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**General Government & Information  
Technology Committee**

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**E2SSB 5737**

**Brief Description:** Concerning government performance and accountability.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Miloscia and Chase).

**Brief Summary of Engrossed Second Substitute Bill**

- Creates the Office of Performance Management.
- Requires all agencies to implement Lean performance management systems.

**Hearing Date:** 3/31/15

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

**Background:**

Lean Performance Management.

Washington and several other states have established central offices to promote Lean performance management in state agencies. Originally developed by Japanese corporations, Lean principles seek to increase efficiency and eliminate waste and inefficiency in operations, with input from front-line employees.

Washington's office, Results Washington, was created by Governor Jay Inslee in a 2013 Executive Order and operates within the Governor's Office. It is headed by an appointed director and includes 12 full-time employees. An additional five employees from other agencies participate in year-long fellowships in which they learn Lean principles that may be applied in their agencies.

Quality Management Assessments and Awards.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

In 1987 Congress established a federal program to promote quality management in U.S. businesses. The Baldrige Performance Excellence Program (Baldrige Program) in the U.S. Department of Commerce currently publishes frameworks used by trained examiners to score management quality in both forprofit and nonprofit organizations that seek assessments. Malcolm Baldrige National Quality Awards are annually presented to high-scoring organizations, including government entities.

In 1994 the Washington Legislature established a state program to promote quality management in Washington industries, businesses, and organizations. The program is managed by the Washington State Quality Award (WSQA), a private nonprofit corporation. WSQA-trained examiners use Baldrige-based criteria to score management quality in organizations that seek assessments. State agencies, certain housing assistance organizations, and certain local governments must periodically apply for WSQA assessments. WSQA awards are annually presented to high-scoring organizations, including government entities.

The International Organization for Standardization (ISO), a nongovernmental organization based in Switzerland, developed separate systems for assessing quality management.

#### Caseload Forecast Council.

The Caseload Forecast Council periodically issues official caseload forecasts for state-administered entitlement programs. Forecasts are incorporated in operating budgets proposed by the Governor and in legislative appropriation acts.

#### **Summary of Bill:**

The Office of Performance Management (OPM) is created in the Governor's Office and is granted administrative authority over Lean performance management programs in state agencies. The OPM is headed by a director appointed by the Governor with the consent of the Senate, who serves at the pleasure of the Governor. The director may employ personnel necessary to administer OPM.

#### OPM Duties.

Beginning July 1, 2015, the OPM must inventory and review agency performance management plans, including experience with Baldrige or similar frameworks, strategic planning, leadership capacity, and Lean culture maturity to determine readiness and capacity of each agency to comply with the act. By April 1, 2016, the OPM must report to the Legislature and the Governor the results of the evaluation and identification of agencies' strengths, weaknesses, opportunities, and threats.

The OPM must develop mechanisms to promote sharing of information between agencies, regarding best practices, challenges, and successes. Each year, the OPM must select one or more multiagency programs or processes for a lean performance analysis and must report the results to the legislature.

The OPM must:

- By 2016, adopt and implement a state strategic plan and state performance management plan;
- assist agencies in developing agency strategic plans, agency ethics plans, workforce systems systems, and agency performance management plans, and review and approve or disapprove the plans;
- partner with the Baldrige Program, WSQA, and another organization to conduct Baldrige assessments of agencies, provide for modified assessments of agencies with fewer than 20 employees, and encourage Baldrige assessments of local governments and major private partners of agencies, which will be considered in awarding contracts and grants;
- annually certify to the Office of Financial Management (OFM) whether agencies have adequately implemented agency Lean plans and responded to audits and Baldrige assessments;
- annually report to the Legislature regarding implementation of Lean plans, Baldrige assessments, and recommended changes in policy, and solicit input;
- collaborate with agencies to develop a financial data system and workforce training system to implement a fully developed Lean system; and
- adopt necessary administrative rules.

#### Agency Duties.

Within fiscal resources currently allocated to performance management efforts, each agency must:

- adopt an agency strategic plan, as required under current law, an agency ethics plan, a workforce training system, and an agency performance management plan;
- periodically report to the OPM and the Legislature regarding implementation of agency plans, Baldrige assessments, and other matters;
- coordinate with OPM for Baldrige assessments of its operations every three years; and
- strive to implement real-time web-based tracking and reporting of agency performance and lean performance management system activities.

#### Quality Management Assessments.

Each agency's goal is to achieve a 60 percent Baldrige score within seven years of its first assessment. An agency achieving the goal must apply for a Malcolm Baldrige National Quality Award, and may conduct less-frequent Baldrige assessments. An agency failing to achieve the goal must achieve certification under an internationally recognized quality management system, such as ISO 9001, or its equivalent, within seven years of the first Baldrige assessment.

#### Savings.

The budget documents prepared by the OFM must include performance indicators that demonstrate measurable progress in implementing agency strategic plans and performance management implementation plans. Budget document expenditures must incorporate estimated savings from the implementation of Lean plans, as approved by the Caseload Forecast Council (Council) forecasts. Council forecasts must include estimated savings resulting from the adoption of agency Lean plans.

In a proposed operating budget, the OFM must redirect cost savings realized from implementation of an agency Lean plan as follows:

- 10 percent to the agency's other critical operations if OPM certifies that the agency is making adequate progress in implementing its agency Lean plan and in responding to audits and Baldrige assessments;
- 10 percent to the agency to improve performance under its agency Lean plan; and
- 10 percent to OPM to improve performance under the statewide Lean plan.

Remaining savings must be redirected to reduce the agency's operating budget, but agency personnel may not be terminated to comply with this requirement.

Training.

The Department of Enterprise Services must partner with the Baldrige Program, WSQA, and other organizations to develop training modules regarding the mandates in the act. The modules must be completed and approved by OPM by September 1, 2015.

Other.

The State Auditor must conduct performance audits of Lean plans and consult with OPM and the Joint Legislative Audit and Review Committee to develop audit criteria. The judiciary is encouraged to submit judicial performance information to the Legislature. The Senate and House of Representatives are encouraged to cooperate with OPM, adopt Lean plans, and conduct Baldrige assessments. Several conforming amendments transfer authority from OFM to OPM and require agencies to incorporate current performance mandates in Lean plans.

**Appropriation:** None.

**Fiscal Note:** Available.

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