
SENATE BILL 6680

State of Washington

54th Legislature

1996 Regular Session

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

Read first time 01/23/96. Referred to Committee on Ways & Means.

1 AN ACT Relating to the performance assessment of state government;
2 amending RCW 43.88.090 and 43.88.160; reenacting and amending RCW
3 43.88.030; adding a new chapter to Title 44 RCW; and repealing RCW
4 43.88B.005, 43.88B.007, 43.88B.010, 43.88B.020, 43.88B.030, 43.88B.031,
5 43.88B.040, 43.88B.050, 43.88B.900, and 43.88B.901.

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

7 NEW SECTION. **Sec. 1.** Public officials, public employees,
8 legislators, and citizens share the objective of improving the
9 performance of state agencies and programs, thereby increasing
10 effectiveness and efficiency. They also recognize the need to review
11 the cost, value, and relative priority of many programs throughout
12 state government in the context of constantly changing conditions,
13 limitations, and requirements for state government.

14 The legislature must become more effective in its role of directing
15 public policy and ensuring the public accountability of state programs,
16 managers, and employees. With the support of the legislature, the
17 executive branch must implement practices and processes that will
18 improve performance, accountability, and public confidence in state
19 government. The governor and the legislature shall use results from

1 the performance assessment processes established by this chapter in
2 establishing state budget policy and priorities. The budget process
3 must become an effective means of ensuring compliance with performance
4 improvement requirements.

5 The purpose of this chapter is to ensure that all state agencies
6 and programs have clearly defined performance objectives, quality
7 objectives, and cost objectives that are appropriately balanced. Each
8 agency and program should operate within a strategic plan that includes
9 the mission of the agency or program, measurable goals, strategies, and
10 performance measurement systems that are integral tools used for agency
11 management, legislative budget and policy deliberations, and public
12 accountability. State agencies should involve customers, taxpayers,
13 employees, and policy makers in the development and redevelopment of
14 these plans. The strategic plans should be the framework within which
15 agencies continuously assess the value and relative priority of their
16 various functions.

17 In developing legislation to create new programs and activities in
18 state government, or redirect existing programs and activities, the
19 legislature shall include in such legislation the specific purpose and
20 measurable goals of the program or activity.

21 In addition, the purpose of this chapter is to initiate a process
22 for rethinking the programs and functions of state government. In
23 order to streamline state government and redirect resources more
24 effectively, the legislature intends to begin a systematic, fundamental
25 review of the functions of state programs. In the case of each
26 program, this review is intended to inquire whether the state would now
27 initiate such a program if the program did not currently exist.

28 NEW SECTION. **Sec. 2.** The legislative committee on performance
29 review is established.

30 (1) The thirteen-member committee consists of:

31 (a) The majority leader of the senate;

32 (b) The majority leader of the house of representatives;

33 (c) The minority leader of the senate;

34 (d) The minority leader of the house of representatives;

35 (e) The chair and ranking minority member of the senate ways and
36 means committee;

37 (f) The chair and ranking minority member of the house of
38 representatives appropriations committee;

1 (g) Four additional members, one each from the majority and
2 minority caucuses of the senate and the house of representatives; and

3 (h) The lieutenant governor, who shall serve as a nonvoting member
4 and chair of the committee.

5 (2) Members of the committee shall serve without additional
6 compensation but shall be reimbursed for travel expenses in accordance
7 with RCW 44.04.120 while attending meetings of the committee or any
8 subcommittee or on other business authorized by the committee.

9 (3) An executive committee is established, consisting of the
10 majority leader and minority leader of the senate and the majority
11 leader and minority leader of the house of representatives. The
12 function of the executive committee is to appoint the director of the
13 legislative office of performance review. Approval by an affirmative
14 vote of at least three members of the committee is required for
15 decisions regarding employment of the director. Employment of the
16 director terminates after each term of three years. At the end of the
17 first year of each three-year term, the committee shall consider
18 extension of the term by one year. However, at any time during the
19 term of office, the employment of the director may be terminated by a
20 unanimous vote of the executive committee. The executive committee
21 shall set the salary of the director.

22 NEW SECTION. **Sec. 3.** (1) The director shall establish and manage
23 a legislative office of performance review to carry out the functions
24 described in this chapter.

25 (2) In consultation with the executive committee, the director may
26 select and employ personnel necessary to carry out the purposes of this
27 chapter. Salaries for employees of the legislative office of
28 performance review, other than the director, shall be set with the
29 approval of the executive committee, the secretary of the senate, and
30 the chief clerk of the house of representatives.

31 (3) The director has primary responsibility for performance reviews
32 of state agencies, programs, and activities. The director shall
33 consult with the state auditor and the legislative auditor of the
34 legislative budget committee in the conduct of performance reviews.
35 The director shall also consult with the chairs and staff of the
36 appropriate legislative standing committees.

1 NEW SECTION. **Sec. 4.** (1) Performance reviews under this chapter
2 shall include a rethinking of the programs and functions of state
3 agencies, performance assessments of programs and activities, and the
4 establishment of benchmarks against which to measure the future
5 performance of the agency or program. The director shall work closely
6 with agency directors to form teams to complete the performance
7 reviews. Performance review teams shall involve frontline employees to
8 the fullest extent possible. The teams should also include agency and
9 program managers, customers of the program or service, other taxpayers,
10 legislators or legislative staff, and other external public and private
11 sector experts as deemed appropriate. The director shall, as
12 necessary, contract with experts from either the private or public
13 sector to assist in performance reviews.

14 (2) In reviewing an agency or program, the director and the
15 performance review team shall formulate a list of those activities and
16 programs that should be strengthened, those that should be abandoned,
17 and those that need to be redirected or other alternatives explored.
18 The review should consider: (a) The circumstances under which the
19 program was created versus those that exist at the time of the review;
20 (b) the extent to which the particular activity or function is
21 specifically authorized in statute or is consistent with statutory
22 direction and intent; (c) the quality and effectiveness of the services
23 delivered; (d) alternatives for delivering the program or service,
24 either in the public or private sector; (e) duplication of services
25 with other government programs or private enterprises or gaps in
26 services; (f) the relative priority of the program among the agency's
27 functions; (g) costs or implications of not performing the function;
28 (h) the role of the program with respect to citizen's individual
29 responsibilities and freedoms; (i) the effect of factors and
30 circumstances beyond the control of the agency; (j) the frequency with
31 which other states perform similar functions, as well as their relative
32 funding levels and performance; and (k) in the event of inadequate
33 performance by the program, the potential for a workable, affordable
34 plan to improve performance.

35 (3) Performance reviews must determine the existence and utility of
36 an agency or program strategic plan that includes a concise statement
37 of the agency's or program's mission, a vision for future direction,
38 measurable goals and objectives, and clear strategies and specific
39 timelines to achieve them. The director shall determine the extent to

1 which the plan: (a) Forms the basis of agency management practices and
2 continuous process reevaluation and improvement; (b) can be used to
3 clearly identify and prioritize agency functions; (c) provides a
4 valuable basis for legislative policy and budget deliberations; (d) is
5 used to ensure accountability of employees, particularly managers, for
6 achieving program goals, and is a primary consideration in retention
7 and promotion of staff; (e) is used to assess the quality and
8 effectiveness of the agency's programs and activities; (f)
9 appropriately balances cost objectives, quality objectives, and
10 performance objectives; and (g) is useful in demonstrating public
11 accountability. The agency strategic plan shall provide for periodic
12 self-assessment by the agency to determine whether the agency is
13 achieving the goals and objectives of its programs. Where self-
14 assessments have been completed by an agency, the assessments must be
15 incorporated into a performance review conducted under this chapter.

16 (4) In reviewing an agency or program, the director shall also:
17 (a) Assess whether an agency is acquiring, protecting, and using its
18 resources economically and efficiently; (b) identify causes of
19 inefficient or uneconomical practices; (c) determine the extent to
20 which an agency or program is achieving desired results; (d) identify
21 the causes of any failure to achieve the results; (e) examine costs and
22 benefits of agency programs; and (f) identify alternatives for reducing
23 costs or improving service delivery, including transferring functions
24 to other public or private sector organizations.

25 (5) If the state agency or program being reviewed has not
26 identified acceptable organizations or programs in the public or
27 private sector to be used as benchmarks against which to measure its
28 performance, the director shall conduct a review sufficient to
29 recommend such benchmarks to the agency, the governor, and the
30 legislature.

31 (6) As a part of each performance review and in consultation with
32 the director of the agency being reviewed, the director of the
33 legislative office of performance review shall develop recommendations
34 regarding statutes that inhibit or do not contribute to the agency's
35 ability to perform its functions effectively and efficiently.

36 NEW SECTION. **Sec. 5.** Before the completion of each legislative
37 session, the legislative committee on performance review shall approve
38 a performance review plan for the next twelve to fifteen months. The

1 performance review plan must include a schedule of agencies, programs,
2 or activities for which performance reviews will be initiated during
3 that period. For each performance review included, the plan must also
4 identify the role of the legislative office of performance review and
5 the state auditor, as well as the need to contract for additional
6 public or private sector expertise. In preparing a draft plan for
7 consideration by the committee, the director shall consult with the
8 state auditor, the chair and staff of the legislative budget committee,
9 the director of financial management, and the chairs and staff of
10 appropriate legislative standing committees. The committee shall meet
11 quarterly to review progress on the plan and, if necessary, revise the
12 plan.

13 NEW SECTION. **Sec. 6.** When the director has completed a
14 performance review and before public release of the findings, the
15 affected agency may respond to the review. The director shall
16 incorporate the agency's response into the final report. The
17 legislative committee on performance review may also review and comment
18 on the director's findings. The director shall include the comments of
19 the committee in the final report as a separate addendum. Final
20 reports of findings of the director from agency and program performance
21 reviews must be transmitted to the agency, the director of financial
22 management, and appropriate legislative committees and must be made
23 available for public review.

24 NEW SECTION. **Sec. 7.** The performance review revolving fund is
25 established in the state treasury. Expenditures from the fund may be
26 spent only by appropriation. The fund is established to assist in
27 recovering the costs of performance reviews from the audited agency or
28 program. Subject to appropriation, the director shall assess agencies
29 all or a portion of the cost of performance reviews.

30 The cost of performance reviews includes all direct and indirect
31 costs and other expenses incurred by the director in fulfilling his or
32 her statutory responsibilities.

33 Costs of the reviews may also be paid from other funds appropriated
34 to the legislative office of performance review.

35 NEW SECTION. **Sec. 8.** To ensure the accuracy and timeliness of
36 information used as the basis for performance reviews and other

1 responsibilities of the legislature, the director shall be provided
2 direct and unrestricted access to information held by any state agency.
3 Agencies shall submit directly to the legislative office of performance
4 review, on a confidential basis, all data and other information
5 requested, including tax records and client data.

6 **Sec. 9.** RCW 43.88.030 and 1994 c 247 s 7 and 1994 c 219 s 2 are
7 each reenacted and amended to read as follows:

8 (1) The director of financial management shall provide all agencies
9 with a complete set of instructions for submitting biennial budget
10 requests to the director at least three months before agency budget
11 documents are due into the office of financial management. The
12 director shall provide agencies that are required under RCW 44.40.070
13 to develop comprehensive six-year program and financial plans with a
14 complete set of instructions for submitting these program and financial
15 plans at the same time that instructions for submitting other budget
16 requests are provided. The budget document or documents shall consist
17 of the governor's budget message which shall be explanatory of the
18 budget and shall contain an outline of the proposed financial policies
19 of the state for the ensuing fiscal period, as well as an outline of
20 the proposed six-year financial policies where applicable, and shall
21 describe in connection therewith the important features of the budget.
22 The message shall set forth the reasons for salient changes from the
23 previous fiscal period in expenditure and revenue items and shall
24 explain any major changes in financial policy. Attached to the budget
25 message shall be such supporting schedules, exhibits and other
26 explanatory material in respect to both current operations and capital
27 improvements as the governor shall deem to be useful to the
28 legislature. The budget document or documents shall set forth a
29 proposal for expenditures in the ensuing fiscal period, or six-year
30 period where applicable, based upon the estimated revenues as approved
31 by the economic and revenue forecast council or upon the estimated
32 revenues of the office of financial management for those funds,
33 accounts, and sources for which the office of the economic and revenue
34 forecast council does not prepare an official forecast, including those
35 revenues anticipated to support the six-year programs and financial
36 plans under RCW 44.40.070. In estimating revenues to support financial
37 plans under RCW 44.40.070, the office of financial management shall
38 rely on information and advice from the interagency revenue task force.

1 Revenues shall be estimated for such fiscal period from the source and
2 at the rates existing by law at the time of submission of the budget
3 document, including the supplemental budgets submitted in the even-
4 numbered years of a biennium. However, the estimated revenues for use
5 in the governor's budget document may be adjusted to reflect budgetary
6 revenue transfers and revenue estimates dependent upon budgetary
7 assumptions of enrollments, workloads, and caseloads. All adjustments
8 to the approved estimated revenues must be set forth in the budget
9 document. The governor may additionally submit, as an appendix to each
10 supplemental, biennial, or six-year agency budget or to the budget
11 document or documents, a proposal for expenditures in the ensuing
12 fiscal period from revenue sources derived from proposed changes in
13 existing statutes.

14 Supplemental and biennial documents shall reflect a six-year
15 expenditure plan consistent with estimated revenues from existing
16 sources and at existing rates for those agencies required to submit
17 six-year program and financial plans under RCW 44.40.070. Any
18 additional revenue resulting from proposed changes to existing statutes
19 shall be separately identified within the document as well as related
20 expenditures for the six-year period.

21 The budget document or documents shall also contain:

22 (a) Revenues classified by fund and source for the immediately past
23 fiscal period, those received or anticipated for the current fiscal
24 period, those anticipated for the ensuing biennium, and those
25 anticipated for the ensuing six-year period to support the six-year
26 programs and financial plans required under RCW 44.40.070;

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

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

31 (d) Such additional information dealing with revenues and
32 expenditures as the governor shall deem pertinent and useful to the
33 legislature;

34 (e) Tabulations showing expenditures classified by fund, function,
35 activity and object;

36 (f) A delineation of each agency's activities, including those
37 activities funded from nonbudgeted, nonappropriated sources, including
38 funds maintained outside the state treasury;

1 (g) Identification of all proposed direct expenditures to implement
2 the Puget Sound water quality plan under chapter 90.70 RCW, shown by
3 agency and in total; and

4 (h) Tabulations showing each postretirement adjustment by
5 retirement system established after fiscal year 1991, to include, but
6 not be limited to, estimated total payments made to the end of the
7 previous biennial period, estimated payments for the present biennium,
8 and estimated payments for the ensuing biennium.

9 (2) The budget document or documents shall include detailed
10 estimates of all anticipated revenues applicable to proposed operating
11 or capital expenditures and shall also include all proposed operating
12 or capital expenditures. The total of beginning undesignated fund
13 balance and estimated revenues less working capital and other reserves
14 shall equal or exceed the total of proposed applicable expenditures.
15 The budget document or documents shall further include:

16 (a) Interest, amortization and redemption charges on the state
17 debt;

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

19 (c) Other statutory expenditures;

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

21 (e) Revenues derived from agency operations;

22 (f) Expenditures and revenues shall be given in comparative form
23 showing those incurred or received for the immediately past fiscal
24 period and those anticipated for the current biennium and next ensuing
25 biennium, as well as those required to support the six-year programs
26 and financial plans required under RCW 44.40.070;

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

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

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

34 (j) A showing and explanation of anticipated amounts of general
35 fund and other funds required to amortize the unfunded actuarial
36 accrued liability of the retirement system specified under chapter
37 41.45 RCW, and the contributions to meet such amortization, stated in
38 total dollars and as a level percentage of total compensation; and

1 (k) For each agency, a description of the findings and
2 recommendations of any applicable review by the legislative office of
3 performance review conducted during the prior fiscal period. The
4 budget document must describe the potential costs and savings
5 associated with implementing the findings and recommendations,
6 including any recommendations for program eliminations and alternative
7 delivery methods.

8 (3) A separate capital budget document or schedule shall be
9 submitted that will contain the following:

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

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

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

23 (d) A statement of the reason or purpose for a project;

24 (e) Verification that a project is consistent with the provisions
25 set forth in chapter 36.70A RCW;

26 (f) A statement about the proposed site, size, and estimated life
27 of the project, if applicable;

28 (g) Estimated total project cost;

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

35 (i) Estimated total project cost for each phase of the project as
36 defined by the office of financial management;

37 (j) Estimated ensuing biennium costs;

38 (k) Estimated costs beyond the ensuing biennium;

39 (l) Estimated construction start and completion dates;

1 (m) Source and type of funds proposed;

2 (n) Estimated ongoing operating budget costs or savings resulting
3 from the project, including staffing and maintenance costs;

4 (o) For any capital appropriation requested for a state agency for
5 the acquisition of land or the capital improvement of land in which the
6 primary purpose of the acquisition or improvement is recreation or
7 wildlife habitat conservation, the capital budget document, or an
8 omnibus list of recreation and habitat acquisitions provided with the
9 governor's budget document, shall identify the projected costs of
10 operation and maintenance for at least the two biennia succeeding the
11 next biennium. Omnibus lists of habitat and recreation land
12 acquisitions shall include individual project cost estimates for
13 operation and maintenance as well as a total for all state projects
14 included in the list. The document shall identify the source of funds
15 from which the operation and maintenance costs are proposed to be
16 funded;

17 (p) Such other information bearing upon capital projects as the
18 governor deems to be useful;

19 (q) Standard terms, including a standard and uniform definition of
20 maintenance for all capital projects;

21 (r) Such other information as the legislature may direct by law or
22 concurrent resolution.

23 For purposes of this subsection (3), the term "capital project"
24 shall be defined subsequent to the analysis, findings, and
25 recommendations of a joint committee comprised of representatives from
26 the house capital appropriations committee, senate ways and means
27 committee, legislative transportation committee, legislative evaluation
28 and accountability program committee, and office of financial
29 management.

30 (4) No change affecting the comparability of agency or program
31 information relating to expenditures, revenues, workload, performance
32 and personnel shall be made in the format of any budget document or
33 report presented to the legislature under this section or RCW
34 43.88.160(1) relative to the format of the budget document or report
35 which was presented to the previous regular session of the legislature
36 during an odd-numbered year without prior legislative concurrence.
37 Prior legislative concurrence shall consist of (a) a favorable majority
38 vote on the proposal by the standing committees on ways and means of
39 both houses if the legislature is in session or (b) a favorable

1 majority vote on the proposal by members of the legislative evaluation
2 and accountability program committee if the legislature is not in
3 session.

4 **Sec. 10.** RCW 43.88.090 and 1994 c 184 s 10 are each amended to
5 read as follows:

6 (1) For purposes of developing budget proposals to the legislature,
7 the governor shall have the power, and it shall be the governor's duty,
8 to require from proper agency officials such detailed estimates and
9 other information in such form and at such times as the governor shall
10 direct. The estimates for the legislature and the judiciary shall be
11 transmitted to the governor and shall be included in the budget without
12 revision. The estimates for state pension contributions shall be based
13 on the rates provided in chapter 41.45 RCW. Copies of all such
14 estimates shall be transmitted to the standing committees on ways and
15 means of the house and senate at the same time as they are filed with
16 the governor and the office of financial management.

17 The estimates shall include statements or tables which indicate, by
18 agency, the state funds which are required for the receipt of federal
19 matching revenues. The estimates shall be revised as necessary to
20 reflect legislative enactments and adopted appropriations and shall be
21 included with the initial biennial allotment submitted under RCW
22 43.88.110.

23 (2) Each state agency shall define its mission and establish
24 measurable goals for achieving desirable results for those who receive
25 its services and the taxpayers who pay for those services. Each agency
26 shall also develop clear strategies and timelines to achieve its goals.
27 This section does not require an agency to develop a new mission or
28 goals in place of identifiable missions or goals that meet the intent
29 of this section.

30 (3) For the purpose of assessing program performance, each state
31 agency shall establish program objectives for each major program in its
32 budget. The objectives must be consistent with the missions and goals
33 developed under this section. The objectives must be expressed to the
34 extent practicable in outcome-based, objective, and measurable form
35 unless an exception to adopt a different standard is granted by the
36 office of financial management and approved by the legislative
37 committee on performance review. The office of financial management
38 shall provide necessary professional and technical assistance to assist

1 state agencies in the development of strategic plans that include the
2 mission of the agency and its programs, measurable goals, strategies,
3 and performance measurement systems.

4 (4) Each state agency shall adopt procedures for continuous self-
5 assessment of each program and activity, using the mission, goals,
6 objectives, and measurements required under subsections (2) and (3) of
7 this section.

8 (5) It is the policy of the legislature that an agency's
9 development of any budget proposals must be directly linked to the
10 agency's stated mission and program goals and objectives. Consistent
11 with this policy, agency budget proposals must include implementation
12 of performance measures that allow objective determination of a
13 program's ability to achieve its goals. The office of financial
14 management shall develop a plan to merge the budget development process
15 with agency performance assessment procedures. The plan must include
16 a schedule to integrate agency strategic plans and performance measures
17 into agency budget requests and the governor's budget proposal over
18 three fiscal biennia. The plan must identify those agencies that will
19 implement the revised budget process in the 1997-1999 biennium, the
20 1999-2001 biennium, and the 2001-2003 biennium. In consultation with
21 the legislative fiscal committees, the office of financial management
22 shall recommend statutory and procedural modifications to the state's
23 budget, accounting, and reporting systems to facilitate the performance
24 assessment procedures and the merger of those procedures with the state
25 budget process. The plan and recommended statutory and procedural
26 modifications must be submitted to the legislative fiscal committees by
27 September 30, 1996.

28 (6) In the year of the gubernatorial election, the governor shall
29 invite the governor-elect or the governor-elect's designee to attend
30 all hearings provided in RCW 43.88.100; and the governor shall furnish
31 the governor-elect or the governor-elect's designee with such
32 information as will enable the governor-elect or the governor-elect's
33 designee to gain an understanding of the state's budget requirements.
34 The governor-elect or the governor-elect's designee may ask such
35 questions during the hearings and require such information as the
36 governor-elect or the governor-elect's designee deems necessary and may
37 make recommendations in connection with any item of the budget which,
38 with the governor-elect's reasons therefor, shall be presented to the
39 legislature in writing with the budget document. Copies of all such

1 estimates and other required information shall also be submitted to the
2 standing committees on ways and means of the house and senate.

3 **Sec. 11.** RCW 43.88.160 and 1994 c 184 s 11 are each amended to
4 read as follows:

5 This section sets forth the major fiscal duties and
6 responsibilities of officers and agencies of the executive branch. The
7 regulations issued by the governor pursuant to this chapter shall
8 provide for a comprehensive, orderly basis for fiscal management and
9 control, including efficient accounting and reporting therefor, for the
10 executive branch of the state government and may include, in addition,
11 such requirements as will generally promote more efficient public
12 management in the state.

13 (1) Governor; director of financial management. The governor,
14 through the director of financial management, shall devise and
15 supervise a modern and complete accounting system for each agency to
16 the end that all revenues, expenditures, receipts, disbursements,
17 resources, and obligations of the state shall be properly and
18 systematically accounted for. The accounting system shall include the
19 development of accurate, timely records and reports of all financial
20 affairs of the state. The system shall also provide for central
21 accounts in the office of financial management at the level of detail
22 deemed necessary by the director to perform central financial
23 management. The director of financial management shall adopt and
24 periodically update an accounting procedures manual. Any agency
25 maintaining its own accounting and reporting system shall comply with
26 the updated accounting procedures manual and the rules of the director
27 adopted under this chapter. An agency may receive a waiver from
28 complying with this requirement if the waiver is approved by the
29 director. Waivers expire at the end of the fiscal biennium for which
30 they are granted. The director shall forward notice of waivers granted
31 to the appropriate legislative fiscal committees. The director of
32 financial management may require such financial, statistical, and other
33 reports as the director deems necessary from all agencies covering any
34 period.

35 (2) The director of financial management is responsible for
36 quarterly reporting of primary operating budget drivers such as
37 applicable workloads, caseload estimates, and appropriate unit cost
38 data. These reports shall be transmitted to the legislative fiscal

1 committees or by electronic means to the legislative evaluation and
2 accountability program committee. Quarterly reports shall include
3 actual monthly data and the variance between actual and estimated data
4 to date. The reports shall also include estimates of these items for
5 the remainder of the budget period.

6 (3) The director of financial management shall report at least
7 annually to the appropriate legislative committees regarding the status
8 of all appropriated capital projects, including transportation
9 projects, showing significant cost overruns or underruns. If funds are
10 shifted from one project to another, the office of financial management
11 shall also reflect this in the annual variance report. Once a project
12 is complete, the report shall provide a final summary showing estimated
13 start and completion dates of each project phase compared to actual
14 dates, estimated costs of each project phase compared to actual costs,
15 and whether or not there are any outstanding liabilities or unsettled
16 claims at the time of completion.

17 (4) In addition, the director of financial management, as agent of
18 the governor, shall:

19 (a) Develop and maintain a system of internal controls and internal
20 audits comprising methods and procedures to be adopted by each agency
21 that will safeguard its assets, check the accuracy and reliability of
22 its accounting data, promote operational efficiency, and encourage
23 adherence to prescribed managerial policies for accounting and
24 financial controls. The system developed by the director shall include
25 criteria for determining the scope and comprehensiveness of internal
26 controls required by classes of agencies, depending on the level of
27 resources at risk.

28 Each agency head or authorized designee shall be assigned the
29 responsibility and authority for establishing and maintaining internal
30 audits following the standards of internal auditing of the institute of
31 internal auditors;

32 (b) Make surveys and analyses of agencies with the object of
33 determining better methods and increased effectiveness in the use of
34 manpower and materials; and the director shall authorize expenditures
35 for employee training to the end that the state may benefit from
36 training facilities made available to state employees;

37 (c) Establish policies for allowing the contracting of child care
38 services;

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

3 (e) Review any pay and classification plans, and changes
4 thereunder, developed by any agency for their fiscal impact: PROVIDED,
5 That none of the provisions of this subsection shall affect merit
6 systems of personnel management now existing or hereafter established
7 by statute relating to the fixing of qualifications requirements for
8 recruitment, appointment, or promotion of employees of any agency. The
9 director shall advise and confer with agencies including appropriate
10 standing committees of the legislature as may be designated by the
11 speaker of the house and the president of the senate regarding the
12 fiscal impact of such plans and may amend or alter said plans, except
13 that for the following agencies no amendment or alteration of said
14 plans may be made without the approval of the agency concerned:
15 Agencies headed by elective officials;

16 (f) Fix the number and classes of positions or authorized man years
17 of employment for each agency and during the fiscal period amend the
18 determinations previously fixed by the director except that the
19 director shall not be empowered to fix said number or said classes for
20 the following: Agencies headed by elective officials;

21 ~~(g) ((Provide for transfers and repayments between the budget
22 stabilization account and the general fund as directed by appropriation
23 and RCW 43.88.525 through 43.88.540;~~

24 ~~(h))~~ Adopt rules to effectuate provisions contained in (a) through
25 ~~((g))~~ (f) of this subsection.

26 (5) The treasurer shall:

27 (a) Receive, keep, and disburse all public funds of the state not
28 expressly required by law to be received, kept, and disbursed by some
29 other persons: PROVIDED, That this subsection shall not apply to those
30 public funds of the institutions of higher learning which are not
31 subject to appropriation;

32 (b) Receive, disburse, or transfer public funds under the
33 treasurer's supervision or custody;

34 (c) Keep a correct and current account of all moneys received and
35 disbursed by the treasurer, classified by fund or account;

36 (d) Coordinate agencies' acceptance and use of credit cards and
37 other payment methods, if the agencies have received authorization
38 under RCW 43.41.180;

1 (e) Perform such other duties as may be required by law or by
2 regulations issued pursuant to this law.

3 It shall be unlawful for the treasurer to disburse public funds in
4 the treasury except upon forms or by alternative means duly prescribed
5 by the director of financial management. These forms or alternative
6 means shall provide for authentication and certification by the agency
7 head or the agency head's designee that the services have been rendered
8 or the materials have been furnished; or, in the case of loans or
9 grants, that the loans or grants are authorized by law; or, in the case
10 of payments for periodic maintenance services to be performed on state
11 owned equipment, that a written contract for such periodic maintenance
12 services is currently in effect and copies thereof are on file with the
13 office of financial management; and the treasurer shall not be liable
14 under the treasurer's surety bond for erroneous or improper payments so
15 made. When services are lawfully paid for in advance of full
16 performance by any private individual or business entity other than as
17 provided for by RCW 42.24.035, such individual or entity other than
18 central stores rendering such services shall make a cash deposit or
19 furnish surety bond coverage to the state as shall be fixed in an
20 amount by law, or if not fixed by law, then in such amounts as shall be
21 fixed by the director of the department of general administration but
22 in no case shall such required cash deposit or surety bond be less than
23 an amount which will fully indemnify the state against any and all
24 losses on account of breach of promise to fully perform such services.
25 No payments shall be made in advance for any equipment maintenance
26 services to be performed more than three months after such payment.
27 Any such bond so furnished shall be conditioned that the person, firm
28 or corporation receiving the advance payment will apply it toward
29 performance of the contract. The responsibility for recovery of
30 erroneous or improper payments made under this section shall lie with
31 the agency head or the agency head's designee in accordance with
32 regulations issued pursuant to this chapter. Nothing in this section
33 shall be construed to permit a public body to advance funds to a
34 private service provider pursuant to a grant or loan before services
35 have been rendered or material furnished.

36 (6) The state auditor shall:

37 (a) Report to the legislature the results of current post audits
38 that have been made of the financial transactions of each agency; to
39 this end the auditor may, in the auditor's discretion, examine the

1 books and accounts of any agency, official, or employee charged with
2 the receipt, custody, or safekeeping of public funds. Where feasible
3 in conducting examinations, the auditor shall utilize data and findings
4 from the internal control system prescribed by the office of financial
5 management. The current post audit of each agency may include a
6 section on recommendations to the legislature as provided in (c) of
7 this subsection.

8 (b) Give information to the legislature, whenever required, upon
9 any subject relating to the financial affairs of the state.

10 (c) Make the auditor's official report on or before the thirty-
11 first of December which precedes the meeting of the legislature. The
12 report shall be for the last complete fiscal period and shall include
13 determinations as to whether agencies, in making expenditures, complied
14 with the laws of this state. The state auditor is authorized to
15 perform or participate in performance verifications only as expressly
16 authorized by the legislature in the omnibus biennial appropriations
17 acts and may participate in performance reviews under chapter 44.---
18 RCW (sections 1 through 8 of this act) only as expressly authorized by
19 the performance review plan adopted by the legislative committee on
20 performance review. The state auditor, upon completing an audit for
21 legal and financial compliance under chapter 43.09 RCW or a performance
22 verification or performance review, may report to the legislative
23 budget committee, legislative committee on performance review, or other
24 appropriate committees of the legislature, in a manner prescribed by
25 the legislative budget committee or the director of the legislative
26 office of performance review, on facts relating to the management or
27 performance of governmental programs where such facts are discovered
28 incidental to the legal and financial audit ~~((or))~~, performance
29 verification, or performance review. The auditor may make such a
30 report to a legislative committee only if the auditor has determined
31 that the agency has been given an opportunity and has failed to resolve
32 the management or performance issues raised by the auditor. If the
33 auditor makes a report to a legislative committee, the agency may
34 submit to the committee a response to the report. This subsection (6)
35 shall not be construed to authorize the auditor to allocate other than
36 de minimis resources to performance audits except as expressly
37 authorized in the appropriations acts or the performance review plan.

38 (d) Be empowered to take exception to specific expenditures that
39 have been incurred by any agency or to take exception to other

1 practices related in any way to the agency's financial transactions and
2 to cause such exceptions to be made a matter of public record,
3 including disclosure to the agency concerned and to the director of
4 financial management. It shall be the duty of the director of
5 financial management to cause corrective action to be taken promptly,
6 such action to include, as appropriate, the withholding of funds as
7 provided in RCW 43.88.110.

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

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

11 (7) The legislative budget committee may:

12 (a) Make post audits of the financial transactions of any agency
13 and management surveys and program reviews as provided for in RCW
14 44.28.085 as well as performance audits and program evaluations. To
15 this end the committee may in its discretion examine the books,
16 accounts, and other records of any agency, official, or employee.

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

20 (c) Make a report to the legislature which shall include at least
21 the following:

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

26 (ii) Such plans as it deems expedient for the support of the
27 state's credit, for lessening expenditures, for promoting frugality and
28 economy in agency affairs and generally for an improved level of fiscal
29 management.

30 NEW SECTION. **Sec. 12.** The following acts or parts of acts are
31 each repealed:

32 (1) RCW 43.88B.005 and 1994 c 184 s 1;

33 (2) RCW 43.88B.007 and 1994 c 184 s 2;

34 (3) RCW 43.88B.010 and 1994 c 184 s 3;

35 (4) RCW 43.88B.020 and 1994 c 184 s 4;

36 (5) RCW 43.88B.030 and 1994 c 184 s 5;

37 (6) RCW 43.88B.031 and 1994 c 184 s 6;

38 (7) RCW 43.88B.040 and 1994 c 184 s 7;

1 (8) RCW 43.88B.050 and 1994 c 184 s 8;
2 (9) RCW 43.88B.900 and 1994 c 184 s 13; and
3 (10) RCW 43.88B.901 and 1994 c 184 s 15.

4 NEW SECTION. **Sec. 13.** Sections 1 through 8 of this act constitute
5 a new chapter in Title 44 RCW.

--- END ---