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**SUBSTITUTE SENATE BILL 5065**

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**State of Washington**

**65th Legislature**

**2017 Regular Session**

**By** Senate State Government (originally sponsored by Senators Miloscia and Zeiger)

READ FIRST TIME 02/02/17.

1 AN ACT Relating to government performance and accountability;  
2 amending RCW 43.17.385, 43.17.390, 43.41.100, 43.41.270, 43.88.005,  
3 43.88.030, 43.88.090, 43.88C.010, 43.88C.020, 43.09.440, 43.09.470,  
4 46.68.290, 47.04.280, 47.60.140, 70.94.551, and 2.56.200; reenacting  
5 and amending RCW 43.88.160 and 44.04.260; adding a new section to  
6 chapter 43.88 RCW; adding a new section to chapter 43.19 RCW; adding  
7 a new chapter to Title 43 RCW; creating a new section; and repealing  
8 RCW 43.17.380.

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

10 NEW SECTION. **Sec. 1.** (1) The legislature intends that an office  
11 of performance management should:  
12 (a) Be established in statute;  
13 (b) Be headed by a director appointed by the governor and  
14 confirmed by the senate;  
15 (c) Be granted administrative authority over state performance  
16 management programs, ensuring that all executive branch agencies  
17 properly implement world-class lean performance management systems to  
18 achieve operational excellence;  
19 (d) Coordinate performance assessments of state agencies by  
20 independent examiners; and

1 (e) Analyze and report agency performance systems, data, and  
2 assessment results to the public, appropriate agencies, and the  
3 legislature.

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

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

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

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

14 NEW SECTION. **Sec. 3.** The definitions in this section apply  
15 throughout this chapter unless the context clearly requires  
16 otherwise.

17 (1) "Agency" means every state agency, department, office,  
18 officer, board, commission, bureau, division, institution, or  
19 institution of higher education, and all offices of executive branch  
20 state government-elected officials, except agricultural commissions  
21 under Titles 15 and 16 RCW.

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

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

26 (a) Provides for gathering, monitoring, and analysis of data to  
27 measure performance and eliminate waste and inefficiency in agency  
28 operations;

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

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

34 (d) Allocates resources to improve performance; and

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

1 (4) "Agency strategic plan" means a plan described in section 6  
2 of this act.

3 (5) "Excellence assessment" means an assessment of agency  
4 operational performance by a trained national or state examiner using  
5 an excellence framework published by the national institutes of  
6 standards and technology, United States department of commerce.

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

8 (a) Promotes activities to increase efficiency and eliminate  
9 waste and inefficiency in agency operations, including delivery of  
10 services and goods to the public, based upon continuous assessment  
11 and improvement; and

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

14 (7) "State performance management implementation plan" means a  
15 detailed plan to implement a statewide lean performance management  
16 system involving all agencies that:

17 (a) Includes performance measures and targets, with segmented  
18 data regarding operations of all agencies and operations of each  
19 agency;

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

22 (c) Measures validated cost reductions and other performance  
23 improvements for all agencies; and

24 (d) Monitors implementation by all agencies.

25 NEW SECTION. **Sec. 4.** The office of performance management must:

26 (1) Adopt, by January 1, 2018, and implement a state strategic  
27 plan and a state performance management implementation plan, and  
28 delegate authority, as necessary, to agencies best suited to  
29 implement elements of the state performance management implementation  
30 plan;

31 (2) Assist agencies in developing agency strategic plans, agency  
32 ethics plans, workforce learning and training development and  
33 workforce performance management systems, and agency performance  
34 management implementation plans, and review and approve or disapprove  
35 the foregoing plans based on predetermined criteria;

36 (3) Enter into a partnership with the national institutes of  
37 standards and technology, United States department of commerce, and  
38 performance excellence northwest and Washington state quality award  
39 to:

- 1 (a) Ensure that a sufficient number of trained examiners are  
2 available to conduct excellence assessments of all agencies;
- 3 (b) Coordinate and schedule excellence assessments of all  
4 agencies;
- 5 (c) Develop criteria, as needed, for excellence assessments for  
6 very small agencies with fewer than twenty full-time equivalent  
7 employees;
- 8 (d) Develop specific criteria for a statewide lean performance  
9 management system and agency lean performance management systems; and
- 10 (e) Develop a plan to encourage and phase in adoption of  
11 equivalent lean performance management systems by excellence  
12 assessments of local government entities and major private partners  
13 of agencies. Quality of the assessments and systems must be a  
14 consideration for awarding contracts and grants;
- 15 (4) Annually certify, pursuant to section 14 of this act, whether  
16 agencies have made adequate progress in:
- 17 (a) Implementing agency performance management implementation  
18 plans; and
- 19 (b) Responding to performance audits conducted by the state  
20 auditor and the joint legislative audit and review committee,  
21 excellence assessments, and other appropriate audits;
- 22 (5) Annually report to the legislature regarding:
- 23 (a) Implementation status, including quality and percentage of  
24 implementation, of the state performance management implementation  
25 plan and agency performance management implementation plans;
- 26 (b) Status of excellence assessments of all agencies; and
- 27 (c) Recommended policy and fiscal changes to increase efficiency  
28 and eliminate waste and inefficiency in agency operations;
- 29 (6) Solicit input from the legislature and public regarding the  
30 state performance management implementation plan and agency  
31 performance management implementation plans, and reports regarding  
32 the plans;
- 33 (7) Collaborate with:
- 34 (a) The office of financial management, the department of  
35 enterprise services, and other agencies to develop a financial data  
36 system necessary to implement a fully developed lean performance  
37 management system; and
- 38 (b) The department of enterprise services to develop a workforce  
39 learning and training development and workforce performance  
40 management system necessary for employees, middle managers,

1 supervisors, and senior agency leaders to implement a fully developed  
2 lean performance management system, with excellence assessments; and  
3 (8) Adopt rules necessary to administer this chapter.

4 NEW SECTION. **Sec. 5.** (1) Each agency must:

5 (a) Adopt an agency strategic plan pursuant to section 6 of this  
6 act, an agency ethics plan, a workforce learning and training  
7 development and workforce performance management system, and an  
8 agency performance management implementation plan;

9 (b) Provide quarterly reports to the office of performance  
10 management regarding implementation of its agency performance  
11 management implementation plan;

12 (c) Provide annual reports to pertinent legislative committees  
13 regarding implementation of its agency performance management  
14 implementation plan, including the number and type of lean management  
15 projects conducted during the reporting period, fiscal savings  
16 attributable to the projects, performance goals for the upcoming  
17 reporting period, and a summary of all previous performance audits  
18 conducted by the state auditor and the joint legislative audit and  
19 review committee, and previous excellence assessments;

20 (d) Coordinate with the office of performance management to  
21 provide for excellence assessments of its operations every two years,  
22 and transmit completed excellence assessments and feedback reports to  
23 the office of performance management; and

24 (e) Strive to implement real-time web-based tracking and  
25 reporting of agency performance and lean performance management  
26 system activities.

27 (2) An agency's excellence assessment score measures the agency's  
28 progress toward achieving world-class performance. Each agency's goal  
29 is to achieve a sixty percent score within seven years of its first  
30 excellence assessment. When an agency achieves a sixty percent score,  
31 it must apply for a national institutes of science and technology  
32 performance assessment.

33 (3) An agency that:

34 (a) Achieves the goal in subsection (2) of this section is not  
35 required to conduct an excellence assessment every two years, but  
36 must conduct an excellence assessment at least every four years; and

37 (b) Fails to achieve the goal in subsection (2) of this section  
38 must achieve certification under an internationally recognized

1 quality management system, such as ISO 9001, or its equivalent,  
2 within seven years of the first excellence assessment.

3 NEW SECTION. **Sec. 6.** (1) Each agency must adopt an agency  
4 strategic plan that:

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

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

12 (c) To assess activity performance, sets quality and productivity  
13 objectives for each major activity in its budget. These objectives  
14 must:

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

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

21 (iii) Specifically address the statutory purpose or intent of the  
22 program or activity and focus on data that measures whether the  
23 agency is achieving or making progress toward the purpose of the  
24 activity and toward statewide priorities.

25 (2) Each agency must also adopt an agency ethics plan and an  
26 agency performance management implementation plan pursuant to section  
27 5 of this act.

28 **Sec. 7.** RCW 43.17.385 and 2014 c 68 s 6 are each amended to read  
29 as follows:

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

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

37 (3) ~~Each agency shall, within available funds, ensure that its~~  
38 ~~quality management, accountability, and performance system.~~

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

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

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

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

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

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

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

16       ~~(h) Where performance is not meeting intended objectives, holds~~  
17 ~~regular problem-solving sessions to develop and implement a plan for~~  
18 ~~addressing gaps; and~~

19       ~~(i) Allocates resources based on strategies to improve~~  
20 ~~performance.~~

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

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

27       ~~(6) The governor shall report annually to citizens on the~~  
28 ~~performance of state agency programs. The governor's report shall~~  
29 ~~include:~~

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

32       ~~(b) Improvements in agency quality management systems, fiscal~~  
33 ~~efficiency, process efficiency, asset management, personnel~~  
34 ~~management, statutory and regulatory compliance, and management of~~  
35 ~~technology systems.~~

36       ~~(7) Each state agency shall integrate efforts made under this~~  
37 ~~section with other management, accountability, and performance~~  
38 ~~systems)) must adopt an agency strategic plan, agency ethics plan,~~  
39 ~~and agency performance management implementation plan pursuant to~~

1 chapter 43.--- RCW (the new chapter created in section 29 of this  
2 act).

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

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

11 **Sec. 8.** RCW 43.17.390 and 2009 c 564 s 931 are each amended to  
12 read as follows:

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

28 **Sec. 9.** RCW 43.41.100 and 2009 c 549 s 5119 are each amended to  
29 read as follows:

30 (1) The director of financial management ((shall)) must:  
31 ((+1)) (a) Supervise and administer the activities of the office  
32 of financial management.  
33 ((+2)) (b) Exercise all the powers and perform all the duties  
34 prescribed by law with respect to the administration of the state  
35 budget and accounting system.  
36 ((+3)) (c) Advise the governor and the legislature with respect  
37 to matters affecting program management and planning.



1 ((4) Make) (d) Cooperate with the office of performance  
2 management in conducting efficiency surveys of all state departments  
3 and institutions, and the administrative and business methods pursued  
4 therein, examine into the physical needs and industrial activities  
5 thereof, and make confidential reports to the governor, recommending  
6 necessary betterments, repairs, and the installation of improved and  
7 more economical administrative methods, and advising such action as  
8 will result in a greater measure of self-support and remedies for  
9 inefficient functioning.

10 (2) The director may enter into contracts on behalf of the state  
11 to carry out the purposes of this chapter; he or she may act for the  
12 state in the initiation of or participation in any multi-governmental  
13 agency program relative to the purposes of this chapter; and he or  
14 she may accept gifts and grants, whether such grants be of federal or  
15 other funds.

16 **Sec. 10.** RCW 43.41.270 and 2009 c 345 s 12 are each amended to  
17 read as follows:

18 (1) The office of (~~financial~~) performance management (~~shall~~)  
19 must assist natural resource-related agencies in developing outcome-  
20 focused performance measures for administering natural resource-  
21 related and environmentally based grant and loan programs. These  
22 performance measures are to be used in determining grant eligibility,  
23 for program management and performance assessment.

24 (2) The office of (~~financial~~) performance management and the  
25 recreation and conservation office (~~shall~~) must assist natural  
26 resource-related agencies in developing recommendations for a  
27 monitoring program to measure outcome-focused performance measures  
28 required by this section. The recommendations must be consistent with  
29 the framework and coordinated monitoring strategy developed by the  
30 monitoring oversight committee established in former RCW 77.85.210.

31 (3) Natural resource agencies (~~shall~~) must consult with grant  
32 or loan recipients including local governments, tribes,  
33 nongovernmental organizations, and other interested parties, and  
34 report to the office of financial management on the implementation of  
35 this section.

36 (4) Performance measures required by this section must be  
37 included in agency performance management implementation plans  
38 adopted pursuant to chapter 43.--- RCW (the new chapter created in  
39 section 29 of this act).

1       (5) For purposes of this section, "natural resource-related  
2 agencies" include the department of ecology, the department of  
3 natural resources, the department of fish and wildlife, the state  
4 conservation commission, the recreation and conservation funding  
5 board, the salmon recovery funding board, and the public works board  
6 within the department of (~~community, trade, and economic~~  
7 ~~development~~) commerce.

8       (~~(5)~~) (6) For purposes of this section, "natural resource-  
9 related environmentally based grant and loan programs" includes the  
10 conservation reserve enhancement program; dairy nutrient management  
11 grants under chapter 90.64 RCW; state conservation commission water  
12 quality grants under chapter 89.08 RCW; coordinated prevention  
13 grants, public participation grants, and remedial action grants under  
14 RCW 70.105D.070; water pollution control facilities financing under  
15 chapter 70.146 RCW; aquatic lands enhancement grants under RCW  
16 79.105.150; habitat grants under the Washington wildlife and  
17 recreation program under RCW 79A.15.040; salmon recovery grants under  
18 chapter 77.85 RCW; and the public works trust fund program under  
19 chapter 43.155 RCW. The term also includes programs administered by  
20 the department of fish and wildlife related to protection or recovery  
21 of fish stocks which are funded with moneys from the capital budget.

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

24       The legislature finds that agency missions, goals, and objectives  
25 should focus on statewide results, driven by agency strategic plans  
26 and agency performance management implementation plans adopted  
27 pursuant to chapter 43.--- RCW (the new chapter created in section 29  
28 of this act). It is the intent of the legislature to focus the  
29 biennial budget on how state agencies produce real results (~~that~~  
30 ~~reflect the goals of statutory programs~~), reflecting goals in agency  
31 strategic plans and agency performance management implementation  
32 plans. Specifically, budget managers and the legislature must have  
33 the data to move toward better statewide results that produce the  
34 intended public benefit. This data must be supplied in an impartial,  
35 quantifiable form, and demonstrate progress (~~toward statewide~~  
36 ~~results~~) in implementing agency strategic plans and agency  
37 performance management implementation plans. With a renewed focus on  
38 achieving true results, state agencies, the office of financial

1 management, and the legislature will be able to prioritize state  
2 resources.

3 **Sec. 12.** RCW 43.88.030 and 2006 c 334 s 43 are each amended to  
4 read as follows:

5 (1) The director of financial management (~~shall~~) must provide  
6 all agencies with a complete set of instructions for submitting  
7 biennial budget requests to the director at least three months before  
8 agency budget documents are due into the office of financial  
9 management.

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

13 (a) An outline of the proposed financial policies of the state  
14 for the ensuing fiscal period, as well as an outline of the proposed  
15 six-year financial policies where applicable, and (~~shall~~) must  
16 describe in connection therewith the important features of the  
17 budget(~~. The biennial budget document or documents shall also~~  
18 describe));

19 (b) Performance indicators that demonstrate measurable progress  
20 (~~towards priority results. The message shall set forth~~) in  
21 implementing agency strategic plans and agency performance management  
22 implementation plans adopted pursuant to chapter 43.--- RCW (the new  
23 chapter created in section 29 of this act);

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

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

31 (3) The budget document or documents (~~shall~~) must set forth a  
32 proposal for expenditures in the ensuing fiscal period, or six-year  
33 period where applicable, based upon the estimated revenues and  
34 caseloads as approved by the economic and revenue forecast council  
35 and caseload forecast council or upon the estimated revenues and  
36 caseloads of the office of financial management for those funds,  
37 accounts, sources, and programs for which the forecast councils do  
38 not prepare an official forecast. The budget document or documents  
39 and their expenditures must incorporate estimated savings from

1 implementation of the state performance management implementation  
2 plan and agency performance management implementation plans adopted  
3 pursuant to chapter 43.--- RCW (the new chapter created in section 29  
4 of this act), as approved by the caseload forecast council in its  
5 most recent official forecast. Revenues (~~shall~~) must be estimated  
6 for such fiscal period from the source and at the rates existing by  
7 law at the time of submission of the budget document, including the  
8 supplemental budgets submitted in the even-numbered years of a  
9 biennium. However, the estimated revenues and caseloads for use in  
10 the governor's budget document may be adjusted to reflect budgetary  
11 revenue transfers and revenue and caseload estimates dependent upon  
12 budgetary assumptions of enrollments, workloads, and caseloads. All  
13 adjustments to the approved estimated revenues and caseloads must be  
14 set forth in the budget document. The governor may additionally  
15 submit, as an appendix to each supplemental, biennial, or six-year  
16 agency budget or to the budget document or documents, a proposal for  
17 expenditures in the ensuing fiscal period from revenue sources  
18 derived from proposed changes in existing statutes.

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

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

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

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

27 (d) Such additional information dealing with revenues and  
28 expenditures as the governor (~~shall~~) deems pertinent and useful to  
29 the legislature;

30 (e) Tabulations showing expenditures classified by fund,  
31 function, and agency;

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

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

37 (h) Tabulations showing each postretirement adjustment by  
38 retirement system established after fiscal year 1991, to include, but  
39 not be limited to, estimated total payments made to the end of the

1 previous biennial period, estimated payments for the present  
2 biennium, and estimated payments for the ensuing biennium.

3 ~~((+2))~~ (5) The budget document or documents ~~((shall))~~ must  
4 include detailed estimates of all anticipated revenues applicable to  
5 proposed operating or capital expenditures and ~~((shall))~~ must also  
6 include all proposed operating or capital expenditures. The total of  
7 beginning undesignated fund balance and estimated revenues less  
8 working capital and other reserves ~~((shall))~~ must equal or exceed the  
9 total of proposed applicable expenditures.

10 (6) The budget document or documents ~~((shall))~~ must further  
11 include:

12 (a) Interest, amortization and redemption charges on the state  
13 debt;

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

15 (c) Other statutory expenditures;

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

17 (e) Revenues derived from agency operations;

18 (f) Expenditures and revenues ~~((shall))~~ must be given in  
19 comparative form showing those incurred or received for the  
20 immediately past fiscal period and those anticipated for the current  
21 biennium and next ensuing biennium;

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

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

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

29 (j) A showing and explanation of anticipated amounts of general  
30 fund and other funds required to amortize the unfunded actuarial  
31 accrued liability of the retirement system specified under chapter  
32 41.45 RCW, and the contributions to meet such amortization, stated in  
33 total dollars and as a level percentage of total compensation.

34 ~~((+3))~~ (7) The governor's operating budget document or documents  
35 ~~((shall reflect the statewide priorities as required by RCW~~  
36 ~~43.88.090.~~

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

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

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

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

9       (b) A capital program consisting of proposed capital projects for  
10 the next biennium and the two biennia succeeding the next biennium  
11 consistent with the long-range facilities plan. Inasmuch as is  
12 practical, and recognizing emergent needs, the capital program  
13 (~~shall~~) must reflect the priorities, projects, and spending levels  
14 proposed in previously submitted capital budget documents in order to  
15 provide a reliable long-range planning tool for the legislature and  
16 state agencies;

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

19       (d) A strategic plan for reducing backlogs of maintenance and  
20 repair projects. The plan (~~shall~~) must include a prioritized list  
21 of specific facility deficiencies and capital projects to address the  
22 deficiencies for each agency, cost estimates for each project, a  
23 schedule for completing projects over a reasonable period of time,  
24 and identification of normal maintenance activities to reduce future  
25 backlogs;

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

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

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

31       (h) Estimated total project cost;

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

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

40       (k) Estimated ensuing biennium costs;

- 1 (l) Estimated costs beyond the ensuing biennium;
- 2 (m) Estimated construction start and completion dates;
- 3 (n) Source and type of funds proposed;
- 4 (o) Estimated ongoing operating budget costs or savings resulting
- 5 from the project, including staffing and maintenance costs;
- 6 (p) For any capital appropriation requested for a state agency
- 7 for the acquisition of land or the capital improvement of land in
- 8 which the primary purpose of the acquisition or improvement is
- 9 recreation or wildlife habitat conservation, the capital budget
- 10 document, or an omnibus list of recreation and habitat acquisitions
- 11 provided with the governor's budget document, (~~shall~~) must identify
- 12 the projected costs of operation and maintenance for at least the two
- 13 biennia succeeding the next biennium. Omnibus lists of habitat and
- 14 recreation land acquisitions (~~shall~~) must include individual
- 15 project cost estimates for operation and maintenance as well as a
- 16 total for all state projects included in the list. The document
- 17 (~~shall~~) must identify the source of funds from which the operation
- 18 and maintenance costs are proposed to be funded;
- 19 (q) Such other information bearing upon capital projects as the
- 20 governor deems to be useful;
- 21 (r) Standard terms, including a standard and uniform definition
- 22 of normal maintenance, for all capital projects;
- 23 (s) Such other information as the legislature may direct by law
- 24 or concurrent resolution.
- 25 (9) For purposes of (~~this subsection (5)~~) subsection (8) of
- 26 this section, the term "capital project" (~~shall~~) must be defined
- 27 subsequent to the analysis, findings, and recommendations of a joint
- 28 committee comprised of representatives from the house capital
- 29 appropriations committee, senate ways and means committee,
- 30 legislative evaluation and accountability program committee, and
- 31 office of financial management.
- 32 (~~(6)~~) (10) No change affecting the comparability of agency or
- 33 program information relating to expenditures, revenues, workload,
- 34 performance and personnel (~~shall~~) may be made in the format of any
- 35 budget document or report presented to the legislature under this
- 36 section or RCW 43.88.160(~~(1)~~) (2) relative to the format of the
- 37 budget document or report which was presented to the previous regular
- 38 session of the legislature during an odd-numbered year without prior
- 39 legislative concurrence. Prior legislative concurrence (~~shall~~) must
- 40 consist of (a) a favorable majority vote on the proposal by the

1 standing committees on ways and means of both houses if the  
2 legislature is in session or (b) a favorable majority vote on the  
3 proposal by members of the legislative evaluation and accountability  
4 program committee if the legislature is not in session.

5 **Sec. 13.** RCW 43.88.090 and 2015 3rd sp.s. c 1 s 409 are each  
6 amended to read as follows:

7 (1)(a) For purposes of developing budget proposals to the  
8 legislature, the governor (~~shall have the power, and it shall be the~~  
9 ~~governor's duty, to~~) must require from proper agency officials such  
10 detailed estimates and other information (~~in such form and at such~~  
11 ~~times~~) as the governor (~~shall~~) directs. The governor (~~shall~~)  
12 must communicate statewide priorities to agencies in the state  
13 performance management implementation plan adopted pursuant to  
14 chapter 43.--- RCW (the new chapter created in section 29 of this  
15 act) for use in developing biennial budget recommendations for their  
16 agency, and (~~shall~~) must seek public involvement and input on these  
17 priorities. The estimates for the legislature and the judiciary  
18 (~~shall~~) must be transmitted to the governor and (~~shall~~) must be  
19 included in the budget without revision. The estimates for state  
20 pension contributions (~~shall~~) must be based on the rates provided  
21 in chapter 41.45 RCW. Copies of all such estimates (~~shall~~) must be  
22 transmitted to the standing committees on ways and means of the house  
23 and senate at the same time as they are filed with the governor and  
24 the office of financial management.

25 (b) The estimates (~~shall~~) must include statements or tables  
26 (~~which indicate~~) indicating, by agency, the state funds (~~which~~)  
27 that are required for the receipt of federal matching revenues. The  
28 estimates (~~shall~~) must be revised as necessary to reflect  
29 legislative enactments and adopted appropriations and (~~shall~~) must  
30 be included with the initial biennial allotment submitted under RCW  
31 43.88.110. The estimates must reflect that the agency considered any  
32 alternatives to reduce costs or improve service delivery identified  
33 in the findings of a performance audit of the agency by the joint  
34 legislative audit and review committee. Nothing in this subsection  
35 requires performance audit findings to be published as part of the  
36 budget.

37 (2) Each state agency (~~shall define its mission and establish~~  
38 ~~measurable goals for achieving desirable results for those who~~  
39 ~~receive its services and the taxpayers who pay for those services.~~



1 Each agency shall also develop clear strategies and timelines to  
2 achieve its goals. This section does not require an agency to develop  
3 a new mission or goals in place of identifiable missions or goals  
4 that meet the intent of this section. The mission and goals of each  
5 agency must conform to statutory direction and limitations.

6 (3) For the purpose of assessing activity performance, each state  
7 agency shall establish quality and productivity objectives for each  
8 major activity in its budget. The objectives must be consistent with  
9 the missions and goals developed under this section. The objectives  
10 must be expressed to the extent practicable in outcome-based,  
11 objective, and measurable form unless an exception to adopt a  
12 different standard is granted by the office of financial management  
13 and approved by the legislative committee on performance review.  
14 Objectives must specifically address the statutory purpose or intent  
15 of the program or activity and focus on data that measure whether the  
16 agency is achieving or making progress toward the purpose of the  
17 activity and toward statewide priorities. The office of financial  
18 management shall provide necessary professional and technical  
19 assistance to assist state agencies in the development of strategic  
20 plans that include the mission of the agency and its programs,  
21 measurable goals, strategies, and performance measurement systems.

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

35 (a) The office of financial management shall regularly conduct  
36 reviews of selected activities to analyze whether the objectives and  
37 measurements submitted by agencies demonstrate progress toward  
38 statewide results.

39 (b) The office of financial management shall consult with: (i)  
40 The four-year institutions of higher education in those reviews that

1 ~~involve four-year institutions of higher education; and (ii) the~~  
2 ~~state board for community and technical colleges in those reviews~~  
3 ~~that involve two-year institutions of higher education.~~

4 ~~(c) The goal is for all major activities to receive at least one~~  
5 ~~review each year.~~

6 ~~(d) The consolidated technology services agency shall review~~  
7 ~~major information technology systems in use by state agencies~~  
8 ~~periodically.~~

9 ~~(5) It is the policy of the legislature that))~~ must adopt an  
10 agency strategic plan pursuant to chapter 43.--- RCW (the new chapter  
11 created in section 29 of this act). Each agency's budget  
12 recommendations must be directly linked to the agency's stated  
13 mission and ((program, quality, and productivity goals and  
14 objectives)) goals in agency strategic plans. Consistent with this  
15 policy, agency budget proposals must include integration of  
16 performance measures that allow objective determination of an  
17 activity's success in ~~((achieving its goals. When a review under~~  
18 ~~subsection (4) of this section or other analysis determines that the~~  
19 ~~agency's objectives demonstrate))~~ implementing the agency's strategic  
20 plan and agency performance management implementation plan. When an  
21 excellence assessment conducted pursuant to section 5 of this act  
22 indicates that the agency is making insufficient progress toward the  
23 goals of any particular program or is otherwise underachieving or  
24 inefficient, the agency's budget request ~~((shall))~~ must contain  
25 proposals to remedy or improve the selected programs. ~~((The office of~~  
26 ~~financial management shall develop a plan to merge the budget~~  
27 ~~development process with agency performance assessment procedures.~~  
28 ~~The plan must include a schedule to integrate agency strategic plans~~  
29 ~~and performance measures into agency budget requests and the~~  
30 ~~governor's budget proposal over three fiscal biennia. The plan must~~  
31 ~~identify those agencies that will implement the revised budget~~  
32 ~~process in the 1997-1999 biennium, the 1999-2001 biennium, and the~~  
33 ~~2001-2003 biennium. In consultation with the legislative fiscal~~  
34 ~~committees, the office of financial management shall recommend~~  
35 ~~statutory and procedural modifications to the state's budget,~~  
36 ~~accounting, and reporting systems to facilitate the performance~~  
37 ~~assessment procedures and the merger of those procedures with the~~  
38 ~~state budget process. The plan and recommended statutory and~~  
39 ~~procedural modifications must be submitted to the legislative fiscal~~  
40 ~~committees by September 30, 1996.~~

1       ~~(6))~~ (3) In reviewing agency budget requests in order to prepare  
2 the governor's biennial budget request or supplemental budget  
3 request, the office of financial management (~~shall~~) must:

4       (a) Consider the extent to which the agency's activities  
5 demonstrate progress toward (~~the statewide budgeting priorities,~~  
6 ~~along with any specific review conducted under subsection (4) of this~~  
7 ~~section)) implementing its agency strategic plan and agency~~  
8 performance management implementation plan; and

9       (b) Comply with section 14 of this act.

10       ~~((7))~~ (4) In the year of the gubernatorial election, the  
11 governor (~~shall~~) must invite the governor-elect or the governor-  
12 elect's designee to attend all hearings provided in RCW 43.88.100;  
13 and the governor (~~shall~~) must furnish the governor-elect or the  
14 governor-elect's designee with such information as will enable the  
15 governor-elect or the governor-elect's designee to gain an  
16 understanding of the state's budget requirements. The governor-elect  
17 or the governor-elect's designee may ask (~~such~~) questions during  
18 the hearings and require (~~such~~) information as the governor-elect  
19 or the governor-elect's designee deems necessary and may make  
20 recommendations in connection with any item of the budget which, with  
21 the governor-elect's reasons therefor, (~~shall~~) must be presented to  
22 the legislature in writing with the budget document. Copies of all  
23 such estimates and other required information (~~shall~~) must also be  
24 submitted to the standing committees on ways and means of the house  
25 and senate.

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

28       In a proposed biennial budget or supplemental budget, the  
29 director must redirect cost savings realized from implementation of  
30 an agency performance management implementation plan adopted pursuant  
31 to chapter 43.--- RCW (the new chapter created in section 29 of this  
32 act) as follows:

33       (1) Ten percent of cost savings must be redirected to the  
34 agency's other critical operations if the office of performance  
35 management certifies that the agency is making adequate progress in  
36 implementing its agency performance management implementation plan,  
37 and in responding to performance audits conducted by the state  
38 auditor and the joint legislative audit and review committee,

1 excellence assessments conducted pursuant to section 5 of this act,  
2 and other appropriate audits;

3 (2) Ten percent of cost savings must be redirected to the agency  
4 to improve performance under the agency performance management  
5 implementation plan;

6 (3) Ten percent of cost savings must be redirected to the office  
7 of performance management to improve performance under the state  
8 performance management implementation plan adopted pursuant to  
9 chapter 43.--- RCW (the new chapter created in section 29 of this  
10 act); and

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

14 **Sec. 15.** RCW 43.88.160 and 2015 3rd sp.s. c 1 s 303 and 2015 3rd  
15 sp.s. c 1 s 109 are each reenacted and amended to read as follows:

16 (1) This section sets forth the major fiscal duties and  
17 responsibilities of officers and agencies of the executive branch.  
18 The regulations issued by the governor pursuant to this chapter  
19 (~~(shall)~~) must provide for a comprehensive, orderly basis for fiscal  
20 management and control, including efficient accounting and reporting  
21 therefor, for the executive branch of the state government and may  
22 include, in addition, such requirements as will generally promote  
23 more efficient public management in the state.

24 (~~(1)~~) (2) Governor; director of financial management. The  
25 governor, through the director of financial management, (~~(shall)~~)  
26 must devise and supervise a modern and complete accounting system for  
27 each agency to the end that all revenues, expenditures, receipts,  
28 disbursements, resources, and obligations of the state (~~(shall)~~) must  
29 be properly and systematically accounted for. The accounting system  
30 (~~(shall)~~) must include the development of accurate, timely records  
31 and reports of all financial affairs of the state. The system  
32 (~~(shall)~~) must also provide for central accounts in the office of  
33 financial management at the level of detail deemed necessary by the  
34 director to perform central financial management. The director of  
35 financial management (~~(shall)~~) must adopt and periodically update an  
36 accounting procedures manual. Any agency maintaining its own  
37 accounting and reporting system (~~(shall)~~) must comply with the  
38 updated accounting procedures manual and the rules of the director  
39 adopted under this chapter. An agency may receive a waiver from

1 complying with this requirement if the waiver is approved by the  
2 director. Waivers expire at the end of the fiscal biennium for which  
3 they are granted. The director (~~shall~~) must forward notice of  
4 waivers granted to the appropriate legislative fiscal committees. The  
5 director of financial management may require such financial,  
6 statistical, and other reports as the director deems necessary from  
7 all agencies covering any period.

8 (~~(2)~~) (3) Except as provided in chapter 43.88C RCW, the  
9 director of financial management is responsible for quarterly  
10 reporting of primary operating budget drivers such as applicable  
11 workloads, caseload estimates, and appropriate unit cost data. These  
12 reports (~~shall~~) must be transmitted to the legislative fiscal  
13 committees or by electronic means to the legislative evaluation and  
14 accountability program committee. Quarterly reports (~~shall~~) must  
15 include actual monthly data and the variance between actual and  
16 estimated data to date. The reports (~~shall~~) must also include  
17 estimates of these items for the remainder of the budget period.

18 (~~(3)~~) (4) The director of financial management (~~shall~~) must  
19 report at least annually to the appropriate legislative committees  
20 regarding the status of all appropriated capital projects, including  
21 transportation projects, showing significant cost overruns or  
22 underruns. If funds are shifted from one project to another, the  
23 office of financial management (~~shall~~) must also reflect this in  
24 the annual variance report. Once a project is complete, the report  
25 (~~shall~~) must provide a final summary showing estimated start and  
26 completion dates of each project phase compared to actual dates,  
27 estimated costs of each project phase compared to actual costs, and  
28 whether or not there are any outstanding liabilities or unsettled  
29 claims at the time of completion.

30 (~~(4)~~) (5) In addition, the director of financial management, as  
31 agent of the governor, (~~shall~~) must:

32 (a) Develop and maintain a system of internal controls and  
33 internal audits comprising methods and procedures to be adopted by  
34 each agency that will safeguard its assets, check the accuracy and  
35 reliability of its accounting data, promote operational efficiency in  
36 cooperation with the office of performance management, and encourage  
37 adherence to prescribed managerial policies for accounting and  
38 financial controls. The system developed by the director (~~shall~~)  
39 must include criteria for determining the scope and comprehensiveness

1 of internal controls required by classes of agencies, depending on  
2 the level of resources at risk.

3 (i) For those agencies that the director determines internal  
4 audit is required, the agency head or authorized designee (~~shall~~)  
5 must be assigned the responsibility and authority for establishing  
6 and maintaining internal audits following professional audit  
7 standards including generally accepted government auditing standards  
8 or standards adopted by the institute of internal auditors, or both.

9 (ii) For those agencies that the director determines internal  
10 audit is not required, the agency head or authorized designee may  
11 establish and maintain internal audits following professional audit  
12 standards including generally accepted government auditing standards  
13 or standards adopted by the institute of internal auditors, or both,  
14 but at a minimum must comply with policies as established by the  
15 director to assess the effectiveness of the agency's systems of  
16 internal controls and risk management processes;

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

23 (c) Establish policies for allowing the contracting of child care  
24 services;

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

27 (e) Review any pay and classification plans, and changes  
28 thereunder, developed by any agency for their fiscal impact(~~PROVIDED, That~~). However, none of the provisions of this subsection  
29 shall affect merit systems of personnel management now existing or  
30 hereafter established by statute relating to the fixing of  
31 qualifications requirements for recruitment, appointment, or  
32 promotion of employees of any agency. The director (~~shall~~) must  
33 advise and confer with agencies including appropriate standing  
34 committees of the legislature as may be designated by the speaker of  
35 the house and the president of the senate regarding the fiscal impact  
36 of such plans and may amend or alter the plans, except that for the  
37 following agencies no amendment or alteration of the plans may be  
38 made without the approval of the agency concerned: Agencies headed by  
39 elective officials;  
40

1 (f) Fix the number and classes of positions or authorized  
2 employee years of employment for each agency and during the fiscal  
3 period amend the determinations previously fixed by the director  
4 except that the director (~~((shall not be))~~) is not empowered to fix the  
5 number or the classes for the following: Agencies headed by elective  
6 officials;

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

9 ~~((+5+))~~ (6)(a) The treasurer (~~((shall))~~) must:

10 ~~((+a+))~~ (i) Receive, keep, and disburse all public funds of the  
11 state not expressly required by law to be received, kept, and  
12 disbursed by some other persons(~~((+PROVIDED, That))~~). However, this  
13 subsection (~~((shall))~~) does not apply to those public funds of the  
14 institutions of higher learning which are not subject to  
15 appropriation;

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

18 ~~((+c+))~~ (iii) Keep a correct and current account of all moneys  
19 received and disbursed by the treasurer, classified by fund or  
20 account;

21 ~~((+d+))~~ (iv) Coordinate agencies' acceptance and use of credit  
22 cards and other payment methods, if the agencies have received  
23 authorization under RCW 43.41.180;

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

26 (b) It (~~((shall be))~~) is unlawful for the treasurer to disburse  
27 public funds in the treasury except upon forms or by alternative  
28 means duly prescribed by the director of financial management. These  
29 forms or alternative means (~~((shall))~~) must provide for authentication  
30 and certification by the agency head or the agency head's designee  
31 that the services have been rendered or the materials have been  
32 furnished; or, in the case of loans or grants, that the loans or  
33 grants are authorized by law; or, in the case of payments for  
34 periodic maintenance services to be performed on state owned  
35 equipment, that a written contract for such periodic maintenance  
36 services is currently in effect; and the treasurer (~~((shall not be))~~)  
37 is not liable under the treasurer's surety bond for erroneous or  
38 improper payments so made. When services are lawfully paid for in  
39 advance of full performance by any private individual or business  
40 entity other than equipment maintenance providers or as provided for

1 by RCW 42.24.035, (~~such~~) the individual or entity other than  
2 central stores rendering such services (~~shall~~) must make a cash  
3 deposit or furnish surety bond coverage to the state (~~as shall be~~  
4 ~~fixed~~) in an amount fixed by law, or if not fixed by law, then in  
5 (~~such amounts as shall be~~) an amount fixed by the director of the  
6 department of enterprise services but in no case (~~shall such~~) may  
7 the required cash deposit or surety bond be less than an amount  
8 (~~which~~) that will fully indemnify the state against any and all  
9 losses on account of breach of promise to fully perform such  
10 services. No payments (~~shall~~) may be made in advance for any  
11 equipment maintenance services to be performed more than twelve  
12 months after such payment except that institutions of higher  
13 education as defined in RCW 28B.10.016 and the consolidated  
14 technology services agency created in RCW 43.105.006 may make  
15 payments in advance for equipment maintenance services to be  
16 performed up to sixty months after such payment. Any such bond so  
17 furnished (~~shall~~) must be conditioned that the person, firm or  
18 corporation receiving the advance payment will apply it toward  
19 performance of the contract. The responsibility for recovery of  
20 erroneous or improper payments made under this section (~~shall~~) lies  
21 with the agency head or the agency head's designee in accordance with  
22 rules issued pursuant to this chapter. Nothing in this section  
23 (~~shall~~) may be construed to permit a public body to advance funds  
24 to a private service provider pursuant to a grant or loan before  
25 services have been rendered or material furnished.

26 (~~(+6)~~) (7)(a) The state auditor (~~shall~~) must:

27 (~~(+a)~~) (i) Report to the legislature the results of current post  
28 audits that have been made of the financial transactions of each  
29 agency; to this end the auditor may, in the auditor's discretion,  
30 examine the books and accounts of any agency, official, or employee  
31 charged with the receipt, custody, or safekeeping of public funds.  
32 Where feasible in conducting examinations, the auditor (~~shall~~) must  
33 utilize data and findings from the internal control system prescribed  
34 by the office of financial management. The current post audit of each  
35 agency may include a section on recommendations to the legislature as  
36 provided in (~~(+e)~~) (a)(iii) of this subsection.

37 (~~(+b)~~) (ii) Give information to the legislature, whenever  
38 required, upon any subject relating to the financial affairs of the  
39 state.



1       (~~(c)~~) (iii) Make the auditor's official report on or before the  
2 thirty-first of December which precedes the meeting of the  
3 legislature. The report (~~shall~~) must be for the last complete  
4 fiscal period and (~~shall~~) must include determinations as to whether  
5 agencies, in making expenditures, complied with the laws of this  
6 state. The state auditor is authorized to perform or participate in  
7 performance verifications and performance audits as expressly  
8 authorized by the legislature in the omnibus biennial appropriations  
9 acts or in the performance audit work plan approved by the joint  
10 legislative audit and review committee. The state auditor, upon  
11 completing an audit for legal and financial compliance under chapter  
12 43.09 RCW or a performance verification, may report to the joint  
13 legislative audit and review committee or other appropriate  
14 committees of the legislature, in a manner prescribed by the joint  
15 legislative audit and review committee, on facts relating to the  
16 management or performance of governmental programs where such facts  
17 are discovered incidental to the legal and financial audit or  
18 performance verification. The auditor may make such a report to a  
19 legislative committee only if the auditor has determined that the  
20 agency has been given an opportunity and has failed to resolve the  
21 management or performance issues raised by the auditor. If the  
22 auditor makes a report to a legislative committee, the agency may  
23 submit to the committee a response to the report. This subsection  
24 (~~(6) shall~~) (7) may not be construed to authorize the auditor to  
25 allocate other than de minimis resources to performance audits except  
26 as expressly authorized in the appropriations acts or in the  
27 performance audit work plan. The results of a performance audit  
28 conducted by the state auditor that has been requested by the joint  
29 legislative audit and review committee must only be transmitted to  
30 the joint legislative audit and review committee.

31       (~~(d)~~) (iv) Be empowered to take exception to specific  
32 expenditures that have been incurred by any agency or to take  
33 exception to other practices related in any way to the agency's  
34 financial transactions and to cause such exceptions to be made a  
35 matter of public record, including disclosure to the agency concerned  
36 and to the director of financial management. It (~~shall be~~) is the  
37 duty of the director of financial management to cause corrective  
38 action to be taken within six months, such action to include, as  
39 appropriate, the withholding of funds as provided in RCW 43.88.110.  
40 The director of financial management (~~shall~~) must annually report

1 by December 31st the status of audit resolution to the appropriate  
2 committees of the legislature, the state auditor, and the attorney  
3 general. The director of financial management (~~shall~~) must include  
4 in the audit resolution report actions taken as a result of an audit  
5 including, but not limited to, types of personnel actions, costs and  
6 types of litigation, and value of recouped goods or services.

7 ~~((e))~~ (v) Promptly report any irregularities to the attorney  
8 general.

9 ~~((f))~~ (vi) Investigate improper governmental activity under  
10 chapter 42.40 RCW.

11 (b) In addition to the authority given to the state auditor in  
12 this subsection (~~((6))~~) (7), the state auditor is authorized to  
13 conduct performance audits identified in RCW 43.09.470. Nothing in  
14 this subsection (~~((6) shall)~~) (7) may limit, impede, or restrict the  
15 state auditor from conducting performance audits identified in RCW  
16 43.09.470.

17 ~~((7))~~ (8) The joint legislative audit and review committee may:

18 (a) Make post audits of the financial transactions of any agency  
19 and management surveys and program reviews as provided for in chapter  
20 44.28 RCW as well as performance audits and program evaluations. To  
21 this end the joint committee may in its discretion examine the books,  
22 accounts, and other records of any agency, official, or employee.

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

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

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

32 (ii) (~~Such plans as it~~) Plans that the committee deems  
33 expedient for the support of the state's credit, for lessening  
34 expenditures, for promoting frugality and economy in agency affairs,  
35 and generally for an improved level of fiscal management.

36 **Sec. 16.** RCW 43.88C.010 and 2015 c 128 s 2 are each amended to  
37 read as follows:

38 (1) The caseload forecast council is hereby created. The council  
39 shall consist of two individuals appointed by the governor and four

1 individuals, one of whom is appointed by the chairperson of each of  
2 the two largest political caucuses in the senate and house of  
3 representatives. The chair of the council (~~shall~~) must be selected  
4 from among the four caucus appointees. The council may select such  
5 other officers as the members deem necessary.

6 (2) The council (~~shall~~) must employ a caseload forecast  
7 supervisor to supervise the preparation of all caseload forecasts. As  
8 used in this chapter, "supervisor" means the caseload forecast  
9 supervisor.

10 (3) Approval by an affirmative vote of at least five members of  
11 the council is required for any decisions regarding employment of the  
12 supervisor. Employment of the supervisor (~~shall~~) terminates after  
13 each term of three years. At the end of the first year of each three-  
14 year term the council (~~shall~~) must consider extension of the  
15 supervisor's term by one year. The council may fix the compensation  
16 of the supervisor. The supervisor (~~shall~~) must employ staff  
17 sufficient to accomplish the purposes of this section.

18 (4) The caseload forecast council (~~shall~~) must oversee the  
19 preparation of and approve, by an affirmative vote of at least four  
20 members, the official state caseload forecasts prepared under RCW  
21 43.88C.020. The official forecast as approved by the council must  
22 include estimated savings in forecasted programs from implementation  
23 of the state performance management implementation plan and agency  
24 performance management implementation plans adopted pursuant to  
25 chapter 43.--- RCW (the new chapter created in section 29 of this  
26 act). If the council is unable to approve a forecast before a date  
27 required in RCW 43.88C.020, the supervisor (~~shall~~) must submit the  
28 forecast without approval and the forecast (~~shall have~~) has the  
29 same effect as if approved by the council.

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

34 (6) Members of the caseload forecast council (~~shall~~) serve  
35 without additional compensation but (~~shall~~) must be reimbursed for  
36 travel expenses in accordance with RCW 44.04.120 while attending  
37 sessions of the council or on official business authorized by the  
38 council. Nonlegislative members of the council (~~shall~~) must be  
39 reimbursed for travel expenses in accordance with RCW 43.03.050 and  
40 43.03.060.

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

2 (a) The number of persons expected to meet entitlement  
3 requirements and require the services of public assistance programs,  
4 state correctional institutions, state correctional noninstitutional  
5 supervision, state institutions for juvenile offenders, the common  
6 school system, long-term care, medical assistance, foster care, and  
7 adoption support;

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

11 (c) The number of children who are eligible, as defined in RCW  
12 43.215.405, to participate in, and the number of children actually  
13 served by, the early childhood education and assistance program.

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

17 (9) The caseload forecast council (~~shall~~) must forecast youth  
18 participating in the extended foster care program pursuant to RCW  
19 74.13.031 separately from other children who are residing in foster  
20 care and who are under eighteen years of age.

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

23 **Sec. 17.** RCW 43.88C.020 and 1997 c 168 s 2 are each amended to  
24 read as follows:

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

29 (a) An official state caseload forecast including estimated  
30 savings in forecasted programs resulting from implementation of the  
31 state performance management implementation plan and agency  
32 performance management implementation plans adopted pursuant to  
33 chapter 43.--- RCW (the new chapter created in section 29 of this  
34 act); and

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

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

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

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

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

9 (b) The supervisor, the office of financial management, and the  
10 office of performance management immediate access to all estimated  
11 savings from implementation of the state performance management  
12 implementation plan and agency performance management implementation  
13 plans adopted pursuant to chapter 43.--- RCW (the new chapter created  
14 in section 29 of this act).

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

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

23 **Sec. 18.** RCW 43.09.440 and 2012 c 229 s 817 are each amended to  
24 read as follows:

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

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

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

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

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

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

34        ~~((f))~~ (7) All audits must include consideration of reports  
35 prepared by other government oversight entities. ~~((g))~~ The audits  
36 may include:

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

1       ~~((+ii))~~ (b) Identification of funding sources to the state  
2 agency, to programs, and to services that can be eliminated, reduced,  
3 consolidated, or enhanced;

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

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

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

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

20       ~~((+vii))~~ (g) Verification of the reliability and validity of  
21 agency performance data, ~~((self-assessments))~~ assessments, and  
22 performance measurement systems ~~((as required under RCW 43.88.090))~~  
23 in agency strategic plans and agency performance management  
24 implementation plans adopted pursuant to chapter 43.--- RCW (the new  
25 chapter created in section 29 of this act);

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

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

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

31       ~~((+xi))~~ (k) Evaluation of personnel systems operation and  
32 management;

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

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

38       ~~((+h))~~ (8) The state auditor must solicit comments on  
39 preliminary performance audit reports from the audited state agency,  
40 the office of the governor, the office of financial management, the

1 board, the chairs and ranking members of appropriate legislative  
2 committees, and the joint legislative audit and review committee for  
3 comment. Comments must be received within thirty days after receipt  
4 of the preliminary performance audit report unless a different time  
5 period is approved by the state auditor. All comments ~~((shall))~~ must  
6 be incorporated into the final performance audit report. The final  
7 performance audit report ~~((shall))~~ must include the objectives,  
8 scope, and methodology; the audit results, including findings and  
9 recommendations; conclusions; and identification of best practices.

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

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

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

25 **Sec. 19.** RCW 43.09.470 and 2006 c 1 s 2 are each amended to read  
26 as follows:

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

30 (a) State government and each of its agencies, accounts, and  
31 programs, including 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 29  
34 of this act);

35 (b) Local governments and each of their agencies, accounts, and  
36 programs;

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



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

3        (e) Other governmental entities, agencies, accounts, and  
4 programs. (~~The term~~)

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

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

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

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

26        ~~((2))~~ (b) Identification of services that can be reduced or  
27 eliminated;

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

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

32        ~~((5))~~ (e) Feasibility of pooling information technology systems  
33 within the department;

34        ~~((6))~~ (f) Analysis of the roles and functions of the  
35 department, and recommendations to change or eliminate departmental  
36 roles or functions;

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

1       (~~(8)~~)    (h) Analysis of departmental performance data,  
2 performance measures, and (~~(self-assessment)~~) assessment systems in  
3 the state performance management implementation plan and agency  
4 performance management implementation plans adopted pursuant to  
5 chapter 43.--- RCW (the new chapter created in section 29 of this  
6 act); and

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

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

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

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

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

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

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

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

32       (12) For performance audits of state government and its agencies,  
33 programs, and accounts, the legislature must consider the state  
34 auditor reports in connection with the legislative appropriations  
35 process.

36       (13) An annual report (~~(will)~~) must be submitted by the joint  
37 legislative audit and review committee by July 1st of each year  
38 detailing the status of the legislative implementation of the state  
39 auditor's recommendations. Justification must be provided for

1 recommendations not implemented. Details of other corrective action  
2 must be provided as well.

3 (14) For performance audits of local governments and their  
4 agencies, programs, and accounts, the corresponding legislative body  
5 must consider the state auditor reports in connection with its  
6 spending practices. An annual report (~~((will))~~) must be submitted by  
7 the legislative body by July 1st of each year detailing the status of  
8 the legislative implementation of the state auditor's  
9 recommendations. Justification must be provided for recommendations  
10 not implemented. Details of other corrective action must be provided  
11 as well.

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

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

21 **Sec. 20.** RCW 46.68.290 and 2015 3rd sp.s. c 43 s 604 are each  
22 amended to read as follows:

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

31 (2) The legislature finds that:

32 (a) Citizens demand and deserve accountability of transportation-  
33 related programs and expenditures. Transportation-related programs  
34 must continuously improve in quality, efficiency, and effectiveness  
35 in order to increase public trust;

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

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

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

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

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

21 (4) Within the authorities and duties under chapter 43.09 RCW,  
22 the state auditor (~~shall~~) must establish criteria and protocols for  
23 performance audits. Transportation-related agencies (~~shall~~) must be  
24 audited using criteria that include generally accepted government  
25 auditing standards as well as legislative mandates and performance  
26 objectives established by state agencies. Mandates include, but are  
27 not limited to, agency strategies, timelines, program objectives, and  
28 mission and goals as required in (~~RCW 43.88.090~~) agency strategic  
29 plans and agency performance management implementation plans adopted  
30 pursuant to chapter 43.--- RCW (the new chapter created in section 29  
31 of this act).

32 (5) Within the authorities and duties under chapter 43.09 RCW,  
33 the state auditor may conduct performance audits for transportation-  
34 related agencies. The state auditor (~~shall~~) must contract with  
35 private firms to conduct the performance audits. (~~(+6)~~) The audits  
36 may include:

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

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

4 (c) Analysis of gaps and overlaps in programs and services and  
5 recommendations for improving, dropping, blending, or separating  
6 functions to correct gaps or overlaps;

7 (d) Analysis and recommendations for pooling information  
8 technology systems used within the transportation-related agency, and  
9 evaluation of information processing and telecommunications policy,  
10 organization, and management;

11 (e) Analysis of the roles and functions of the transportation-  
12 related agency, its programs, and its services and their compliance  
13 with statutory authority and recommendations for eliminating or  
14 changing those roles and functions and ensuring compliance with  
15 statutory authority;

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

20 (g) Verification of the reliability and validity of  
21 transportation-related agency performance data, (~~self-assessments~~)  
22 assessments, and performance measurement systems as required (~~under~~  
23 RCW 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 29 of this act);

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

28 (i) Identification and recognition of best practices;

29 (j) Evaluation of planning, budgeting, and program evaluation  
30 policies and practices;

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

32 (l) Evaluation of purchasing operations and management policies  
33 and practices;

34 (m) Evaluation of organizational structure and staffing levels,  
35 particularly in terms of the ratio of managers and supervisors to  
36 nonmanagement personnel; and

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

1       (~~(7)~~) (6) Within the authorities and duties under chapter 43.09  
2 RCW, the state auditor must provide the preliminary performance audit  
3 reports to the audited state agency for comment. The auditor also may  
4 seek input on the preliminary report from other appropriate  
5 officials. Comments must be received within thirty days after receipt  
6 of the preliminary performance audit report unless a different time  
7 period is approved by the state auditor. The final performance audit  
8 report (~~(shall)~~) must include the objectives, scope, and methodology;  
9 the audit results, including findings and recommendations; the  
10 agency's response and conclusions; and identification of best  
11 practices.

12       (~~(8)~~) (7) The state auditor (~~(shall)~~) must provide final  
13 performance audit reports to the citizens of Washington, the  
14 governor, the joint legislative audit and review committee, the  
15 appropriate legislative committees, and other appropriate officials.  
16 Final performance audit reports (~~(shall)~~) must be posted on the  
17 internet.

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

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

37       (b) The auditor may request status reports on specific audits or  
38 findings.

39       (10) For the period from July 1, 2005, until June 30, 2007, the  
40 amount of \$4,000,000 is appropriated from the transportation

1 partnership account to the state auditors office for the purposes of  
2 subsections (2) through (~~(9)~~) (8) of this section.

3 (11) During the 2015-2017 fiscal biennium, the legislature may  
4 transfer from the transportation partnership account to the  
5 connecting Washington account such amounts as reflect the excess fund  
6 balance of the transportation partnership account.

7 **Sec. 21.** RCW 47.04.280 and 2016 c 35 s 3 are each amended to  
8 read as follows:

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

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

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

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

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

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

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

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

34 (3) These policy goals are intended to be the basis for  
35 establishing detailed and measurable objectives and related  
36 performance measures.

37 (~~It is the intent of the legislature that the office of~~  
38 ~~financial management, in consultation with the transportation~~  
39 ~~commission, establish objectives and performance measures for)) The~~

1 department and other state agencies with transportation-related  
2 responsibilities must include policy goals in subsection (1) of this  
3 section in agency strategic plans and agency performance management  
4 implementation plans adopted pursuant to chapter 43.--- RCW (the new  
5 chapter created in section 29 of this act) to ensure that  
6 transportation system performance at local, regional, and state  
7 government levels progresses toward the attainment of the policy  
8 goals ((~~set forth in subsection (1) of this section. The office of~~  
9 ~~financial management shall submit objectives and performance measures~~  
10 ~~to the legislature for its review and shall provide copies of the~~  
11 ~~same to the commission during each regular session of the legislature~~  
12 ~~during an even-numbered year thereafter)).~~

13 (5) A local or regional agency engaging in transportation  
14 planning may voluntarily establish objectives and performance  
15 measures to demonstrate progress toward the attainment of the policy  
16 goals set forth in subsection (1) of this section or any other  
17 transportation policy goals established by the local or regional  
18 agency. A local or regional agency engaging in transportation  
19 planning is encouraged to provide local and regional objectives and  
20 performance measures to be included ((~~with the objectives and~~  
21 ~~performance measures submitted to the legislature pursuant to~~  
22 ~~subsection (4) of this section)) in agency strategic plans and agency  
23 performance management implementation plans adopted pursuant to  
24 chapter 43.--- RCW (the new chapter created in section 29 of this  
25 act).~~

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

27 **Sec. 22.** RCW 47.60.140 and 2003 c 374 s 2 are each amended to  
28 read as follows:

29 (1) The department is empowered to operate such ferry system,  
30 including all operations, whether intrastate or international, upon  
31 any route or routes, and toll bridges as a revenue-producing and  
32 self-liquidating undertaking. The department has full charge of the  
33 construction, rehabilitation, rebuilding, enlarging, improving,  
34 operation, and maintenance of the ferry system, including toll  
35 bridges, approaches, and roadways incidental thereto that may be  
36 authorized by the department, including the collection of tolls and  
37 other charges for the services and facilities of the undertaking. The  
38 department has the exclusive right to enter into leases and contracts  
39 for use and occupancy by other parties of the concessions and space



1 located on the ferries, wharves, docks, approaches, parking lots, and  
2 landings, including the selling of commercial advertising space and  
3 licenses to use the Washington State Ferries trademarks, but, except  
4 as provided in subsection (2) of this section, no such leases or  
5 contracts may be entered into for more than ten years, nor without a  
6 competitive contract process, except as otherwise provided in this  
7 section. The competitive process (~~shall~~) must be (~~either~~) an  
8 invitation for bids in accordance with the process established by  
9 chapter 43.19 RCW(~~, or a request for proposals in accordance with~~  
10 ~~the process established by RCW 47.56.030~~). All revenues from  
11 commercial advertising, concessions, parking, leases, and contracts  
12 must be deposited in the Puget Sound ferry operations account (~~in~~  
13 ~~accordance with RCW 47.60.150~~).

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

29 (3) The department (~~shall~~) must include in the strategic  
30 planning and performance assessment process, as required (~~by RCW~~  
31 ~~43.88.090~~) in agency strategic plans and agency performance  
32 management implementation plans adopted pursuant to chapter 43.---  
33 RCW (the new chapter created in section 29 of this act), an analysis  
34 of the compatibility of public and private partnerships with the  
35 state ferry system's core business, and the department's efforts to  
36 maximize nonfarebox revenues and provide benefit to the public users  
37 of the ferry system facilities. The department (~~shall~~) must include  
38 an assessment of the need for an open solicitation to identify and  
39 select possible public or private partnerships in order to maximize

1 the value of projects and the state's investment in current and  
2 future ferry system operations.

3 (a) When the department determines that an open solicitation is  
4 necessary, a request for proposal (~~shall~~) must be released,  
5 consisting of an open solicitation outlining functional  
6 specifications to be used as the basis for selecting partnerships in  
7 the project.

8 (b) Any responses to the request for proposal (~~shall~~) must be  
9 evaluated, at a minimum, on the basis of compatibility with the state  
10 ferry system's core business, potential to maximize nonfarebox  
11 revenue, longevity of the possible partnership commitment, and  
12 benefit to the public users of the ferry system facilities.

13 (c) If no responses are received, or those that are received are  
14 incompatible with ferry system operations, or do not meet the  
15 criteria stated in (b) of this subsection, the state ferry system may  
16 proceed with state ferry system operating strategies designed to  
17 achieve state ferry system objectives without established  
18 partnerships.

19 **Sec. 23.** RCW 70.94.551 and 2015 c 225 s 105 are each amended to  
20 read as follows:

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

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

7 (3) The department of transportation (~~shall~~) must develop a  
8 joint comprehensive commute trip reduction plan for all state  
9 agencies, including institutions of higher education, located in the  
10 Olympia, Lacey, and Tumwater urban growth areas.

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

21 (b) The joint comprehensive commute trip reduction plan must  
22 build on existing commute trip reduction programs and policies. At a  
23 minimum, the joint comprehensive commute trip reduction plan must  
24 include strategies for telework and flexible work schedules, parking  
25 management, and consideration of the impacts of worksite location and  
26 design on multimodal transportation options.

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

29 (d) The joint comprehensive commute trip reduction plan may  
30 include strategies to accommodate differences in worksite size and  
31 location.

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

36 (f) Not more than ninety days after the adoption of the joint  
37 comprehensive commute trip reduction plan, state agencies within the  
38 three urban growth areas must implement a commute trip reduction  
39 program consistent with the objectives and strategies of the joint  
40 comprehensive commute trip reduction plan.

1 (4) The department of transportation (~~shall~~) must review the  
2 initial commute trip reduction program of each state agency subject  
3 to the commute trip reduction plan for state agencies to determine if  
4 the program is likely to meet the applicable commute trip reduction  
5 goals and notify the agency of any deficiencies. If it is found that  
6 the program is not likely to meet the applicable commute trip  
7 reduction goals, the department of transportation will work with the  
8 agency to modify the program as necessary.

9 (5) Each state agency implementing a commute trip reduction plan  
10 (~~shall~~) must report at least once per year to its agency director  
11 on the performance of the agency's commute trip reduction program as  
12 part of the agency's (~~quality management, accountability, and~~  
13 ~~performance system as defined by RCW 43.17.385~~) performance  
14 management implementation plan adopted pursuant to chapter 43.--- RCW  
15 (the new chapter created in section 29 of this act). The reports  
16 (~~shall~~) must assess the performance of the program, progress toward  
17 state goals established under RCW 70.94.537, and recommendations for  
18 improving the program.

19 (6) The department of transportation (~~shall~~) must review the  
20 agency performance reports defined in subsection (5) of this section  
21 and submit a biennial report for state agencies subject to this  
22 chapter to the governor and incorporate the report in the commute  
23 trip reduction board report to the legislature as directed in RCW  
24 70.94.537(6). The report (~~shall~~) must include, but is not limited  
25 to, an evaluation of the most recent measurement results, progress  
26 toward state goals established under RCW 70.94.537, and  
27 recommendations for improving the performance of state agency commute  
28 trip reduction programs. The information (~~shall~~) must be reported  
29 in a form established by the commute trip reduction board.

30 **Sec. 24.** RCW 2.56.200 and 2005 c 385 s 10 are each amended to  
31 read as follows:

32 The office of the administrator for the courts is encouraged to  
33 conduct performance audits of courts under the authority of the  
34 supreme court, in conformity with criteria and methods developed by  
35 the board for judicial administration that have been approved by the  
36 supreme court. In developing criteria and methods for conducting  
37 performance audits, the board for judicial administration is  
38 encouraged to consider quality improvement programs, audits, and  
39 scoring. The judicial branch is encouraged to submit the results of

1 these efforts to the chief justice of the supreme court or his or her  
2 designee, (~~and with~~) to any other applicable boards or committees  
3 established under the authority of the supreme court to oversee  
4 government accountability, and to the legislature.

5 **Sec. 25.** RCW 44.04.260 and 2012 c 229 s 204 and 2012 c 113 s 6  
6 are each reenacted and amended to read as follows:

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

25 (2) The facilities and operations committee of the senate and the  
26 executive rules committee of the house of representatives are  
27 encouraged to cooperate with the office of performance management and  
28 to adopt agency performance management implementation plans and  
29 conduct excellence assessments of operations pursuant to chapter  
30 43.--- RCW (the new chapter created in section 29 of this act).

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

33 (1) The department must enter into a partnership with the  
34 national institutes of standards and technology, United States  
35 department of commerce, and performance excellence northwest and  
36 Washington state quality award to develop a suite of web-based  
37 classroom training modules for employees, middle managers,  
38 supervisors, and senior agency leaders.

1 (2) The training modules must:

2 (a) Build fundamental knowledge and skills regarding agency  
3 strategic plans, agency ethics plans, agency performance management  
4 implementation plans, excellence assessments, and other requirements  
5 in chapter 43.--- RCW (the new chapter created in section 29 of this  
6 act), enabling state agencies and partner organizations to achieve  
7 measurable results; and

8 (b) Be completed and approved by the office of performance  
9 management by September 1, 2017.

10 NEW SECTION. **Sec. 27.** RCW 43.17.380 (Quality management,  
11 accountability, and performance system—Definitions) and 2005 c 384 s  
12 2 are each repealed.

13 NEW SECTION. **Sec. 28.** This act may be known and cited as the  
14 performance management act.

15 NEW SECTION. **Sec. 29.** Sections 1 through 6 of this act  
16 constitute a new chapter in Title 43 RCW.

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