habitat conservation, the capital budget document, or an
28 omnibus list of recreation and habitat acquisitions provided with the
29 governor's budget document, shall identify the projected costs of
30 operation and maintenance for at least the two biennia succeeding the
31 next biennium. Omnibus lists of habitat and recreation land
32 acquisitions shall include individual project cost estimates for
33 operation and maintenance as well as a total for all state projects
34 included in the list. The document shall identify the source of funds
35 from which the operation and maintenance costs are proposed to be
36 funded;

37 (q) Such other information bearing upon capital projects as the
38 governor deems to be useful;

1 (r) Standard terms, including a standard and uniform definition of
2 normal maintenance, for all capital projects;

3 (s) Such other information as the legislature may direct by law or
4 concurrent resolution.

5 For purposes of this subsection (~~(5)~~) (6), the term "capital
6 project" shall be defined subsequent to the analysis, findings, and
7 recommendations of a joint committee comprised of representatives from
8 the house capital appropriations committee, senate ways and means
9 committee, legislative evaluation and accountability program committee,
10 and office of financial management.

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

24 NEW SECTION. **Sec. 7.** Sections 1, 3, and 4 of this act constitute
25 a new chapter in Title 44 RCW.

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