

# HOUSE BILL REPORT

## ESSB 6680

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### As Passed House - Amended:

March 1, 1996

**Title:** An act relating to the performance assessment of state government.

**Brief Description:** Strengthening legislative review of agency performance.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Snyder, McDonald, Loveland, Sellar, Rinehart, West, Strannigan, Quigley, Cantu, Oke, Winsley, Kohl, Long and Roach).

### Brief History:

#### Committee Activity:

Government Operations: 2/21/96, 2/23/96 [DPA];

Appropriations: 2/24/96 [DPA(APP w/o GOVT)s].

#### Floor Activity:

Passed House - Amended: 3/1/96, 97-0.

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### HOUSE COMMITTEE ON GOVERNMENT OPERATIONS

**Majority Report:** Do pass as amended. Signed by 15 members: Representatives Reams, Chairman; Cairnes, Vice Chairman; Goldsmith, Vice Chairman; Rust, Ranking Minority Member; Scott, Assistant Ranking Minority Member; Conway; R. Fisher; Hargrove; Honeyford; Hymes; Mulliken; Scheuerman; D. Schmidt; Van Loven and Wolfe.

**Staff:** Bill Lynch (786-7092).

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** Do pass as amended by Committee on Appropriations and without amendment by Committee on Government Operations. Signed by 25 members: Representatives Huff, Chairman; Clements, Vice Chairman; Pelesky, Vice Chairman; H. Sommers, Ranking Minority Member; Valle, Assistant Ranking Minority Member; Brumsickle; Carlson; Cooke; Crouse; Dyer; Foreman; Grant; Hickel; Kessler; Lambert; Linville; McMorris; Poulsen; Reams; Rust; Sehlin; Sheahan; Silver; Smith and Wolfe.

**Staff:** Kristen Reiber (786-7148).

**Background:** The Washington Performance Partnership (WPP) was created in 1994 to help improve the performance of state government, measured in terms of quality, accountability, cost-effectiveness, and productivity. The WPP Council consists of the Governor, the majority leader and minority leader of the Senate, the Speaker and the minority leader of the House of Representatives, and two statewide elected officials appointed by the Governor. The council can authorize programs to implement the purposes of the partnership, review recommendations of the WPP Operating Committee, and make recommendations for statutory changes.

The WPP Operating Committee is composed of no more than 12 members, including the Director of the Office of Financial Management (OFM), directors of state agencies, state employees and representatives of state employees, representatives of the private sector with expertise in organizational improvement strategies, and representatives of the Legislature. The operating committee is responsible for the day-to-day operations of the improvement process and for making recommendations to the WPP Council.

The WPP was created as a two-track process for the long-term improvement of state government. The first track was intended to clarify the goals and priorities of state government consistent with what the citizens desire. The second track was intended to focus on the improvement of services and programs by state government by measuring performance toward intended results, identifying barriers to performance, creating incentives for better performance, and redesigning systems. Little progress has been made towards achieving the objectives of the WPP.

The Legislative Budget Committee is authorized to conduct performance audits, program evaluations, and management surveys to review compliance with statutes and to see if program goals are being achieved in an efficient and effective manner.

The State Auditor may conduct performance verifications when authorized by the Legislature to verify the accuracy of measurements and reports used by agencies in measuring their performance.

### **Summary of Bill:**

#### **A. Legislative Committee on Performance Review**

The Washington Performance Partnership is repealed and the Legislative Committee on Performance Review (LCPR) is established. The LCPR is composed of the majority and minority leaders of the Senate, the majority and minority leaders of the House of Representatives, the chair and ranking minority member of the Senate Ways and Means Committee, the chair and the ranking minority member of the House

Appropriations Committee, an additional member from each of the four legislative caucuses, and the Lieutenant Governor who serves as the nonvoting chair of the LCPR.

An executive committee consisting of the majority and minority leaders of both the House and Senate appoint the director of the Legislative Office of Performance Review. Approval is required by at least three members of the executive committee to hire the director. The director is hired for a three-year term, which may be extended by an additional year. The executive committee sets the salary of the director. The executive committee may terminate the employment of the director by a unanimous vote. The director may hire staff in consultation with the executive committee.

### **B. Role of the Director**

The director is primarily responsible for performance reviews of state agencies, programs, and activities. The director is required to work in consultation with the State Auditor, the Legislative Auditor, and the Director of the Office of Financial Management in conducting performance reviews. The director is also required to consult with the chairs and staff of the appropriate legislative committees. The director must also involve frontline employees, program managers, customers of program services, taxpayers, legislators and legislative staff, Office of Financial Management staff, and other public and private sector experts as appropriate in conducting performance reviews.

The director may contract with experts in the private or public sector to assist in performance reviews.

### **C. Performance Review**

Before the end of each legislative session, the LCPR must approve a performance review plan for the subsequent 12 to 15 months. The plan must include a schedule of agencies, programs, or activities for which performance review will be initiated. The plan must indicate the role of the LCPR, the State Auditor, and the need to contract for additional expertise. The director must consult with the State Auditor, the director of Financial Management, the chairs and staff of appropriate legislative committees, and the chair and staff of the Legislative Budget Committee in preparing the plan.

In preparation for a performance review, an agency must identify each of its discrete functions or activities, including the associated costs and full-time equivalent staff, as requested by the director.

Performance reviews must include a rethinking of the program and functions of state agencies to assess whether they have valid missions. The director must identify the activities and programs that should be strengthened, abandoned, redirected, or which require the exploration of alternatives.

Some of the factors that should be considered in a performance review include whether the purpose of the program is still valid; the relative priority of the program among the agency's functions; costs or implications of not performing the function; and whether the mission of the agency or program is attainable considering factors beyond the agency's control.

A performance review must also determine the existence and utility of a vital agency or program strategic plan. These must include a concise statement of mission, a vision for future direction, measurable goals and objectives, and clear strategies to achieve them. The director must determine the extent to which the plan forms the basis of agency management practices.

The director must also develop recommendations regarding statutes that inhibit the agency's ability to perform its functions effectively and efficiently, in consultation with the Director of the Office of Financial Management and the director of the agency being reviewed.

If an agency has not identified acceptable organizations or programs to be used as benchmarks against which to measure performance, the director must conduct a review sufficient to recommend such benchmarks to the agency, Governor, and Legislature.

The director is required to develop an advisory recommendation for the Governor and the Legislature regarding whether the agency or programs of an agency should be continued, abandoned, or restructured.

When a performance review is completed, the agency and OFM may respond to the review. These responses are incorporated into the final report. The LCPR may also comment on the findings, which are incorporated into the final report as a separate addendum. Final reports must be transmitted to the agency, the Director of the Office of Financial Management, and appropriate legislative committees, and must be made available for public review.

The State Auditor is authorized to participate in performance reviews, subject to the annual plan.

The performance review revolving fund is established. The director may assess agencies all, or a part of, the cost of performance reviews. The fund is subject to appropriation.

#### **D. Agency Mission Statements, Goals, and Objectives**

As part of the requirements for budget development, agencies are required to develop mission statements and establish measurable goals for achieving results. Agencies must also develop strategies and timelines for achieving their goals. The budget document must contain a description of the findings and recommendations of each review conducted by the LCPR during the prior fiscal period, including any recommendations for program elimination.

Each agency is required to establish program objectives for each major program in its budget. The objectives must be expressed in an outcome-based, objective, and measurable form to the extent it is practicable. OFM must provide necessary professional and technical assistance to agencies in developing agency mission statements, measurable goals, strategies, and performance measurement systems. Each agency must adopt procedures for continuous self-assessment.

OFM must develop a plan to merge the budget development process with the agency performance assessment process. The plan must include a schedule to achieve this integration over a six-year period, beginning in the 1997-99 biennium. OFM is required to recommend statutory and procedural modifications to the state budgeting and reporting systems to achieve this integration in consultation with the legislative fiscal committees. The plan and recommendations must be submitted to the legislative fiscal committees by September 30, 1996.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which bill is passed. However, the bill is null and void if not funded in the budget.

**Testimony For:** (Government Operations) There needs to be linkage between agency performance and the Legislature. Agencies and the Legislature will have better information. This is similar to what some private companies do to improve performance.

(Appropriations) None.

**Testimony Against:** (Government Operations) None.

(Appropriations) None.

**Testified:** (Government Operations) Senator Rinehart; Senator Strannigan; and Richard Zimmerman, Washington Performance Partnership.

(Appropriations) None.