SENATE BILL REPORT

SB 6680

As Reported By Senate Committee On:
Ways & Means, January 25, 1996

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

Brief Description: Strengthening legislative review of agency performance.

Sponsors: Senators Snyder, McDonald, Loveland, Sellar, Rinehart, West, Strannigan, Quigley, Cantu, Oke, Winsley, Kohl, Long and Roach.

Brief History:

Committee Activity: Ways & Means: 1/24/96, 1/25/96 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6680 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Bauer, Cantu, Drew, Finkbeiner, Fraser, Hargrove, Hochstatter, Johnson, Kohl, Long, McDonald, Pelz, Roach, Sheldon, Snyder, Spanel, Strannigan, Sutherland, West, Winsley and Wojahn.

Staff: Stan Pynch (786-7512)

Background: Authority and responsibility for performance assessment, performance audits, and performance improvement is vested in a number of agencies within state government.

The Legislature created the Washington Performance Partnership (WPP) in 1994, directed at improving the performance of state government, measured in terms of quality, accountability, cost-effectiveness, and productivity. The WPP was created as a two-tracked process for the long-term improvement of state government. The first area of effort was intended to clarify the purpose(s), goals, basic services, and priorities of state government, consistent with the desires of the public. The second area of effort is a focus on improving performance of programs and services by clarifying objectives, measuring performance, analyzing processes, and redesigning systems.

Staff of the WPP continues to work on the second area of effort in a limited number of agencies. The first area of effort has received little attention, resulting in part from a lack of consensus regarding a workable approach. The WPP Council, consisting of legislators, agency officials, labor representatives, and private sector experts has not held a meeting for about a year.

In addition, the Legislative Budget Committee (LBC) is authorized to conduct performance audits, program evaluations, and management surveys, all of which are intended to provide independent examination of agency and program performance, along with recommendations for improvement. LBC examinations are intended to review compliance with statutes and intended purposes, efficiency, economy, effectiveness, potential duplication, required modifications, and the extent to which program goals and objectives are achieved.

Currently, the State Auditor is authorized to conduct performance verifications to verify the accuracy of measurements and reports used by agencies in measuring their performance. Such performance verifications must be specifically authorized in the omnibus biennial appropriations act.

Summary of Substitute Bill: The Legislative Committee on Performance Review (LCPR) is established. The 13-member bipartisan committee consists of the minority and majority leaders of each house, the chairs and ranking minority members of the appropriations committees of each house, four additional members--one from each caucus, and the Lieutenant Governor, who serves as a nonvoting member and chair of the committee. An executive committee consisting of the minority and majority leaders of each house appoints a director of the Legislative Office of Performance Review (LOPR). The director is employed through a three-year contract, renewable at the end of each year by an affirmative vote of three of the four members. At any time during the term of the contract, the employment of the director may be terminated by unanimous vote of the executive committee. The director is required to establish and manage the Legislative Office of Performance Review.

The director has primary responsibility for performance reviews of state agencies, programs, and activities. The director is required to work in consultation with the State Auditor, the director of the Legislative Budget Committee, and the director of the Office of Financial Management (OFM) to conduct performance reviews. The director must also work closely with the chairs and staff of standing legislative committees.

Prior to the completion of each legislative session, the LCPR must approve a performance review plan for the subsequent 12 to 15 months. The audit plan includes a schedule of agencies, programs, or activities for which performance reviews will be initiated during that period. In preparing a draft plan for consideration by the committee, the director must consult with the State Auditor, the chair and staff of the Legislative Budget Committee, the director of OFM, and the chairs and staff of appropriate legislative standing committees. The State Auditor is authorized to participate in performance reviews, subject to the annual plan.

Performance reviews include a "re-thinking" of the programs and functions of state agencies, performance assessments of programs and activities, and establishment of benchmarks against which to measure future performance of the agency or program. The director is to work closely with agency directors to form teams consisting of appropriate front-line employees, managers, customers of the program, taxpayers, legislators or legislative staff, staff from OFM, and other public or private sector experts deemed appropriate. Performance reviews are conducted by staff of the LOPR working with such teams.

In "re-thinking" an agency or program, the director works with the performance review team(s) to formulate a list of those activities and programs that should be strengthened, those that should be abandoned, and those activities that need to be redirected or other alternatives explored. Criteria for the "re-thinking" review process are specified.

Performance reviews must also determine the existence and utility of a vital agency or program strategic plan which includes 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 is vital to the management and accountability of the agency or program, using criteria specified in the bill.

In evaluating the agency and program plans, the director also assesses whether an agency is using its resources economically and efficiently, examine costs and benefits of agency programs, and identify alternative service delivery options.

In the absence of acceptable public or private benchmark operations against which to measure the performance of state agencies and programs, the director must conduct a review sufficient to recommend the benchmark operations to the agency, the Governor, and the Legislature.

As a part of each performance review, the director must work with the director of the agency being reviewed and the director of OFM to develop recommendations regarding statutes that inhibit or do not contribute to the agency's ability to perform effectively and efficiently.

When the LOPR completes a performance review, and prior to public release of the findings, the agency and OFM have the opportunity to respond. Comments of the LCPR are also included in the final report. Final reports of findings of the director from all agency and program performance reviews are made public and distributed by appropriate means.

A revolving fund is created to allow the director the authority to assess agencies all, or a part of, the cost of performance reviews. The fund is subject to appropriation.

As part of the requirements for budget development and financial reporting, statutes are amended to reinstate the requirement, repealed in 1994, for agencies to develop missions, goals, and measurable program objectives. In preparing agency budget requests and the Governor's budget, findings of agency and program reviews completed by the LOPR during the preceding fiscal period must be specifically addressed. OFM and other affected agencies are required to outline potential costs and savings associated with findings and recommendations dealing with programs and activities that should be strengthened, abandoned, and redirected.

OFM, working with legislative fiscal committees, is required to develop a plan to merge the budget development process with agency strategic plans and performance measurement. The plan is to include a schedule to transition agencies to the revised budget development process over six years, beginning in the 1997-99 biennium.

Each state agency is required to adopt procedures for continuous self-assessment using its mission, goals, and performance measurements.

The Washington Performance Partnership is repealed. However, OFM is required to provide professional technical assistance to agencies in developing their missions, goals, objectives, and performance measures.

Substitute Bill Compared to Original Bill: The substitute bill includes the Office of Financial Management in the performance review process and provides an opportunity for its response to findings and recommendations. It also clarifies that revolving fund charges to agencies to pay for performance reviews will be included in those agencies' budgets.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: The bill follows the pattern for success used in many private companies. It will strengthen agency directors' ability to implement change and to provide the Legislature with better information. The bill is the best approach to dealing with DSHS restructuring. Inclusion of front-line employees, clients, and external experts will ensure that the right questions are asked.

Testimony Against: None.

Testified: PRO: Ruta Fanning, Director, OFM; Greg Pierce, Washington Roundtable; Dick Zimmerman, Executive Director, Washington Performance Partnership; Lincoln Ferris, Services Group of America; Margaret Casey, Washington State Catholic Conference; Laurie Lippold, Children's Home Society.