

HOUSE BILL REPORT

E2SSB 5737

As Reported by House Committee On:
General Government & Information Technology

Title: An act relating to government performance and accountability.

Brief Description: Concerning government performance and accountability.

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

Brief History:

Committee Activity:

General Government & Information Technology: 3/31/15, 4/6/15 [DPA].

**Brief Summary of Engrossed Second Substitute Bill
(As Amended by Committee)**

- Creates the Office of Performance Management (OPM).
- Requires the OPM to develop and implement Lean performance management systems, inventory agency strategic and ethics plans, and evaluate agencies' Lean maturity.
- Requires agencies to adopt a strategic plan, an ethics plan, and a workforce learning and training development plan.

HOUSE COMMITTEE ON GENERAL GOVERNMENT & INFORMATION TECHNOLOGY

Majority Report: Do pass as amended. Signed by 7 members: Representatives Hudgins, Chair; Senn, Vice Chair; MacEwen, Ranking Minority Member; Caldier, Assistant Ranking Minority Member; McCabe, Morris and Takko.

Staff: Marsha Reilly (786-7135).

Background:

Lean Performance Management.

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.

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 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.

In 1987 Congress established a federal program to promote quality management in United States businesses. The Baldrige Performance Excellence Program (Baldrige Program) in the federal 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. The 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. Washington State Quality Awards awards are annually presented to high-scoring organizations, including government entities.

Summary of Amended Bill:

The Office of Performance Management (OPM) is created in the Governor's Office. The goal of the OPM is to develop and implement a documented world-class Lean performance management system. The OPM is headed by a director appointed by the Governor. The director may employ personnel necessary for the administration of the OPM.

Office of Performance Management Duties.

Beginning July 1, 2015, the OPM must inventory agency strategic and ethics plans, and evaluate agencies' Lean maturity. By May 1, 2016 the OPM must report to the Legislature and the Governor the results of the inventory and evaluation.

By January 1, 2016, the OPM must adopt and implement a state strategic plan and a state performance management plan. It must collaborate with the Department of Enterprise Services and the Office of Financial Management to develop a workforce learning and training program and a workforce performance management system. The OPM is authorized to adopt rules necessary to administer the program.

Agency Duties.

Each agency must adopt a strategic plan, an ethics plan, and a workforce learning and training development plan. Agencies must provide annual reports to the OPM on its implementation of the plans and results of its Lean improvement projects that identify measurable improvements.

Agencies must adopt strategic plans that define the agency mission and set measurable goals for achieving results; develop clear strategies and timelines for achieving goals; and set quality and productivity objectives for each major activity in its budget. Productivity objectives must be consistent with the agency mission and goals, must be expressed in outcome-based objectives and a measurable form, and must address the statutory purpose of intent of its programs or activities.

Other.

The State Auditor must consult with OPM and the Joint Legislative Audit and Review Committee to develop audit criteria and standards to audit the state performance management implementation plans. The act is known and cited as the Performance Management Act.

Amended Bill Compared to Engrossed Second Substitute Bill:

The amended bill removes the following provisions of the original bill:

- the requirement that the Office of Performance Management (OPM) assist in developing, reviewing, and approving agency performance plans, ethics plans, and workforce systems;
- the requirement that the OPM review and approve agency performance management implementation plans;
- the requirement that the OPM develop mechanisms to promote sharing of best practices;
- the requirement that the OPM select multiagency programs or processes for a Lean performance analysis;
- the requirements for a partnerships with performance excellence programs and Baldrige assessments;
- the requirement for the OPM to collaborate with the Office of Financial Management (OFM) to develop a financial data system;
- the requirements for agencies to provide periodic reports to the Legislature and implement real-time, web-based tracking and reporting of an agency;
- the requirements regarding performance management in budget documents and redirection of cost savings;
- transferring OFM duties to the OPM;
- the requirements pertaining to the Caseload Forecast Council; and
- the language encouraging the courts and the Legislature to adopt performance management implementation plans.

The OPM must inventory agency strategic plans and ethics plans, and evaluate agencies' Lean maturity. By May 1, 2016, the OPM must report to the Legislature and the Governor the results of the inventory and evaluation.

By January 1, 2016, the OPM must adopt and implement a state strategic plan and a state performance management plan. It must collaborate with the Department of Enterprise Services and the OFM to develop a workforce learning and training program and a workforce performance management system. The OPM is authorized to adopt rules necessary to administer the program.

Agencies must provide annual, rather than periodic, reports to the OPM regarding implementation and results of the agency's Lean improvement projects that identify measurable improvements.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed. However, the bill is null and void unless funded in the budget.

Staff Summary of Public Testimony:

(In support) Performance management concepts are not new. The intent of the bill is to ensure that the state has world class performance within six years. This has never been done in any other state. Under the bill, the budget writers determine where the savings from implementation of the Lean system will be used. The number one goal is to restore trust in government. Establishing performance management will go a long way toward ensuring prosperity in our state.

(Opposed) None.

(Other) The intent is good and there is a common goal. Results Washington is well on its way to achieving the goal of world class performance. The efforts of Results Washington began in 2013, and there is more work to do. There is momentum that needs to be continued. There are concerns are around flexibility, cost, and scope. The requirements of the bill significantly increase the costs to the Results Washington office, and is not reflected in the budget.

Persons Testifying: (In support) Senator Miloscia, prime sponsor.

(Other) Wendy Korthuis Smith, and Rich Roesler, Results Washington.

Persons Signed In To Testify But Not Testifying: None.