

E2SSB 5737 - S AMD 596
By Senator Miloscia

1 Strike everything after the enacting clause and insert the
2 following:

3 NEW SECTION. **Sec. 1.** (1) The legislature intends that an
4 office of performance management should:

5 (a) Be established in statute;

6 (b) Be headed by a director appointed by the governor and
7 confirmed by the senate;

8 (c) Be granted administrative authority over state performance
9 management programs, ensuring that all executive branch agencies
10 properly implement world-class lean performance management systems to
11 achieve operational excellence;

12 (d) Coordinate performance assessments of state agencies by
13 independent examiners; and

14 (e) Analyze and report agency performance systems, data, and
15 assessment results to the public, appropriate agencies, and the
16 legislature.

17 (2) The office's goal is to develop and implement documented
18 world-class lean performance management systems that can be
19 duplicated in all other states.

20 NEW SECTION. **Sec. 2.** (1) There is created in the office of the
21 governor the office of performance management.

22 (2) The executive head of the office of performance management is
23 a director appointed by the governor with the consent of the senate,
24 who serves at the pleasure of the governor.

25 (3) The director may employ personnel necessary for the
26 administration of the office of performance management.

27 NEW SECTION. **Sec. 3.** The definitions in this section apply
28 throughout this chapter unless the context clearly requires
29 otherwise.

1 (1) "Agency" means every state agency, department, office,
2 officer, board, commission, bureau, division, institution, or
3 institution of higher education, and all offices of executive branch
4 state government-elected officials, except agricultural commissions
5 under Title 15 RCW.

6 (a) "Large agency" means an agency with five hundred or more
7 full-time equivalent staff.

8 (b) "Medium size agency" means an agency with more than one
9 hundred but fewer than five hundred full-time equivalent staff.

10 (c) "Small agency" means an agency with fewer than one hundred
11 full-time equivalent staff.

12 (2) "Agency ethics plan" means a plan to promote ethical
13 practices and to eliminate fraudulent practices in agency operations.

14 (3) "Agency performance management implementation plan" means a
15 detailed plan to implement a lean performance management system that:

16 (a) Provides for gathering, monitoring, and analysis of data to
17 measure performance and eliminate waste and inefficiency in agency
18 operations;

19 (b) Conforms to an internationally recognized quality management
20 system, such as ISO 9001 or ISO 9004, or its equivalent;

21 (c) Includes all activities and requirements necessary to reduce
22 agency costs by one percent annually within two years of adoption and
23 two percent annually within four years of adoption;

24 (d) Allocates resources to improve performance; and

25 (e) Includes all specifications, processes, activities, criteria,
26 and timelines necessary to guide other government entities in
27 implementing a comparable plan.

28 (4) "Agency strategic plan" means a plan described in section 7
29 of this act.

30 (5) "Baldrige assessment" means an assessment of agency
31 operational performance by a trained examiner using the Baldrige
32 excellence framework.

33 (6) "Baldrige excellence framework" means the 2015-2016 Baldrige
34 Excellence Framework, or a later edition with similar standards,
35 published by the Baldrige performance excellence program, national
36 institutes of standards and technology, United States department of
37 commerce.

38 (7) "Lean performance management system" means a system that:

39 (a) Promotes activities to increase efficiency and eliminate
40 waste and inefficiency in agency operations, including delivery of

1 services and goods to the public, based upon continuous assessment
2 and improvement; and

3 (b) Is equivalent in scope and detail to similar systems used in
4 large private sector organizations.

5 (8) "Measurable improvements" includes but is not limited to cost
6 savings, cost avoidance, improved safety, increased quality, accuracy
7 and efficiency, improved customer satisfaction, and enhanced employee
8 engagement and satisfaction.

9 (9) "State performance management implementation plan" means a
10 detailed plan to implement a statewide lean performance management
11 system involving all agencies that:

12 (a) Includes performance measures and targets, with segmented
13 data regarding operations of all agencies and operations of each
14 agency;

15 (b) Provides for implementation by all agencies using best
16 practice project management tools;

17 (c) Measures validated cost reductions and other performance
18 improvements for all agencies; and

19 (d) Monitors implementation by all agencies.

20 NEW SECTION. **Sec. 4.** (1) Beginning July 1, 2016, the office of
21 performance management must conduct an inventory and review of state
22 agency performance management plans, including any experience with
23 recognized tools such as Baldrige or similar frameworks, strategic
24 planning goals and processes, leadership capacity, and lean culture
25 maturity for the purpose of determining the readiness and capacity of
26 each agency to comply with this chapter. By April 1, 2017, the office
27 must submit, in compliance with RCW 43.01.035, a report to the
28 legislature and the governor evaluating the results of the inventory
29 and identifying the agencies' strengths, weaknesses, opportunities,
30 and threats.

31 (2) The office of performance management also must:

32 (a) Develop one or more mechanisms to promote the sharing of
33 information between agencies regarding best practices, challenges,
34 and successes, with the goal of allowing agencies that have
35 successfully deployed the performance assessment and implemented a
36 performance management plan to serve as a resource to agencies in the
37 process of doing so; and

38 (b) Annually select one or more multiagency programs or processes
39 for a lean performance analysis, to be conducted in collaboration

1 with the affected agencies, with the goal of identifying cross-
2 jurisdictional efficiencies and performance improvements, including
3 those for which statutory or fiscal authority may be needed. The
4 results of the analysis must be included in the annual report to the
5 legislature under section 5 of this act.

6 NEW SECTION. **Sec. 5.** The office of performance management must:

7 (1) Adopt, by January 1, 2017, and implement a state strategic
8 plan and a state performance management implementation plan, and
9 delegate authority, as necessary, to agencies best suited to
10 implement elements of the state performance management implementation
11 plan;

12 (2) Assist agencies in developing agency strategic plans, agency
13 ethics plans, workforce learning and training development and
14 workforce performance management systems, and agency performance
15 management implementation plans, and review and approve or disapprove
16 the foregoing plans based on predetermined criteria;

17 (3) Enter into a partnership with the Baldrige performance
18 excellence program, national institutes of standards and technology,
19 United States department of commerce, and performance excellence
20 northwest and Washington state quality award to:

21 (a) Ensure that a sufficient number of trained examiners are
22 available to conduct Baldrige assessments of all agencies;

23 (b) Coordinate and schedule Baldrige assessments of all agencies;

24 (c) Develop criteria, as needed, for a modified Baldrige
25 assessment for very small agencies with fewer than twenty full-time
26 equivalent employees;

27 (d) Develop specific criteria for a statewide lean performance
28 management system and agency lean performance management systems; and

29 (e) Develop a plan to encourage and phase in adoption of
30 equivalent lean performance management systems by and Baldrige
31 assessments of local government entities and major private partners
32 of agencies. Quality of the assessments and systems must be a
33 consideration for awarding contracts and grants;

34 (4) Annually certify, pursuant to section 15 of this act, whether
35 agencies have made adequate progress in:

36 (a) Implementing agency performance management implementation
37 plans; and

1 (b) Responding to performance audits conducted by the state
2 auditor and the joint legislative audit and review committee,
3 Baldrige assessments, and other appropriate audits;

4 (5) Annually report to the legislature regarding:

5 (a) Implementation status, including quality and percentage of
6 implementation, of the state performance management implementation
7 plan and agency performance management implementation plans;

8 (b) Status of Baldrige assessments of all agencies; and

9 (c) Recommended policy and fiscal changes to increase efficiency
10 and eliminate waste and inefficiency in agency operations;

11 (6) Solicit input from the legislature and public regarding the
12 state performance management implementation plan and agency
13 performance management implementation plans, and reports regarding
14 the plans;

15 (7) Collaborate with:

16 (a) The office of financial management, the department of
17 enterprise services, and other agencies to develop a financial data
18 system necessary to implement a fully developed lean performance
19 management system; and

20 (b) The department of enterprise services to develop a workforce
21 learning and training development and workforce performance
22 management system necessary for employees, middle managers,
23 supervisors, and senior agency leaders to implement a fully developed
24 lean performance management system, with Baldrige assessments; and

25 (8) Adopt rules necessary to administer this chapter.

26 NEW SECTION. **Sec. 6.** (1) Within fiscal resources currently
27 allocated to performance management efforts, each agency must:

28 (a) Adopt an agency strategic plan pursuant to section 7 of this
29 act, an agency ethics plan, a workforce learning and training
30 development and workforce performance management system, and an
31 agency performance management implementation plan;

32 (b) Provide periodic reports to the office of performance
33 management regarding implementation of its agency performance
34 management implementation plan. Large agencies must report quarterly,
35 medium size agencies must report annually, and small agencies must
36 report biennially;

37 (c) Provide periodic reports to pertinent legislative committees
38 regarding implementation of its agency performance management
39 implementation plan, including the number and type of lean management

1 projects conducted during the reporting period, fiscal savings
2 attributable to the projects, performance goals for the upcoming
3 reporting period, and a summary of all previous performance audits
4 conducted by the state auditor and the joint legislative audit and
5 review committee, and previous Baldrige assessments. Large agencies
6 must report annually and medium size and small agencies must report
7 biennially;

8 (d) Coordinate with the office of performance management to
9 provide for Baldrige assessments of its operations every three years
10 for large agencies and, beginning in 2020, every three years for
11 medium size agencies, and beginning in 2022, every three years for
12 small size agencies, and transmit completed Baldrige assessments and
13 feedback reports to the office of performance management; and

14 (e) Strive to implement real-time web-based tracking and
15 reporting of agency performance and lean performance management
16 system activities.

17 (2) An agency's Baldrige assessment score measures the agency's
18 progress toward achieving world-class performance. Each agency's goal
19 is to achieve a sixty percent score within seven years of its first
20 Baldrige assessment. When an agency achieves a sixty percent score,
21 it must apply for a Malcolm Baldrige national quality award, pursuant
22 to 15 U.S.C. Sec. 3711a.

23 (3) A large agency that:

24 (a) Achieves the goal in subsection (2) of this section is not
25 required to conduct a Baldrige assessment every three years, but must
26 conduct a Baldrige assessment at least every six years; and

27 (b) Fails to achieve the goal in subsection (2) of this section
28 must achieve certification under an internationally recognized
29 quality management system, such as ISO 9001, or its equivalent,
30 within seven years of the first Baldrige assessment.

31 NEW SECTION. **Sec. 7.** (1) Within fiscal resources currently
32 allocated to performance management efforts, each agency must adopt
33 an agency strategic plan that:

34 (a) Defines its mission and sets measurable goals for achieving
35 desirable results for those receiving its services and taxpayers
36 paying for its services. This section does not require an agency to
37 develop a new mission or goals in place of identifiable missions or
38 goals that meet the intent of this section. The mission and goals of
39 each agency must conform to statutory direction and limitations;

1 (b) Develops clear strategies and timelines to achieve its goals;

2 (c) To assess activity performance, sets quality and productivity
3 objectives for each major activity in its budget. These objectives
4 must:

5 (i) Be consistent with the mission and goals defined under (a) of
6 this subsection;

7 (ii) Be expressed to the extent practicable in outcome-based,
8 objective, and measurable form unless the office of performance
9 management grants an exception to adopt a different standard,
10 approved by legislative fiscal committees; and

11 (iii) Specifically address the statutory purpose or intent of the
12 program or activity and focus on data that measures whether the
13 agency is achieving or making progress toward the purpose of the
14 activity and toward statewide priorities.

15 (2) Each agency must also adopt an agency ethics plan and an
16 agency performance management implementation plan pursuant to section
17 5 of this act.

18 **Sec. 8.** RCW 43.17.385 and 2014 c 68 s 6 are each amended to read
19 as follows:

20 (1) Each state agency (~~shall, within available funds, develop~~
21 ~~and implement a quality management, accountability, and performance~~
22 ~~system to improve the public services it provides.~~

23 (2) ~~Each agency shall ensure that managers and staff at all~~
24 ~~levels, including those who directly deliver services, are engaged in~~
25 ~~the system and shall provide managers and staff with the training~~
26 ~~necessary for successful implementation.~~

27 (3) ~~Each agency shall, within available funds, ensure that its~~
28 ~~quality management, accountability, and performance system:~~

29 (a) ~~Uses strategic business planning to establish goals,~~
30 ~~objectives, and activities consistent with the priorities of~~
31 ~~government, as provided in statute;~~

32 (b) ~~Engages stakeholders and customers in establishing service~~
33 ~~requirements and improving service delivery systems;~~

34 (c) ~~Includes clear, relevant, and easy-to-understand measures for~~
35 ~~each activity;~~

36 (d) ~~Gathers, monitors, and analyzes activity data;~~

37 (e) ~~Uses the data to evaluate the effectiveness of programs to~~
38 ~~manage process performance, improve efficiency, and reduce costs;~~

1 ~~(f) Establishes performance goals and expectations for employees~~
2 ~~that reflect the organization's objectives; and provides for regular~~
3 ~~assessments of employee performance;~~

4 ~~(g) Uses activity measures to report progress toward agency~~
5 ~~objectives to the agency director at least quarterly;~~

6 ~~(h) Where performance is not meeting intended objectives, holds~~
7 ~~regular problem solving sessions to develop and implement a plan for~~
8 ~~addressing gaps; and~~

9 ~~(i) Allocates resources based on strategies to improve~~
10 ~~performance.~~

11 ~~(4) Each agency shall conduct a yearly assessment of its quality~~
12 ~~management, accountability, and performance system.~~

13 ~~(5) State agencies whose chief executives are appointed by the~~
14 ~~governor shall report to the governor on agency performance at least~~
15 ~~quarterly. The reports shall be included on the agencies', the~~
16 ~~governor's, and the office of financial management's web sites.~~

17 ~~(6) The governor shall report annually to citizens on the~~
18 ~~performance of state agency programs. The governor's report shall~~
19 ~~include:~~

20 ~~(a) Progress made toward the priorities of government as a result~~
21 ~~of agency activities; and~~

22 ~~(b) Improvements in agency quality management systems, fiscal~~
23 ~~efficiency, process efficiency, asset management, personnel~~
24 ~~management, statutory and regulatory compliance, and management of~~
25 ~~technology systems.~~

26 ~~(7) Each state agency shall integrate efforts made under this~~
27 ~~section with other management, accountability, and performance~~
28 ~~systems)) must adopt an agency strategic plan, agency ethics plan,~~
29 ~~and agency performance management implementation plan pursuant to~~
30 ~~chapter 43.--- RCW (the new chapter created in section 30 of this~~
31 ~~act).~~

32 (2) Each state agency must integrate its agency performance
33 management implementation plan with other efficiency mandates,
34 including procedures implemented under chapter 43.42A RCW, undertaken
35 under executive order or other authority.

36 (3) As used in this section, "state agency" has the same meaning
37 as "agency" in section 3 of this act, including procedures
38 implemented under chapter 43.42A RCW, undertaken under executive
39 order or other authority.

1 **Sec. 9.** RCW 43.17.390 and 2009 c 564 s 931 are each amended to
2 read as follows:

3 (~~(Starting in 2012, and at least once every three years~~
4 ~~thereafter, each agency shall apply to the Washington state quality~~
5 ~~award, or similar organization, for an independent assessment of its~~
6 ~~quality management, accountability, and performance system. The~~
7 ~~assessment shall evaluate the effectiveness of all elements of its~~
8 ~~management, accountability, and performance system, including:~~
9 ~~Leadership, strategic planning, customer focus, analysis and~~
10 ~~information, employee performance management, and process~~
11 ~~improvement. The purpose of the assessment is to recognize best~~
12 ~~practice and identify improvement opportunities.)) Pursuant to
13 section 5 of this act, the office of performance management must
14 enter into a partnership with the Baldrige performance excellence
15 program, national institutes of standards and technology, United
16 States department of commerce, and performance excellence northwest
17 and Washington state quality award regarding Baldrige assessments of
18 state agencies and other matters.~~

19 **Sec. 10.** RCW 43.41.100 and 2009 c 549 s 5119 are each amended to
20 read as follows:

21 (1) The director of financial management (~~(shall)~~) must:
22 (~~(1)~~) (a) Supervise and administer the activities of the office
23 of financial management.
24 (~~(2)~~) (b) Exercise all the powers and perform all the duties
25 prescribed by law with respect to the administration of the state
26 budget and accounting system.
27 (~~(3)~~) (c) Advise the governor and the legislature with respect
28 to matters affecting program management and planning.
29 (~~(4) Make~~) (d) Cooperate with the office of performance
30 management in conducting efficiency surveys of all state departments
31 and institutions, and the administrative and business methods pursued
32 therein, examine into the physical needs and industrial activities
33 thereof, and make confidential reports to the governor, recommending
34 necessary betterments, repairs, and the installation of improved and
35 more economical administrative methods, and advising such action as
36 will result in a greater measure of self-support and remedies for
37 inefficient functioning.

38 (2) The director may enter into contracts on behalf of the state
39 to carry out the purposes of this chapter; he or she may act for the

1 state in the initiation of or participation in any multi-governmental
2 agency program relative to the purposes of this chapter; and he or
3 she may accept gifts and grants, whether such grants be of federal or
4 other funds.

5 **Sec. 11.** RCW 43.41.270 and 2009 c 345 s 12 are each amended to
6 read as follows:

7 (1) The office of (~~financial~~) performance management (~~shall~~)
8 must assist natural resource-related agencies in developing outcome-
9 focused performance measures for administering natural resource-
10 related and environmentally based grant and loan programs. These
11 performance measures are to be used in determining grant eligibility,
12 for program management and performance assessment.

13 (2) The office of (~~financial~~) performance management and the
14 recreation and conservation office (~~shall~~) must assist natural
15 resource-related agencies in developing recommendations for a
16 monitoring program to measure outcome-focused performance measures
17 required by this section. The recommendations must be consistent with
18 the framework and coordinated monitoring strategy developed by the
19 monitoring oversight committee established in former RCW 77.85.210.

20 (3) Natural resource agencies (~~shall~~) must consult with grant
21 or loan recipients including local governments, tribes,
22 nongovernmental organizations, and other interested parties, and
23 report to the office of financial management on the implementation of
24 this section.

25 (4) Performance measures required by this section must be
26 included in agency performance management implementation plans
27 adopted pursuant to chapter 43.--- RCW (the new chapter created in
28 section 30 of this act).

29 (5) For purposes of this section, "natural resource-related
30 agencies" include the department of ecology, the department of
31 natural resources, the department of fish and wildlife, the state
32 conservation commission, the recreation and conservation funding
33 board, the salmon recovery funding board, and the public works board
34 within the department of (~~community, trade, and economic~~
35 ~~development~~) commerce.

36 ((+5)) (6) For purposes of this section, "natural resource-
37 related environmentally based grant and loan programs" includes the
38 conservation reserve enhancement program; dairy nutrient management
39 grants under chapter 90.64 RCW; state conservation commission water

1 quality grants under chapter 89.08 RCW; coordinated prevention
2 grants, public participation grants, and remedial action grants under
3 RCW 70.105D.070; water pollution control facilities financing under
4 chapter 70.146 RCW; aquatic lands enhancement grants under RCW
5 79.105.150; habitat grants under the Washington wildlife and
6 recreation program under RCW 79A.15.040; salmon recovery grants under
7 chapter 77.85 RCW; and the public works trust fund program under
8 chapter 43.155 RCW. The term also includes programs administered by
9 the department of fish and wildlife related to protection or recovery
10 of fish stocks which are funded with moneys from the capital budget.

11 **Sec. 12.** RCW 43.88.005 and 2005 c 386 s 1 are each amended to
12 read as follows:

13 The legislature finds that agency missions, goals, and objectives
14 should focus on statewide results, driven by agency strategic plans
15 and agency performance management implementation plans adopted
16 pursuant to chapter 43.--- RCW (the new chapter created in section 30
17 of this act). It is the intent of the legislature to focus the
18 biennial budget on how state agencies produce real results (~~that~~
19 ~~reflect the goals of statutory programs~~), reflecting goals in agency
20 strategic plans and agency performance management implementation
21 plans. Specifically, budget managers and the legislature must have
22 the data to move toward better statewide results that produce the
23 intended public benefit. This data must be supplied in an impartial,
24 quantifiable form, and demonstrate progress (~~toward statewide~~
25 ~~results~~) in implementing agency strategic plans and agency
26 performance management implementation plans. With a renewed focus on
27 achieving true results, state agencies, the office of financial
28 management, and the legislature will be able to prioritize state
29 resources.

30 **Sec. 13.** RCW 43.88.030 and 2006 c 334 s 43 are each amended to
31 read as follows:

32 (1) The director of financial management (~~shall~~) must provide
33 all agencies with a complete set of instructions for submitting
34 biennial budget requests to the director at least three months before
35 agency budget documents are due into the office of financial
36 management.

1 (2) The budget document or documents (~~shall consist of~~) must
2 include the governor's budget message, which (~~shall~~) must be
3 explanatory of the budget and (~~shall~~) contain:

4 (a) An outline of the proposed financial policies of the state
5 for the ensuing fiscal period, as well as an outline of the proposed
6 six-year financial policies where applicable, and (~~shall~~) must
7 describe in connection therewith the important features of the
8 budget(~~. The biennial budget document or documents shall also~~
9 describe));

10 (b) Performance indicators that demonstrate measurable progress
11 (~~towards priority results. The message shall set forth~~) in
12 implementing agency strategic plans and agency performance management
13 implementation plans adopted pursuant to chapter 43.--- RCW (the new
14 chapter created in section 30 of this act);

15 (c) The reasons for salient changes from the previous fiscal
16 period in expenditure and revenue items and (~~shall~~) must explain
17 any major changes in financial policy(~~. Attached to the budget~~
18 message shall be such)); and

19 (d) Supporting schedules, exhibits and other explanatory material
20 in respect to both current operations and capital improvements as the
21 governor (~~shall~~) deems to be useful to the legislature.

22 (3) The budget document or documents (~~shall~~) must set forth a
23 proposal for expenditures in the ensuing fiscal period, or six-year
24 period where applicable, based upon the estimated revenues and
25 caseloads as approved by the economic and revenue forecast council
26 and caseload forecast council or upon the estimated revenues and
27 caseloads of the office of financial management for those funds,
28 accounts, sources, and programs for which the forecast councils do
29 not prepare an official forecast. The budget document or documents
30 and their expenditures must incorporate estimated savings from
31 implementation of the state performance management implementation
32 plan and agency performance management implementation plans adopted
33 pursuant to chapter 43.--- RCW (the new chapter created in section 30
34 of this act), as approved by the caseload forecast council in its
35 most recent official forecast. Revenues (~~shall~~) must be estimated
36 for such fiscal period from the source and at the rates existing by
37 law at the time of submission of the budget document, including the
38 supplemental budgets submitted in the even-numbered years of a
39 biennium. However, the estimated revenues and caseloads for use in
40 the governor's budget document may be adjusted to reflect budgetary

1 revenue transfers and revenue and caseload estimates dependent upon
2 budgetary assumptions of enrollments, workloads, and caseloads. All
3 adjustments to the approved estimated revenues and caseloads must be
4 set forth in the budget document. The governor may additionally
5 submit, as an appendix to each supplemental, biennial, or six-year
6 agency budget or to the budget document or documents, a proposal for
7 expenditures in the ensuing fiscal period from revenue sources
8 derived from proposed changes in existing statutes.

9 ~~(4)~~ (4) The budget document or documents (~~shall~~) must also contain:

10 (a) Revenues classified by fund and source for the immediately
11 past fiscal period, those received or anticipated for the current
12 fiscal period, and those anticipated for the ensuing biennium;

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

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

17 (d) Such additional information dealing with revenues and
18 expenditures as the governor (~~shall~~) deems pertinent and useful to
19 the legislature;

20 (e) Tabulations showing expenditures classified by fund,
21 function, and agency;

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

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

27 (h) Tabulations showing each postretirement adjustment by
28 retirement system established after fiscal year 1991, to include, but
29 not be limited to, estimated total payments made to the end of the
30 previous biennial period, estimated payments for the present
31 biennium, and estimated payments for the ensuing biennium.

32 ~~((+2))~~ (5) The budget document or documents (~~shall~~) must
33 include detailed estimates of all anticipated revenues applicable to
34 proposed operating or capital expenditures and (~~shall~~) must also
35 include all proposed operating or capital expenditures. The total of
36 beginning undesignated fund balance and estimated revenues less
37 working capital and other reserves (~~shall~~) must equal or exceed the
38 total of proposed applicable expenditures.

39 (6) The budget document or documents (~~shall~~) must further
40 include:

1 (a) Interest, amortization and redemption charges on the state
2 debt;

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

4 (c) Other statutory expenditures;

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

6 (e) Revenues derived from agency operations;

7 (f) Expenditures and revenues (~~shall~~) must be given in
8 comparative form showing those incurred or received for the
9 immediately past fiscal period and those anticipated for the current
10 biennium and next ensuing biennium;

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

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

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

18 (j) A showing and explanation of anticipated amounts of general
19 fund and other funds required to amortize the unfunded actuarial
20 accrued liability of the retirement system specified under chapter
21 41.45 RCW, and the contributions to meet such amortization, stated in
22 total dollars and as a level percentage of total compensation.

23 (~~(+3)~~) (7) The governor's operating budget document or documents
24 (~~shall reflect the statewide priorities as required by RCW~~
25 ~~43.88.090.~~

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

28 ~~(5))~~ must reflect the goals and objectives of agency strategic
29 plans adopted pursuant to chapter 43.--- RCW (the new chapter created
30 in section 30 of this act).

31 (8) A separate capital budget document or schedule (~~shall~~) must
32 be submitted that (~~will~~) contains the following:

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

36 (b) A capital program consisting of proposed capital projects for
37 the next biennium and the two biennia succeeding the next biennium
38 consistent with the long-range facilities plan. Inasmuch as is
39 practical, and recognizing emergent needs, the capital program
40 (~~shall~~) must reflect the priorities, projects, and spending levels

1 proposed in previously submitted capital budget documents in order to
2 provide a reliable long-range planning tool for the legislature and
3 state agencies;

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

6 (d) A strategic plan for reducing backlogs of maintenance and
7 repair projects. The plan (~~shall~~) must include a prioritized list
8 of specific facility deficiencies and capital projects to address the
9 deficiencies for each agency, cost estimates for each project, a
10 schedule for completing projects over a reasonable period of time,
11 and identification of normal maintenance activities to reduce future
12 backlogs;

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

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

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

18 (h) Estimated total project cost;

19 (i) For major projects valued over five million dollars,
20 estimated costs for the following project components: Acquisition,
21 consultant services, construction, equipment, project management, and
22 other costs included as part of the project. Project component costs
23 (~~shall~~) must be displayed in a standard format defined by the
24 office of financial management to allow comparisons between projects;

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

27 (k) Estimated ensuing biennium costs;

28 (l) Estimated costs beyond the ensuing biennium;

29 (m) Estimated construction start and completion dates;

30 (n) Source and type of funds proposed;

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

33 (p) For any capital appropriation requested for a state agency
34 for the acquisition of land or the capital improvement of land in
35 which the primary purpose of the acquisition or improvement is
36 recreation or wildlife habitat conservation, the capital budget
37 document, or an omnibus list of recreation and habitat acquisitions
38 provided with the governor's budget document, (~~shall~~) must identify
39 the projected costs of operation and maintenance for at least the two
40 biennia succeeding the next biennium. Omnibus lists of habitat and

1 recreation land acquisitions (~~shall~~) must include individual
2 project cost estimates for operation and maintenance as well as a
3 total for all state projects included in the list. The document
4 (~~shall~~) must identify the source of funds from which the operation
5 and maintenance costs are proposed to be funded;

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

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

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

12 (9) For purposes of (~~this subsection (5)~~) subsection (8) of
13 this section, the term "capital project" (~~shall~~) must be defined
14 subsequent to the analysis, findings, and recommendations of a joint
15 committee comprised of representatives from the house capital
16 appropriations committee, senate ways and means committee,
17 legislative evaluation and accountability program committee, and
18 office of financial management.

19 (~~(6)~~) (10) No change affecting the comparability of agency or
20 program information relating to expenditures, revenues, workload,
21 performance and personnel (~~shall~~) may be made in the format of any
22 budget document or report presented to the legislature under this
23 section or RCW 43.88.160(~~(1)~~) (2) relative to the format of the
24 budget document or report which was presented to the previous regular
25 session of the legislature during an odd-numbered year without prior
26 legislative concurrence. Prior legislative concurrence (~~shall~~) must
27 consist of (a) a favorable majority vote on the proposal by the
28 standing committees on ways and means of both houses if the
29 legislature is in session or (b) a favorable majority vote on the
30 proposal by members of the legislative evaluation and accountability
31 program committee if the legislature is not in session.

32 **Sec. 14.** RCW 43.88.090 and 2015 3rd sp.s. c 1 s 409 are each
33 amended to read as follows:

34 (1)(a) For purposes of developing budget proposals to the
35 legislature, the governor (~~shall have the power, and it shall be the~~
36 ~~governor's duty, to~~) must require from proper agency officials such
37 detailed estimates and other information (~~in such form and at such~~
38 ~~times~~) as the governor (~~shall~~) directs. The governor (~~shall~~)
39 must communicate statewide priorities to agencies in the state

1 performance management implementation plan adopted pursuant to
2 chapter 43.--- RCW (the new chapter created in section 30 of this
3 act) for use in developing biennial budget recommendations for their
4 agency, and ~~((shall))~~ must seek public involvement and input on these
5 priorities. The estimates for the legislature and the judiciary
6 ~~((shall))~~ must be transmitted to the governor and ~~((shall))~~ must be
7 included in the budget without revision. The estimates for state
8 pension contributions ~~((shall))~~ must be based on the rates provided
9 in chapter 41.45 RCW. Copies of all such estimates ~~((shall))~~ must be
10 transmitted to the standing committees on ways and means of the house
11 and senate at the same time as they are filed with the governor and
12 the office of financial management.

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

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

33 ~~(3) For the purpose of assessing activity performance, each state~~
34 ~~agency shall establish quality and productivity objectives for each~~
35 ~~major activity in its budget. The objectives must be consistent with~~
36 ~~the missions and goals developed under this section. The objectives~~
37 ~~must be expressed to the extent practicable in outcome-based,~~
38 ~~objective, and measurable form unless an exception to adopt a~~
39 ~~different standard is granted by the office of financial management~~
40 ~~and approved by the legislative committee on performance review.~~

1 Objectives must specifically address the statutory purpose or intent
2 of the program or activity and focus on data that measure whether the
3 agency is achieving or making progress toward the purpose of the
4 activity and toward statewide priorities. The office of financial
5 management shall provide necessary professional and technical
6 assistance to assist state agencies in the development of strategic
7 plans that include the mission of the agency and its programs,
8 measurable goals, strategies, and performance measurement systems.

9 (4) Each state agency shall adopt procedures for and perform
10 continuous self-assessment of each activity, using the mission,
11 goals, objectives, and measurements required under subsections (2)
12 and (3) of this section. The assessment of the activity must also
13 include an evaluation of major information technology systems or
14 projects that may assist the agency in achieving or making progress
15 toward the activity purpose and statewide priorities. The evaluation
16 of proposed major information technology systems or projects shall be
17 in accordance with the standards and policies established by the
18 technology services board. Agencies' progress toward the mission,
19 goals, objectives, and measurements required by subsections (2) and
20 (3) of this section is subject to review as set forth in this
21 subsection.

22 (a) The office of financial management shall regularly conduct
23 reviews of selected activities to analyze whether the objectives and
24 measurements submitted by agencies demonstrate progress toward
25 statewide results.

26 (b) The office of financial management shall consult with: (i)
27 The four-year institutions of higher education in those reviews that
28 involve four-year institutions of higher education; and (ii) the
29 state board for community and technical colleges in those reviews
30 that involve two-year institutions of higher education.

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

33 (d) The consolidated technology services agency shall review
34 major information technology systems in use by state agencies
35 periodically.

36 (5) It is the policy of the legislature that)) must adopt an
37 agency strategic plan pursuant to chapter 43.--- RCW (the new chapter
38 created in section 30 of this act). Each agency's budget
39 recommendations must be directly linked to the agency's stated
40 mission and ((program, quality, and productivity goals and

1 objectives)) goals in agency strategic plans. Consistent with this
2 policy, agency budget proposals must include integration of
3 performance measures that allow objective determination of an
4 activity's success in ~~((achieving its goals. When a review under~~
5 ~~subsection (4) of this section or other analysis determines that the~~
6 ~~agency's objectives demonstrate))~~ implementing the agency's strategic
7 plan and agency performance management implementation plan. When a
8 Baldrige assessment conducted pursuant to section 6 of this act
9 indicates that the agency is making insufficient progress toward the
10 goals of any particular program or is otherwise underachieving or
11 inefficient, the agency's budget request ~~((shall))~~ must contain
12 proposals to remedy or improve the selected programs. ~~((The office of~~
13 ~~financial management shall develop a plan to merge the budget~~
14 ~~development process with agency performance assessment procedures.~~
15 ~~The plan must include a schedule to integrate agency strategic plans~~
16 ~~and performance measures into agency budget requests and the~~
17 ~~governor's budget proposal over three fiscal biennia. The plan must~~
18 ~~identify those agencies that will implement the revised budget~~
19 ~~process in the 1997-1999 biennium, the 1999-2001 biennium, and the~~
20 ~~2001-2003 biennium. In consultation with the legislative fiscal~~
21 ~~committees, the office of financial management shall recommend~~
22 ~~statutory and procedural modifications to the state's budget,~~
23 ~~accounting, and reporting systems to facilitate the performance~~
24 ~~assessment procedures and the merger of those procedures with the~~
25 ~~state budget process. The plan and recommended statutory and~~
26 ~~procedural modifications must be submitted to the legislative fiscal~~
27 ~~committees by September 30, 1996.~~

28 ~~(6))~~ (3) In reviewing agency budget requests in order to prepare
29 the governor's biennial budget request or supplemental budget
30 request, the office of financial management ~~((shall))~~ must:

31 (a) Consider the extent to which the agency's activities
32 demonstrate progress toward ~~((the statewide budgeting priorities,~~
33 ~~along with any specific review conducted under subsection (4) of this~~
34 ~~section.~~

35 ~~(7))~~ implementing its agency strategic plan and agency
36 performance management implementation plan; and

37 (b) Comply with section 15 of this act.

38 (4) In the year of the gubernatorial election, the governor
39 ~~((shall))~~ must invite the governor-elect or the governor-elect's
40 designee to attend all hearings provided in RCW 43.88.100; and the

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

14 NEW SECTION. **Sec. 15.** A new section is added to chapter 43.88
15 RCW to read as follows:

16 In a proposed biennial budget or supplemental budget, the
17 director must redirect cost savings realized from implementation of
18 an agency performance management implementation plan adopted pursuant
19 to chapter 43.--- RCW (the new chapter created in section 30 of this
20 act) as follows:

21 (1) Ten percent of cost savings must be redirected to the
22 agency's other critical operations if the office of performance
23 management certifies that the agency is making adequate progress in
24 implementing its agency performance management implementation plan,
25 and in responding to performance audits conducted by the state
26 auditor and the joint legislative audit and review committee,
27 Baldrige assessments conducted pursuant to section 6 of this act, and
28 other appropriate audits;

29 (2) Ten percent of cost savings must be redirected to the agency
30 to improve performance under the agency performance management
31 implementation plan;

32 (3) Ten percent of cost savings must be redirected to the office
33 of performance management to improve performance under the state
34 performance management implementation plan adopted pursuant to
35 chapter 43.--- RCW (the new chapter created in section 30 of this
36 act); and

37 (4) The remaining cost savings must be redirected to reduce the
38 agency's biennial or supplemental budget, provided that agency
39 personnel may not be terminated to comply with this requirement.

1 **Sec. 16.** RCW 43.88.160 and 2015 3rd sp.s. c 1 s 303 and 2015 3rd
2 sp.s. c 1 s 109 are each reenacted and amended to read as follows:

3 (1) This section sets forth the major fiscal duties and
4 responsibilities of officers and agencies of the executive branch.
5 The regulations issued by the governor pursuant to this chapter
6 (~~shall~~) must provide for a comprehensive, orderly basis for fiscal
7 management and control, including efficient accounting and reporting
8 therefor, for the executive branch of the state government and may
9 include, in addition, such requirements as will generally promote
10 more efficient public management in the state.

11 (~~(1)~~) (2) Governor; director of financial management. The
12 governor, through the director of financial management, (~~shall~~)
13 must devise and supervise a modern and complete accounting system for
14 each agency to the end that all revenues, expenditures, receipts,
15 disbursements, resources, and obligations of the state (~~shall~~) must
16 be properly and systematically accounted for. The accounting system
17 (~~shall~~) must include the development of accurate, timely records
18 and reports of all financial affairs of the state. The system
19 (~~shall~~) must also provide for central accounts in the office of
20 financial management at the level of detail deemed necessary by the
21 director to perform central financial management. The director of
22 financial management (~~shall~~) must adopt and periodically update an
23 accounting procedures manual. Any agency maintaining its own
24 accounting and reporting system (~~shall~~) must comply with the
25 updated accounting procedures manual and the rules of the director
26 adopted under this chapter. An agency may receive a waiver from
27 complying with this requirement if the waiver is approved by the
28 director. Waivers expire at the end of the fiscal biennium for which
29 they are granted. The director (~~shall~~) must forward notice of
30 waivers granted to the appropriate legislative fiscal committees. The
31 director of financial management may require such financial,
32 statistical, and other reports as the director deems necessary from
33 all agencies covering any period.

34 (~~(2)~~) (3) Except as provided in chapter 43.88C RCW, the
35 director of financial management is responsible for quarterly
36 reporting of primary operating budget drivers such as applicable
37 workloads, caseload estimates, and appropriate unit cost data. These
38 reports (~~shall~~) must be transmitted to the legislative fiscal
39 committees or by electronic means to the legislative evaluation and
40 accountability program committee. Quarterly reports (~~shall~~) must

1 include actual monthly data and the variance between actual and
2 estimated data to date. The reports (~~shall~~) must also include
3 estimates of these items for the remainder of the budget period.

4 (~~(3)~~) (4) The director of financial management (~~shall~~) must
5 report at least annually to the appropriate legislative committees
6 regarding the status of all appropriated capital projects, including
7 transportation projects, showing significant cost overruns or
8 underruns. If funds are shifted from one project to another, the
9 office of financial management (~~shall~~) must also reflect this in
10 the annual variance report. Once a project is complete, the report
11 (~~shall~~) must provide a final summary showing estimated start and
12 completion dates of each project phase compared to actual dates,
13 estimated costs of each project phase compared to actual costs, and
14 whether or not there are any outstanding liabilities or unsettled
15 claims at the time of completion.

16 (~~(4)~~) (5) In addition, the director of financial management, as
17 agent of the governor, (~~shall~~) must:

18 (a)(i) Develop and maintain a system of internal controls and
19 internal audits comprising methods and procedures to be adopted by
20 each agency that will safeguard its assets, check the accuracy and
21 reliability of its accounting data, promote operational efficiency in
22 cooperation with the office of performance management, and encourage
23 adherence to prescribed managerial policies for accounting and
24 financial controls. The system developed by the director (~~shall~~)
25 must include criteria for determining the scope and comprehensiveness
26 of internal controls required by classes of agencies, depending on
27 the level of resources at risk.

28 (~~(i)~~) (ii) For those agencies that the director determines
29 internal audit is required, the agency head or authorized designee
30 (~~shall~~) must be assigned the responsibility and authority for
31 establishing and maintaining internal audits following professional
32 audit standards including generally accepted government auditing
33 standards or standards adopted by the institute of internal auditors,
34 or both.

35 (~~(ii)~~) (iii) For those agencies that the director determines
36 internal audit is not required, the agency head or authorized
37 designee may establish and maintain internal audits following
38 professional audit standards including generally accepted government
39 auditing standards or standards adopted by the institute of internal
40 auditors, or both, but at a minimum must comply with policies as

1 established by the director to assess the effectiveness of the
2 agency's systems of internal controls and risk management processes;

3 (b) In cooperation with the office of performance management,
4 make surveys and analyses of agencies with the object of determining
5 better methods and increased effectiveness in the use of manpower and
6 materials; and the director (~~shall~~) must authorize expenditures for
7 employee training to the end that the state may benefit from training
8 facilities made available to state employees;

9 (c) Establish policies for allowing the contracting of child care
10 services;

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

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

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

33 (g) Adopt rules to effectuate provisions contained in (a) through
34 (f) of this subsection.

35 (~~(+5)~~) (6)(a) The treasurer (~~shall~~) must:

36 (~~(+a)~~) (i) Receive, keep, and disburse all public funds of the
37 state not expressly required by law to be received, kept, and
38 disbursed by some other persons(~~(- PROVIDED, That))~~. However, this
39 subsection (~~shall~~) does not apply to those public funds of the

1 institutions of higher learning which are not subject to
2 appropriation;

3 ~~((b))~~ (ii) Receive, disburse, or transfer public funds under
4 the treasurer's supervision or custody;

5 ~~((c))~~ (iii) Keep a correct and current account of all moneys
6 received and disbursed by the treasurer, classified by fund or
7 account;

8 ~~((d))~~ (iv) Coordinate agencies' acceptance and use of credit
9 cards and other payment methods, if the agencies have received
10 authorization under RCW 43.41.180;

11 ~~((e))~~ (v) Perform such other duties as may be required by law
12 or by regulations issued pursuant to this law.

13 (b) It ~~((shall be))~~ is unlawful for the treasurer to disburse
14 public funds in the treasury except upon forms or by alternative
15 means duly prescribed by the director of financial management. These
16 forms or alternative means ~~((shall))~~ must provide for authentication
17 and certification by the agency head or the agency head's designee
18 that the services have been rendered or the materials have been
19 furnished; or, in the case of loans or grants, that the loans or
20 grants are authorized by law; or, in the case of payments for
21 periodic maintenance services to be performed on state owned
22 equipment, that a written contract for such periodic maintenance
23 services is currently in effect; and the treasurer ~~((shall not be))~~
24 is not liable under the treasurer's surety bond for erroneous or
25 improper payments so made. When services are lawfully paid for in
26 advance of full performance by any private individual or business
27 entity other than equipment maintenance providers or as provided for
28 by RCW 42.24.035, ~~((such))~~ the individual or entity other than
29 central stores rendering such services ~~((shall))~~ must make a cash
30 deposit or furnish surety bond coverage to the state ~~((as shall be
31 fixed))~~ in an amount fixed by law, or if not fixed by law, then in
32 ~~((such amounts as shall be))~~ the amount fixed by the director of the
33 department of enterprise services but in no case ~~((shall such))~~ may
34 the required cash deposit or surety bond be less than an amount
35 ~~((which))~~ that will fully indemnify the state against any and all
36 losses on account of breach of promise to fully perform such
37 services. No payments ~~((shall))~~ may be made in advance for any
38 equipment maintenance services to be performed more than twelve
39 months after such payment except that institutions of higher
40 education as defined in RCW 28B.10.016 and the consolidated

1 technology services agency created in RCW 43.105.006 may make
2 payments in advance for equipment maintenance services to be
3 performed up to sixty months after such payment. Any such bond so
4 furnished (~~shall~~) must be conditioned that the person, firm or
5 corporation receiving the advance payment will apply it toward
6 performance of the contract. The responsibility for recovery of
7 erroneous or improper payments made under this section (~~shall~~) lies
8 with the agency head or the agency head's designee in accordance with
9 rules issued pursuant to this chapter. Nothing in this section
10 (~~shall~~) may be construed to permit a public body to advance funds
11 to a private service provider pursuant to a grant or loan before
12 services have been rendered or material furnished.

13 (~~(6)~~) (7)(a) The state auditor (~~shall~~) must:

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

24 (~~(b)~~) (ii) Give information to the legislature, whenever
25 required, upon any subject relating to the financial affairs of the
26 state.

27 (~~(e)~~) (iii) Make the auditor's official report on or before the
28 thirty-first of December which precedes the meeting of the
29 legislature. The report (~~shall~~) must be for the last complete
30 fiscal period and (~~shall~~) must include determinations as to whether
31 agencies, in making expenditures, complied with the laws of this
32 state. The state auditor is authorized to perform or participate in
33 performance verifications and performance audits as expressly
34 authorized by the legislature in the omnibus biennial appropriations
35 acts or in the performance audit work plan approved by the joint
36 legislative audit and review committee. The state auditor, upon
37 completing an audit for legal and financial compliance under chapter
38 43.09 RCW or a performance verification, may report to the joint
39 legislative audit and review committee or other appropriate
40 committees of the legislature, in a manner prescribed by the joint

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

17 (~~((d))~~) (iv) Be empowered to take exception to specific
18 expenditures that have been incurred by any agency or to take
19 exception to other practices related in any way to the agency's
20 financial transactions and to cause such exceptions to be made a
21 matter of public record, including disclosure to the agency concerned
22 and to the director of financial management. It (~~shall be~~) is the
23 duty of the director of financial management to cause corrective
24 action to be taken within six months, such action to include, as
25 appropriate, the withholding of funds as provided in RCW 43.88.110.
26 The director of financial management (~~shall~~) must annually report
27 by December 31st the status of audit resolution to the appropriate
28 committees of the legislature, the state auditor, and the attorney
29 general. The director of financial management (~~shall~~) must include
30 in the audit resolution report actions taken as a result of an audit
31 including, but not limited to, types of personnel actions, costs and
32 types of litigation, and value of recouped goods or services.

33 (~~((e))~~) (v) Promptly report any irregularities to the attorney
34 general.

35 (~~((f))~~) (vi) Investigate improper governmental activity under
36 chapter 42.40 RCW.

37 (b) In addition to the authority given to the state auditor in
38 this subsection (~~((6))~~) (7), the state auditor is authorized to
39 conduct performance audits identified in RCW 43.09.470. Nothing in
40 this subsection (~~((6) shall))~~ (7) must limit, impede, or restrict the

1 state auditor from conducting performance audits identified in RCW
2 43.09.470.

3 ~~((7))~~ (8) The joint legislative audit and review committee may:

4 (a) Make post audits of the financial transactions of any agency
5 and management surveys and program reviews as provided for in chapter
6 44.28 RCW as well as performance audits and program evaluations. To
7 this end the joint committee may in its discretion examine the books,
8 accounts, and other records of any agency, official, or employee.

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

12 (c) Make a report to the legislature ~~((which shall))~~ that
13 includes at least the following:

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

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

22 **Sec. 17.** RCW 43.88C.010 and 2015 c 128 s 2 are each amended to
23 read as follows:

24 (1) The caseload forecast council is hereby created. The council
25 shall consist of two individuals appointed by the governor and four
26 individuals, one of whom is appointed by the chairperson of each of
27 the two largest political caucuses in the senate and house of
28 representatives. The chair of the council ~~((shall))~~ must be selected
29 from among the four caucus appointees. The council may select such
30 other officers as the members deem necessary.

31 (2) The council ~~((shall))~~ must employ a caseload forecast
32 supervisor to supervise the preparation of all caseload forecasts. As
33 used in this chapter, "supervisor" means the caseload forecast
34 supervisor.

35 (3) Approval by an affirmative vote of at least five members of
36 the council is required for any decisions regarding employment of the
37 supervisor. Employment of the supervisor ~~((shall))~~ terminates after
38 each term of three years. At the end of the first year of each three-
39 year term the council ~~((shall))~~ must consider extension of the

1 supervisor's term by one year. The council may fix the compensation
2 of the supervisor. The supervisor (~~shall~~) must employ staff
3 sufficient to accomplish the purposes of this section.

4 (4) The caseload forecast council (~~shall~~) must oversee the
5 preparation of and approve, by an affirmative vote of at least four
6 members, the official state caseload forecasts prepared under RCW
7 43.88C.020. The official forecast as approved by the council must
8 include estimated savings, including savings that may result from
9 measurable improvements as defined in section 3 of this act, in
10 forecasted programs from implementation of the state performance
11 management implementation plan and agency performance management
12 implementation plans adopted pursuant to chapter 43.--- RCW (the new
13 chapter created in section 30 of this act). If the council is unable
14 to approve a forecast before a date required in RCW 43.88C.020, the
15 supervisor (~~shall~~) must submit the forecast without approval and
16 the forecast (~~shall have~~) has the same effect as if approved by the
17 council.

18 (5) A councilmember who does not cast an affirmative vote for
19 approval of the official caseload forecast may request, and the
20 supervisor (~~shall~~) must provide, an alternative forecast based on
21 assumptions specified by the member.

22 (6) Members of the caseload forecast council (~~shall~~) serve
23 without additional compensation but (~~shall~~) must be reimbursed for
24 travel expenses in accordance with RCW 44.04.120 while attending
25 sessions of the council or on official business authorized by the
26 council. Nonlegislative members of the council (~~shall~~) must be
27 reimbursed for travel expenses in accordance with RCW 43.03.050 and
28 43.03.060.

29 (7) "Caseload," as used in this chapter, means:

30 (a) The number of persons expected to meet entitlement
31 requirements and require the services of public assistance programs,
32 state correctional institutions, state correctional noninstitutional
33 supervision, state institutions for juvenile offenders, the common
34 school system, long-term care, medical assistance, foster care, and
35 adoption support;

36 (b) The number of students who are eligible for the Washington
37 college bound scholarship program and are expected to attend an
38 institution of higher education as defined in RCW 28B.92.030;

1 (c) The number of children who are eligible, as defined in RCW
2 43.215.405, to participate in, and the number of children actually
3 served by, the early childhood education and assistance program.

4 (8) The caseload forecast council (~~shall~~) must forecast the
5 temporary assistance for needy families and the working connections
6 child care programs as a courtesy.

7 (9) The caseload forecast council (~~shall~~) must forecast youth
8 participating in the extended foster care program pursuant to RCW
9 74.13.031 separately from other children who are residing in foster
10 care and who are under eighteen years of age.

11 (10) Unless the context clearly requires otherwise, the
12 definitions provided in RCW 43.88.020 apply to this chapter.

13 **Sec. 18.** RCW 43.88C.020 and 1997 c 168 s 2 are each amended to
14 read as follows:

15 (1) In consultation with the caseload forecast work group
16 established under RCW 43.88C.030, and subject to the approval of the
17 caseload forecast council under RCW 43.88C.010, the supervisor
18 (~~shall~~) must prepare:

19 (a) An official state caseload forecast including estimated
20 savings, including savings that may result from measurable
21 improvements as defined in section 3 of this act, in forecasted
22 programs resulting from implementation of the state performance
23 management implementation plan and agency performance management
24 implementation plans adopted pursuant to chapter 43.--- RCW (the new
25 chapter created in section 30 of this act). For nonforecasted
26 programs, the office of performance management must submit an annual
27 report to the caseload forecast council detailing the estimated
28 savings, including savings that may result from measurable
29 improvements as defined in section 3 of this act, achieved under
30 chapter 43.--- RCW (the new chapter created in section 30 of this
31 act). The caseload forecast council must submit an annual report to
32 the governor and the legislature on the savings achieved and the
33 future projected savings; and

34 (b) Other caseload forecasts based on alternative assumptions as
35 the council may determine.

36 (2) The supervisor (~~shall~~) must submit caseload forecasts
37 prepared under this section, along with any unofficial forecasts
38 provided under RCW 43.88C.010, to the governor and the members of the
39 legislative fiscal committees, including one copy to the staff of

1 each of the committees. The forecasts (~~shall~~) must be submitted at
2 least three times each year and on such dates as the council
3 determines will facilitate the development of budget proposals by the
4 governor and the legislature.

5 (3) All agencies of state government (~~shall~~) must provide to:

6 (a) The supervisor immediate access to all information relating
7 to caseload forecasts; and

8 (b) The supervisor, the office of financial management, and the
9 office of performance management immediate access to all estimated
10 savings from implementation of the state performance management
11 implementation plan and agency performance management implementation
12 plans adopted pursuant to chapter 43.--- RCW (the new chapter created
13 in section 30 of this act).

14 (4) The administrator of the legislative evaluation and
15 accountability program committee may request, and the supervisor
16 (~~shall~~) must provide, alternative caseload forecasts based on
17 assumptions specified by the administrator.

18 (5) The official state caseload forecast under this section
19 (~~shall~~) must be the basis of the governor's budget document as
20 provided in RCW 43.88.030 and utilized by the legislature in the
21 development of the omnibus biennial appropriations act.

22 **Sec. 19.** RCW 43.09.440 and 2012 c 229 s 817 are each amended to
23 read as follows:

24 (1) The board and the state auditor (~~shall~~) must collaborate
25 with the joint legislative audit and review committee regarding
26 performance audits of state government.

27 (~~(a)~~) (2) The board (~~shall~~) must establish criteria for
28 performance audits consistent with the criteria and standards
29 followed by the joint legislative audit and review committee. This
30 criteria (~~shall~~) must include, at a minimum, the auditing standards
31 of the United States government accountability office, as well as
32 legislative mandates and performance objectives established by state
33 agencies and the legislature. Mandates include, but are not limited
34 to, agency strategies, timelines, program objectives, and mission and
35 goals as required in (~~RCW 43.88.090~~) agency strategic plans adopted
36 pursuant to chapter 43.--- RCW (the new chapter created in section 30
37 of this act).

38 (~~(b)~~) (3) Using the criteria developed in (~~(a) of this~~)
39 subsection (2) of this section, the state auditor (~~shall~~) must

1 contract for a statewide performance review to be completed as
2 expeditiously as possible as a preliminary to a draft work plan for
3 conducting performance audits. The board and the state auditor
4 (~~shall~~) must develop a schedule and common methodology for
5 conducting these reviews. The purpose of these performance reviews is
6 to identify those agencies, programs, functions, or activities most
7 likely to benefit from performance audits and to identify likely
8 areas warranting early review, taking into account prior performance
9 audits, if any, and prior fiscal audits.

10 (~~e~~) (4) The board and the state auditor (~~shall~~) must
11 develop the draft work plan for performance audits based on input
12 from citizens, state employees, including frontline employees, state
13 managers, chairs and ranking members of appropriate legislative
14 committees, the joint legislative audit and review committee, public
15 officials, and others. The draft work plan may include a list of
16 agencies, programs, or systems to be audited on a timeline decided by
17 the board and the state auditor based on a number of factors
18 including risk, importance, and citizen concerns. When putting
19 together the draft work plan, there should be consideration of all
20 audits and reports already required. On average, audits (~~shall~~)
21 must be designed to be completed as expeditiously as possible.

22 (~~d~~) (5) Before adopting the final work plan, the board
23 (~~shall~~) must consult with the legislative auditor and other
24 appropriate oversight and audit entities to coordinate work plans and
25 avoid duplication of effort in their planned performance audits of
26 state government agencies. The board (~~shall~~) must defer to the
27 joint legislative audit and review committee work plan if a similar
28 audit is included on both work plans for auditing.

29 (~~e~~) (6) The state auditor (~~shall~~) must contract out for
30 performance audits. In conducting the audits, agency frontline
31 employees and internal auditors should be involved.

32 (~~f~~) (7) All audits must include consideration of reports
33 prepared by other government oversight entities.

34 (~~g~~) The audits may include:

35 (~~i~~) (a) Identification of programs and services that can be
36 eliminated, reduced, consolidated, or enhanced;

37 (~~ii~~) (b) Identification of funding sources to the state
38 agency, to programs, and to services that can be eliminated, reduced,
39 consolidated, or enhanced;

1 ~~((+iii))~~ (c) Analysis of gaps and overlaps in programs and
2 services and recommendations for improving, dropping, blending, or
3 separating functions to correct gaps or overlaps;

4 ~~((+iv))~~ (d) Analysis and recommendations for pooling information
5 technology systems used within the state agency, and evaluation of
6 information processing and telecommunications policy, organization,
7 and management;

8 ~~((+v))~~ (e) Analysis of the roles and functions of the state
9 agency, its programs, and its services and their compliance with
10 statutory authority and recommendations for eliminating or changing
11 those roles and functions and ensuring compliance with statutory
12 authority;

13 ~~((+vi))~~ (f) Recommendations for eliminating or changing
14 statutes, rules, and policy directives as may be necessary to ensure
15 that the agency carry out reasonably and properly those functions
16 vested in the agency by statute;

17 ~~((+vii))~~ (g) Verification of the reliability and validity of
18 agency performance data, ~~((self-assessments))~~ assessments, and
19 performance measurement systems ~~((as required under RCW 43.88.090))~~
20 in agency strategic plans and agency performance management
21 implementation plans adopted pursuant to chapter 43.--- RCW (the new
22 chapter created in section 30 of this act);

23 ~~((+viii))~~ (h) Identification of potential cost savings in the
24 state agency, its programs, and its services;

25 ~~((+ix))~~ (i) Identification and recognition of best practices;

26 ~~((+x))~~ (j) Evaluation of planning, budgeting, and program
27 evaluation policies and practices;

28 ~~((+xi))~~ (k) Evaluation of personnel systems operation and
29 management;

30 ~~((+xii))~~ (l) Evaluation of state purchasing operations and
31 management policies and practices; and

32 ~~((+xiii))~~ (m) Evaluation of organizational structure and
33 staffing levels, particularly in terms of the ratio of managers and
34 supervisors to nonmanagement personnel.

35 ~~((+h))~~ (8) The state auditor must solicit comments on
36 preliminary performance audit reports from the audited state agency,
37 the office of the governor, the office of financial management, the
38 board, the chairs and ranking members of appropriate legislative
39 committees, and the joint legislative audit and review committee for
40 comment. Comments must be received within thirty days after receipt

1 of the preliminary performance audit report unless a different time
2 period is approved by the state auditor. All comments ~~((shall))~~ must
3 be incorporated into the final performance audit report. The final
4 performance audit report ~~((shall))~~ must include the objectives,
5 scope, and methodology; the audit results, including findings and
6 recommendations; conclusions; and identification of best practices.

7 ~~((i))~~ (9) The board and the state auditor ~~((shall))~~ must
8 jointly release final performance audit reports to the governor, the
9 citizens of Washington, the joint legislative audit and review
10 committee, and the appropriate standing legislative committees. Final
11 performance audit reports ~~((shall))~~ must be posted on the internet.

12 ~~((j))~~ (10) For institutions of higher education, performance
13 audits ~~((shall))~~ may not duplicate, and where applicable, ~~((shall))~~
14 must make maximum use of existing audit records, accreditation
15 reviews, and performance measures required by the office of financial
16 management and nationally or regionally recognized accreditation
17 organizations including accreditation of hospitals licensed under
18 chapter 70.41 RCW and ambulatory care facilities.

19 ~~((2) The citizen board created under RCW 44.75.030 shall be
20 responsible for performance audits for transportation related
21 agencies as defined under RCW 44.75.020.))~~

22 **Sec. 20.** RCW 43.09.470 and 2006 c 1 s 2 are each amended to read
23 as follows:

24 (1) In addition to audits authorized under RCW 43.88.160, the
25 state auditor ~~((shall))~~ must conduct independent, comprehensive
26 performance audits of:

27 (a) State government and each of its agencies, accounts, and
28 programs, including the state performance management implementation
29 plan and agency performance management implementation plans adopted
30 pursuant to chapter 43.--- RCW (the new chapter created in section 30
31 of this act);

32 (b) Local governments and each of their agencies, accounts, and
33 programs;

34 (c) State and local education governmental entities and each of
35 their agencies, accounts, and programs;

36 (d) State and local transportation governmental entities and each
37 of their agencies, accounts, and programs; and

38 (e) Other governmental entities, agencies, accounts, and
39 programs. ~~((The term))~~

1 (2) For the purposes of this section, "government" means an
2 agency, department, office, officer, board, commission, bureau,
3 division, institution, or institution of higher education. This
4 includes individual agencies and programs, as well as those programs
5 and activities that cross agency lines. "Government" includes all
6 elective and nonelective offices in the executive branch and includes
7 the judicial and legislative branches.

8 (3) The state auditor (~~shall~~) must review and analyze the
9 economy, efficiency, and effectiveness of the policies, management,
10 fiscal affairs, and operations of state and local governments,
11 agencies, programs, and accounts. These performance audits (~~shall~~)
12 must be conducted in accordance with the United States general
13 accounting office government auditing standards. The state auditor
14 must consult with the office of performance management and the joint
15 legislative audit and review committee to develop audit criteria and
16 standards to audit the state performance management implementation
17 plan and agency performance management implementation plans under
18 subsection (4)(h) of this section.

19 (4) The scope for each performance audit (~~shall~~) may not be
20 limited and (~~shall~~) must include nine specific elements:

21 ~~((1))~~ (a) Identification of cost savings;

22 ~~((2))~~ (b) Identification of services that can be reduced or
23 eliminated;

24 ~~((3))~~ (c) Identification of programs or services that can be
25 transferred to the private sector;

26 ~~((4))~~ (d) A analysis of gaps or overlaps in programs or
27 services and recommendations to correct gaps or overlaps;

28 ~~((5))~~ (e) Feasibility of pooling information technology systems
29 within the department;

30 ~~((6))~~ (f) Analysis of the roles and functions of the
31 department, and recommendations to change or eliminate departmental
32 roles or functions;

33 ~~((7))~~ (g) Recommendations for statutory or regulatory changes
34 that may be necessary for the department to properly carry out its
35 functions;

36 ~~((8))~~ (h) Analysis of departmental performance data,
37 performance measures, and (~~self-assessment~~) assessment systems in
38 the state performance management implementation plan and agency
39 performance management implementation plans adopted pursuant to

1 chapter 43.--- RCW (the new chapter created in section 30 of this
2 act); and

3 ~~((9))~~ (i) Identification of best practices.

4 (5) The state auditor may contract out any performance audits.

5 (6) For counties and cities, the audit may be conducted as part
6 of audits otherwise required by state law.

7 (7) Each audit report ~~((shall))~~ must be submitted to the
8 corresponding legislative body or legislative bodies and made
9 available to the public on or before thirty days after the completion
10 of each audit or each follow-up audit. On or before thirty days after
11 the performance audit is made public, the corresponding legislative
12 body or legislative bodies ~~((shall))~~ must hold at least one public
13 hearing to consider the findings of the audit and ~~((shall))~~ must
14 receive comments from the public.

15 (8) The state auditor is authorized to issue subpoenas to
16 governmental entities for required documents, memos, and budgets to
17 conduct the performance audits.

18 (9) The state auditor may, at any time, conduct a performance
19 audit to determine not only the efficiency, but also the
20 effectiveness, of any government agency, account, or program.

21 (10) No legislative body, officeholder, or employee may impede or
22 restrict the authority or the actions of the state auditor to conduct
23 independent, comprehensive performance audits.

24 (11) To the greatest extent possible, the state auditor ~~((shall))~~
25 must instruct and advise the appropriate governmental body on a step-
26 by-step remedy to whatever ineffectiveness and inefficiency is
27 discovered in the audited entity.

28 (12) For performance audits of state government and its agencies,
29 programs, and accounts, the legislature must consider the state
30 auditor reports in connection with the legislative appropriations
31 process.

32 (13) An annual report ~~((will))~~ must be submitted by the joint
33 legislative audit and review committee by July 1st of each year
34 detailing the status of the legislative implementation of the state
35 auditor's recommendations. Justification must be provided for
36 recommendations not implemented. Details of other corrective action
37 must be provided as well.

38 (14) For performance audits of local governments and their
39 agencies, programs, and accounts, the corresponding legislative body
40 must consider the state auditor reports in connection with its

1 spending practices. An annual report (~~(will)~~) must be submitted by
2 the legislative body by July 1st of each year detailing the status of
3 the legislative implementation of the state auditor's
4 recommendations. Justification must be provided for recommendations
5 not implemented. Details of other corrective action must be provided
6 as well.

7 (15) The people encourage the state auditor to aggressively
8 pursue the largest, costliest governmental entities first but to
9 pursue all governmental entities in due course. Follow-up performance
10 audits on any state and local government, agency, account, and
11 program may be conducted when determined necessary by the state
12 auditor.

13 (16) Revenues from the performance audits of government account,
14 created in RCW 43.09.475, (~~(shall)~~) must be used for the cost of the
15 audits.

16 **Sec. 21.** RCW 46.68.290 and 2015 3rd sp.s. c 43 s 604 are each
17 amended to read as follows:

18 (1) The transportation partnership account is hereby created in
19 the state treasury. All distributions to the account from RCW
20 46.68.090 must be deposited into the account. Money in the account
21 may be spent only after appropriation. Expenditures from the account
22 must be used only for projects or improvements identified as 2005
23 transportation partnership projects or improvements in the omnibus
24 transportation appropriations act, including any principal and
25 interest on bonds authorized for the projects or improvements.

26 (2) The legislature finds that:

27 (a) Citizens demand and deserve accountability of transportation-
28 related programs and expenditures. Transportation-related programs
29 must continuously improve in quality, efficiency, and effectiveness
30 in order to increase public trust;

31 (b) Transportation-related agencies that receive tax dollars must
32 continuously improve the way they operate and deliver services so
33 citizens receive maximum value for their tax dollars; and

34 (c) Fair, independent, comprehensive performance audits of
35 transportation-related agencies overseen by the elected state auditor
36 are essential to improving the efficiency, economy, and effectiveness
37 of the state's transportation system.

38 (3) For purposes of chapter 314, Laws of 2005:

1 (a) "Performance audit" means an objective and systematic
2 assessment of a state agency or agencies or any of their programs,
3 functions, or activities by the state auditor or designee in order to
4 help improve agency efficiency, effectiveness, and accountability.
5 Performance audits include economy and efficiency audits and program
6 audits.

7 (b) "Transportation-related agency" means any state agency,
8 board, or commission that receives funding primarily for
9 transportation-related purposes. At a minimum, the department of
10 transportation, the transportation improvement board or its successor
11 entity, the county road administration board or its successor entity,
12 and the traffic safety commission are considered transportation-
13 related agencies. The Washington state patrol and the department of
14 licensing (~~shall~~) are not (~~be~~) considered transportation-related
15 agencies under chapter 314, Laws of 2005.

16 (4) Within the authorities and duties under chapter 43.09 RCW,
17 the state auditor (~~shall~~) must establish criteria and protocols for
18 performance audits. Transportation-related agencies (~~shall~~) must be
19 audited using criteria that include generally accepted government
20 auditing standards as well as legislative mandates and performance
21 objectives established by state agencies. Mandates include, but are
22 not limited to, agency strategies, timelines, program objectives, and
23 mission and goals as required in (~~RCW 43.88.090~~) agency strategic
24 plans and agency performance management implementation plans adopted
25 pursuant to chapter 43.--- RCW (the new chapter created in section 30
26 of this act).

27 (5) Within the authorities and duties under chapter 43.09 RCW,
28 the state auditor may conduct performance audits for transportation-
29 related agencies. The state auditor (~~shall~~) must contract with
30 private firms to conduct the performance audits.

31 (~~(6)~~) The audits may include:

32 (a) Identification of programs and services that can be
33 eliminated, reduced, consolidated, or enhanced;

34 (b) Identification of funding sources to the transportation-
35 related agency, to programs, and to services that can be eliminated,
36 reduced, consolidated, or enhanced;

37 (c) Analysis of gaps and overlaps in programs and services and
38 recommendations for improving, dropping, blending, or separating
39 functions to correct gaps or overlaps;

1 (d) Analysis and recommendations for pooling information
2 technology systems used within the transportation-related agency, and
3 evaluation of information processing and telecommunications policy,
4 organization, and management;

5 (e) Analysis of the roles and functions of the transportation-
6 related agency, its programs, and its services and their compliance
7 with statutory authority and recommendations for eliminating or
8 changing those roles and functions and ensuring compliance with
9 statutory authority;

10 (f) Recommendations for eliminating or changing statutes, rules,
11 and policy directives as may be necessary to ensure that the
12 transportation-related agency carry out reasonably and properly those
13 functions vested in the agency by statute;

14 (g) Verification of the reliability and validity of
15 transportation-related agency performance data, (~~self-assessments~~)
16 assessments, and performance measurement systems as required (~~under~~
17 ~~RCW 43.88.090~~) in agency strategic plans and agency performance
18 management implementation plans adopted pursuant to chapter 43.---
19 RCW (the new chapter created in section 30 of this act);

20 (h) Identification of potential cost savings in the
21 transportation-related agency, its programs, and its services;

22 (i) Identification and recognition of best practices;

23 (j) Evaluation of planning, budgeting, and program evaluation
24 policies and practices;

25 (k) Evaluation of personnel systems operation and management;

26 (l) Evaluation of purchasing operations and management policies
27 and practices;

28 (m) Evaluation of organizational structure and staffing levels,
29 particularly in terms of the ratio of managers and supervisors to
30 nonmanagement personnel; and

31 (n) Evaluation of transportation-related project costs, including
32 but not limited to environmental mitigation, competitive bidding
33 practices, permitting processes, and capital project management.

34 (~~(7)~~) (6) Within the authorities and duties under chapter 43.09
35 RCW, the state auditor must provide the preliminary performance audit
36 reports to the audited state agency for comment. The auditor also may
37 seek input on the preliminary report from other appropriate
38 officials. Comments must be received within thirty days after receipt
39 of the preliminary performance audit report unless a different time
40 period is approved by the state auditor. The final performance audit

1 report (~~shall~~) must include the objectives, scope, and methodology;
2 the audit results, including findings and recommendations; the
3 agency's response and conclusions; and identification of best
4 practices.

5 (~~(+8)~~) (7) The state auditor (~~shall~~) must provide final
6 performance audit reports to the citizens of Washington, the
7 governor, the joint legislative audit and review committee, the
8 appropriate legislative committees, and other appropriate officials.
9 Final performance audit reports (~~shall~~) must be posted on the
10 internet.

11 (~~(+9)~~) (8) The audited transportation-related agency is
12 responsible for follow-up and corrective action on all performance
13 audit findings and recommendations. The audited agency's plan for
14 addressing each audit finding and recommendation (~~shall~~) must be
15 included in the final audit report. The plan (~~shall~~) must provide
16 the name of the contact person responsible for each action, the
17 action planned, and the anticipated completion date. If the audited
18 agency does not agree with the audit findings and recommendations or
19 believes action is not required, then the action plan (~~shall~~) must
20 include an explanation and specific reasons.

21 (9)(a) The office of financial management (~~shall~~) must require
22 periodic progress reports from the audited agency until all
23 resolution has occurred. The office of financial management is
24 responsible for achieving audit resolution. The office of financial
25 management (~~shall~~) must annually report by December 31st the status
26 of performance audit resolution to the appropriate legislative
27 committees and the state auditor. The legislature (~~shall~~) must
28 consider the performance audit results in connection with the state
29 budget process.

30 (b) The auditor may request status reports on specific audits or
31 findings.

32 (10) For the period from July 1, 2005, until June 30, 2007, the
33 amount of \$4,000,000 is appropriated from the transportation
34 partnership account to the state auditors office for the purposes of
35 subsections (2) through (~~(+9)~~) (8) of this section.

36 (11) During the 2015-2017 fiscal biennium, the legislature may
37 transfer from the transportation partnership account to the
38 connecting Washington account such amounts as reflect the excess fund
39 balance of the transportation partnership account.

1 **Sec. 22.** RCW 47.04.280 and 2015 3rd sp.s. c 16 s 1 and 2015 3rd
2 sp.s. c 1 s 304 are each reenacted and amended to read as follows:

3 (1) It is the intent of the legislature to establish policy goals
4 for the planning, operation, performance of, and investment in, the
5 state's transportation system. The policy goals established under
6 this section are deemed consistent with the benchmark categories
7 adopted by the state's blue ribbon commission on transportation on
8 November 30, 2000. Public investments in transportation should
9 support achievement of these policy goals:

10 (a) Economic vitality: To promote and develop transportation
11 systems that stimulate, support, and enhance the movement of people
12 and goods to ensure a prosperous economy;

13 (b) Preservation: To maintain, preserve, and extend the life and
14 utility of prior investments in transportation systems and services;

15 (c) Safety: To provide for and improve the safety and security of
16 transportation customers and the transportation system;

17 (d) Mobility: To improve the predictable movement of goods and
18 people throughout Washington state, including congestion relief and
19 improved freight mobility;

20 (e) Environment: To enhance Washington's quality of life through
21 transportation investments that promote energy conservation, enhance
22 healthy communities, and protect the environment; and

23 (f) Stewardship: To continuously improve the quality,
24 effectiveness, and efficiency of the transportation system.

25 (2) The powers, duties, and functions of state transportation
26 agencies must be performed in a manner consistent with the policy
27 goals set forth in subsection (1) of this section.

28 (3) These policy goals are intended to be the basis for
29 establishing detailed and measurable objectives and related
30 performance measures.

31 (4) ~~((It is the intent of the legislature that the department of
32 transportation establish objectives and performance measures for))~~
33 The department and other state agencies with transportation-related
34 responsibilities must include policy goals in subsection (1) of this
35 section in agency strategic plans and agency performance management
36 implementation plans adopted pursuant to chapter 43.--- RCW (the new
37 chapter created in section 30 of this act) to ensure that
38 transportation system performance at local, regional, and state
39 government levels progresses toward the attainment of the policy
40 goals ((set forth in subsection (1) of this section. The department

1 ~~of transportation shall submit objectives and performance measures to~~
2 ~~the legislature for its review and shall provide copies of the same~~
3 ~~to the commission during each regular session of the legislature~~
4 ~~during an even-numbered year thereafter)).~~

5 (5) A local or regional agency engaging in transportation
6 planning may voluntarily establish objectives and performance
7 measures to demonstrate progress toward the attainment of the policy
8 goals set forth in subsection (1) of this section or any other
9 transportation policy goals established by the local or regional
10 agency. A local or regional agency engaging in transportation
11 planning is encouraged to provide local and regional objectives and
12 performance measures to be included (~~with the objectives and~~
13 ~~performance measures submitted to the legislature pursuant to~~
14 ~~subsection (4) of this section~~) in agency strategic plans and agency
15 performance management implementation plans adopted pursuant to
16 chapter 43.--- RCW (the new chapter created in section 30 of this
17 act).

18 (6) This section does not create a private right of action.

19 **Sec. 23.** RCW 47.60.140 and 2003 c 374 s 2 are each amended to
20 read as follows:

21 (1) The department is empowered to operate such ferry system,
22 including all operations, whether intrastate or international, upon
23 any route or routes, and toll bridges as a revenue-producing and
24 self-liquidating undertaking. The department has full charge of the
25 construction, rehabilitation, rebuilding, enlarging, improving,
26 operation, and maintenance of the ferry system, including toll
27 bridges, approaches, and roadways incidental thereto that may be
28 authorized by the department, including the collection of tolls and
29 other charges for the services and facilities of the undertaking. The
30 department has the exclusive right to enter into leases and contracts
31 for use and occupancy by other parties of the concessions and space
32 located on the ferries, wharves, docks, approaches, parking lots, and
33 landings, including the selling of commercial advertising space and
34 licenses to use the Washington State Ferries trademarks, but, except
35 as provided in subsection (2) of this section, no such leases or
36 contracts may be entered into for more than ten years, nor without a
37 competitive contract process, except as otherwise provided in this
38 section. The competitive process (~~shall~~) must be (~~either~~) an
39 invitation for bids in accordance with the process established by

1 chapter 43.19 RCW(~~(, or a request for proposals in accordance with~~
2 ~~the process established by RCW 47.56.030)~~). All revenues from
3 commercial advertising, concessions, parking, leases, and contracts
4 must be deposited in the Puget Sound ferry operations account (~~in~~
5 ~~accordance with RCW 47.60.150)~~).

6 (2) As part of a joint development agreement under which a public
7 or private developer constructs or installs improvements on ferry
8 system property, the department may lease all or part of such
9 property and improvements to such developers for that period of time,
10 not to exceed fifty-five years, or not to exceed thirty years for
11 those areas located within harbor areas, which the department
12 determines is necessary to allow the developer to make reasonable
13 recovery on its initial investment. Any lease entered into as
14 provided for in this subsection that involves state aquatic lands
15 (~~shall~~) must conform with the Washington state Constitution and
16 applicable statutory requirements as determined by the department of
17 natural resources. That portion of the lease rate attributable to the
18 state aquatic lands (~~shall~~) must be distributed in the same manner
19 as other lease revenues derived from state aquatic lands as provided
20 in RCW (~~79.24.580~~) 79.105.150.

21 (3) The department (~~shall~~) must include in the strategic
22 planning and performance assessment process, as required (~~by RCW~~
23 ~~43.88.090~~) in agency strategic plans and agency performance
24 management implementation plans adopted pursuant to chapter 43.---
25 RCW (the new chapter created in section 30 of this act), an analysis
26 of the compatibility of public and private partnerships with the
27 state ferry system's core business, and the department's efforts to
28 maximize nonfarebox revenues and provide benefit to the public users
29 of the ferry system facilities. The department (~~shall~~) must include
30 an assessment of the need for an open solicitation to identify and
31 select possible public or private partnerships in order to maximize
32 the value of projects and the state's investment in current and
33 future ferry system operations.

34 (a) When the department determines that an open solicitation is
35 necessary, a request for proposal (~~shall~~) must be released,
36 consisting of an open solicitation outlining functional
37 specifications to be used as the basis for selecting partnerships in
38 the project.

39 (b) Any responses to the request for proposal (~~shall~~) must be
40 evaluated, at a minimum, on the basis of compatibility with the state

1 ferry system's core business, potential to maximize nonfarebox
2 revenue, longevity of the possible partnership commitment, and
3 benefit to the public users of the ferry system facilities.

4 (c) If no responses are received, or those that are received are
5 incompatible with ferry system operations, or do not meet the
6 criteria stated in (b) of this subsection, the state ferry system may
7 proceed with state ferry system operating strategies designed to
8 achieve state ferry system objectives without established
9 partnerships.

10 **Sec. 24.** RCW 70.94.551 and 2015 c 225 s 105 are each amended to
11 read as follows:

12 (1) The secretary of the department of transportation may
13 coordinate an interagency board or other interested parties for the
14 purpose of developing policies or guidelines that promote consistency
15 among state agency commute trip reduction programs required by RCW
16 70.94.527 and 70.94.531 or developed under the joint comprehensive
17 commute trip reduction plan described in this section. The board
18 (~~shall~~) must include representatives of the departments of
19 transportation, enterprise services, ecology, and commerce and such
20 other departments and interested groups as the secretary of the
21 department of transportation determines to be necessary. Policies and
22 guidelines (~~shall be~~) are applicable to all state agencies
23 including but not limited to policies and guidelines regarding
24 parking and parking charges, employee incentives for commuting by
25 other than single-occupant automobiles, flexible and alternative work
26 schedules, alternative worksites, and the use of state-owned vehicles
27 for car and van pools and guaranteed rides home. The policies and
28 guidelines shall also consider the costs and benefits to state
29 agencies of achieving commute trip reductions and consider mechanisms
30 for funding state agency commute trip reduction programs.

31 (2) State agencies sharing a common location in affected urban
32 growth areas where the total number of state employees is one hundred
33 or more (~~shall~~) must, with assistance from the department of
34 transportation, develop and implement a joint commute trip reduction
35 program. The worksite must be treated as specified in RCW 70.94.531
36 and 70.94.534.

37 (3) The department of transportation (~~shall~~) must develop a
38 joint comprehensive commute trip reduction plan for all state

1 agencies, including institutions of higher education, located in the
2 Olympia, Lacey, and Tumwater urban growth areas.

3 (a) In developing the joint comprehensive commute trip reduction
4 plan, the department of transportation (~~shall~~) must work with
5 applicable state agencies, including institutions of higher
6 education, and (~~shall~~) must collaborate with the following
7 entities: Local jurisdictions; regional transportation planning
8 organizations as described in chapter 47.80 RCW; transit agencies,
9 including regional transit authorities as described in chapter 81.112
10 RCW and transit agencies that serve areas within twenty-five miles of
11 the Olympia, Lacey, or Tumwater urban growth areas; and the capitol
12 campus design advisory committee established in RCW 43.34.080.

13 (b) The joint comprehensive commute trip reduction plan must
14 build on existing commute trip reduction programs and policies. At a
15 minimum, the joint comprehensive commute trip reduction plan must
16 include strategies for telework and flexible work schedules, parking
17 management, and consideration of the impacts of worksite location and
18 design on multimodal transportation options.

19 (c) The joint comprehensive commute trip reduction plan must
20 include performance measures and reporting methods and requirements.

21 (d) The joint comprehensive commute trip reduction plan may
22 include strategies to accommodate differences in worksite size and
23 location.

24 (e) The joint comprehensive commute trip reduction plan must be
25 consistent with jurisdictional and regional transportation, land use,
26 and commute trip reduction plans, the state six-year facilities plan,
27 and the master plan for the capitol of the state of Washington.

28 (f) Not more than ninety days after the adoption of the joint
29 comprehensive commute trip reduction plan, state agencies within the
30 three urban growth areas must implement a commute trip reduction
31 program consistent with the objectives and strategies of the joint
32 comprehensive commute trip reduction plan.

33 (4) The department of transportation (~~shall~~) must review the
34 initial commute trip reduction program of each state agency subject
35 to the commute trip reduction plan for state agencies to determine if
36 the program is likely to meet the applicable commute trip reduction
37 goals and notify the agency of any deficiencies. If it is found that
38 the program is not likely to meet the applicable commute trip
39 reduction goals, the department of transportation will work with the
40 agency to modify the program as necessary.

1 (5) Each state agency implementing a commute trip reduction plan
2 (~~shall~~) must report at least once per year to its agency director
3 on the performance of the agency's commute trip reduction program as
4 part of the agency's (~~quality management, accountability, and~~
5 ~~performance system as defined by RCW 43.17.385~~) performance
6 management implementation plan adopted pursuant to chapter 43.--- RCW
7 (the new chapter created in section 30 of this act). The reports
8 (~~shall~~) must assess the performance of the program, progress toward
9 state goals established under RCW 70.94.537, and recommendations for
10 improving the program.

11 (6) The department of transportation (~~shall~~) must review the
12 agency performance reports defined in subsection (5) of this section
13 and submit a biennial report for state agencies subject to this
14 chapter to the governor and incorporate the report in the commute
15 trip reduction board report to the legislature as directed in RCW
16 70.94.537(6). The report (~~shall~~) must include, but is not limited
17 to, an evaluation of the most recent measurement results, progress
18 toward state goals established under RCW 70.94.537, and
19 recommendations for improving the performance of state agency commute
20 trip reduction programs. The information (~~shall~~) must be reported
21 in a form established by the commute trip reduction board.

22 **Sec. 25.** RCW 2.56.200 and 2005 c 385 s 10 are each amended to
23 read as follows:

24 The office of the administrator for the courts is encouraged to
25 conduct performance audits of courts under the authority of the
26 supreme court, in conformity with criteria and methods developed by
27 the board for judicial administration that have been approved by the
28 supreme court. In developing criteria and methods for conducting
29 performance audits, the board for judicial administration is
30 encouraged to consider quality improvement programs, audits, and
31 scoring. The judicial branch is encouraged to submit the results of
32 these efforts to the chief justice of the supreme court or his or her
33 designee, (~~and with~~) to any other applicable boards or committees
34 established under the authority of the supreme court to oversee
35 government accountability, and to the legislature.

36 **Sec. 26.** RCW 44.04.260 and 2012 c 229 s 204 and 2012 c 113 s 6
37 are each reenacted and amended to read as follows:

1 (1) The joint legislative audit and review committee, the joint
2 transportation committee, the select committee on pension policy, the
3 legislative evaluation and accountability program committee, the
4 office of legislative support services, the joint higher education
5 committee, and the joint legislative systems committee are subject to
6 such operational policies, procedures, and oversight as are deemed
7 necessary by the facilities and operations committee of the senate
8 and the executive rules committee of the house of representatives to
9 ensure operational adequacy of the agencies of the legislative
10 branch. As used in this section, "operational policies, procedures,
11 and oversight" includes the development process of biennial budgets,
12 contracting procedures, personnel policies, and compensation plans,
13 selection of a chief administrator, facilities, and expenditures.
14 This section does not grant oversight authority to the facilities and
15 operations committee of the senate over any standing committee of the
16 house of representatives or oversight authority to the executive
17 rules committee of the house of representatives over any standing
18 committee of the senate.

19 (2) The facilities and operations committee of the senate and the
20 executive rules committee of the house of representatives are
21 encouraged to cooperate with the office of performance management and
22 to adopt agency performance management implementation plans and
23 conduct Baldrige assessments of operations pursuant to chapter 43.---
24 RCW (the new chapter created in section 30 of this act).

25 NEW SECTION. **Sec. 27.** A new section is added to chapter 43.19
26 RCW to read as follows:

27 (1) The department must enter into a partnership with the
28 Baldrige performance excellence program, national institutes of
29 standards and technology, United States department of commerce, and
30 performance excellence northwest and Washington state quality award
31 to develop a suite of web-based classroom training modules for
32 employees, middle managers, supervisors, and senior agency leaders.

33 (2) The training modules must:

34 (a) Build fundamental knowledge and skills regarding agency
35 strategic plans, agency ethics plans, agency performance management
36 implementation plans, Baldrige assessments, and other requirements in
37 chapter 43.--- RCW (the new chapter created in section 30 of this
38 act), enabling state agencies and partner organizations to achieve
39 measurable results; and

1 (b) Be completed and approved by the office of performance
2 management by September 1, 2016.

3 NEW SECTION. **Sec. 28.** RCW 43.17.380 (Quality management,
4 accountability, and performance system—Definitions) and 2005 c 384 s
5 2 are each repealed.

6 NEW SECTION. **Sec. 29.** This act may be known and cited as the
7 performance management act.

8 NEW SECTION. **Sec. 30.** Sections 1 through 7 of this act
9 constitute a new chapter in Title 43 RCW."

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By Senator Miloscia

10 On page 1, line 1 of the title, after "accountability;" strike
11 the remainder of the title and insert "amending RCW 43.17.385,
12 43.17.390, 43.41.100, 43.41.270, 43.88.005, 43.88.030, 43.88.090,
13 43.88C.010, 43.88C.020, 43.09.440, 43.09.470, 46.68.290, 47.60.140,
14 70.94.551, and 2.56.200; reenacting and amending RCW 43.88.160,
15 47.04.280, and 44.04.260; adding a new section to chapter 43.88 RCW;
16 adding a new section to chapter 43.19 RCW; adding a new chapter to
17 Title 43 RCW; creating a new section; and repealing RCW 43.17.380."

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