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## Government Operations & Elections Committee

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### SSB 5872

**Brief Description:** Creating a state agency innovation and efficiency grant program.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senator Hill).

#### Brief Summary of Substitute Bill

- Creates the State Agency Innovation and Efficiency Grant Program to allow state executive branch agencies to compete for grant funds implementing projects that improve delivery of services at reduced cost.
- Establishes the State Agency Innovation and Efficiency Council to evaluate, rank, and make recommendations to the Office of Financial Management director for grant awards under a competitive process.
- Creates the State Agency Innovation and Efficiency Grant Program Account in the State Treasury to include legislative appropriations and gifts, grants, or endowments

**Hearing Date:** 2/26/14

**Staff:** Jasmine Vasavada (786-7301).

#### Background:

In 2005 the Legislature enacted a program that requires state agencies to develop and implement a quality management, accountability, and performance system. Agency performance reports must be submitted quarterly to the Governor, and the Governor must report annually to the citizens of the state. The legislation also requires that each agency apply, at least once every three years, to the Washington State Quality Award, or similar organization, for an independent assessment of its quality management, accountability, and performance system.

The Washington Quality Award Council was organized by statute in 1994 as a private, nonprofit organization to oversee the Governor's Washington State Quality Achievement Award Program.

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The council attempts to improve the overall competitiveness of the state's economy. Through a process developed by the council, award recipients are approved and announced and annual presentations are made by the Governor.

In 2011 Governor Gregoire issued an executive order directing all state agencies to adopt "lean management" principles, intended to increase efficiency, decrease waste, and use data to confirm results.

The State Productivity Board (Board) administers an Employee Suggestion Program (ESP) and Teamwork Incentive Program (TIP) for state employees. The ESP provides cash awards and recognition to employees for ideas that save money, generate revenue, or improve services. The TIP provides cash awards for proposals by teams of employees that demonstrate savings or revenue. Appropriations for the Board's efforts were suspended for two years by the 2011-2013 operating budget. Some states have created competitive grant programs to fund government projects that improve efficiency and reduce costs.

### **Summary of Bill:**

#### The State Agency Innovation and Efficiency Grant Program.

The State Agency Innovation and Efficiency Grant Program (program) is created to allow state agencies to compete for grant funds implementing projects that improve delivery of services at reduced cost. State executive branch agencies, except institutions of higher education, are eligible. The Office of Financial Management (OFM) administers the program and awards grants. Grant funding recommendations are made by a State Agency Innovation and Efficiency Council (Council).

#### State Agency Innovation and Efficiency Council.

The Council is created and has nine members including the following:

- the OFM director or designee;
- the State Auditor or designee;
- the Secretary of State or designee;
- a person with experience in leading local government innovation, efficiency, or continuous improvement processes, appointed by the OFM director;
- a person with experience in leading private sector innovation, efficiency, or continuous improvement processes, appointed by the OFM director;
- two Senate members, appointed by leaders of each caucus; and
- two House members, appointed by leaders of each caucus.

Council members appointed by the OFM director and legislators serve three-year terms. The Council must select a chair. The Council must meet at the call of the chair or on request of a majority of members. A majority constitutes a quorum. Members do not receive compensation but may be reimbursed for expenses.

The Council must evaluate, rank, and make recommendations to the OFM director for grant awards under a competitive process developed by the Council. The Council must establish criteria by October 1, 2014. In addition to Council-developed criteria, the Council must consider the following:

- whether the project increases the range, efficiency, or quality of services provided;

- whether the project is ready to proceed and make timely use of funds;
- expected return on investment;
- probability of success;
- ability to replicate the project;
- whether the project resulted from a quality management, accountability, and performance system assessment (such as LEAN Six Sigma, or Washington State Quality Award self-assessments);
- whether the project implements audit recommendations;
- whether the applicant has successfully completed an innovation or efficiency project; and
- whether funds from private or nonstate resources have been committed.

The Council may also examine financial resources that state agencies may apply. Grants may not be used to supplant existing funds for foreseeable or budgeted activities. The OFM must establish a process to solicit applications. The first solicitation must occur by November 1, 2014. The Council must make its first recommendations to the OFM director by March 1, 2015. Grant agreements must specify deliverables, including a completion date and reports measuring improvements in service delivery, savings, or cost avoidance. The Council may establish a maximum amount of grants awarded for each project.

The State Agency Innovation and Efficiency Grant Program Account.

The State Agency Innovation and Efficiency Grant Program Account (account) is created in the State Treasury to include legislative appropriations and gifts, grants, or endowments. Monies may be spent only after appropriation. Only the OFM director or the director's designee, with the recommendation of the Council, may authorize expenditures. Expenditures may be used only for grants and Council expenses.

**Appropriation:** None.

**Fiscal Note:** Available.

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