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**SUBSTITUTE SENATE BILL 5737**

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**State of Washington**

**64th Legislature**

**2015 Regular Session**

**By** Senate Accountability & Reform (originally sponsored by Senators Miloscia and Chase)

READ FIRST TIME 02/19/15.

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, 43.88.160, 43.88C.010, 43.88C.020, 43.09.440,  
4 43.09.470, 46.68.290, 47.04.280, 47.60.140, 70.94.551, and 2.56.200;  
5 reenacting and amending RCW 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 Title 15 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) "Baldrige assessment" means an assessment of agency  
4 operational performance by a trained examiner using the Baldrige  
5 excellence framework.

6 (6) "Baldrige excellence framework" means the 2015-2016 Baldrige  
7 Excellence Framework, or a later edition with similar standards,  
8 published by the Baldrige performance excellence program, national  
9 institutes of standards and technology, United States department of  
10 commerce.

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

12 (a) Promotes activities to increase efficiency and eliminate  
13 waste and inefficiency in agency operations, including delivery of  
14 services and goods to the public, based upon continuous assessment  
15 and improvement; and

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

18 (8) "State performance management implementation plan" means a  
19 detailed plan to implement a statewide lean performance management  
20 system involving all agencies that:

21 (a) Includes performance measures and targets, with segmented  
22 data regarding operations of all agencies and operations of each  
23 agency;

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

26 (c) Measures validated cost reductions and other performance  
27 improvements for all agencies; and

28 (d) Monitors implementation by all agencies.

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

30 (1) Adopt, by January 1, 2016, and implement a state strategic  
31 plan and a state performance management implementation plan, and  
32 delegate authority, as necessary, to agencies best suited to  
33 implement elements of the state performance management implementation  
34 plan;

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

1 (3) Enter into a partnership with the Baldrige performance  
2 excellence program, national institutes of standards and technology,  
3 United States department of commerce, and performance excellence  
4 northwest and Washington state quality award to:

5 (a) Ensure that a sufficient number of trained examiners are  
6 available to conduct Baldrige assessments of all agencies;

7 (b) Coordinate and schedule Baldrige assessments of all agencies;

8 (c) Develop criteria, as needed, for a modified Baldrige  
9 assessment for very small agencies with fewer than twenty full-time  
10 equivalent employees;

11 (d) Develop specific criteria for a statewide lean performance  
12 management system and agency lean performance management systems; and

13 (e) Develop a plan to encourage and phase in adoption of  
14 equivalent lean performance management systems by and Baldrige  
15 assessments of local government entities and major private partners  
16 of agencies. Quality of the assessments and systems must be a  
17 consideration for awarding contracts and grants;

18 (4) Annually certify, pursuant to section 14 of this act, whether  
19 agencies have made adequate progress in:

20 (a) Implementing agency performance management implementation  
21 plans; and

22 (b) Responding to performance audits conducted by the state  
23 auditor and the joint legislative audit and review committee,  
24 Baldrige assessments, and other appropriate audits;

25 (5) Annually report to the legislature regarding:

26 (a) Implementation status, including quality and percentage of  
27 implementation, of the state performance management implementation  
28 plan and agency performance management implementation plans;

29 (b) Status of Baldrige assessments of all agencies; and

30 (c) Recommended policy and fiscal changes to increase efficiency  
31 and eliminate waste and inefficiency in agency operations;

32 (6) Solicit input from the legislature and public regarding the  
33 state performance management implementation plan and agency  
34 performance management implementation plans, and reports regarding  
35 the plans;

36 (7) Collaborate with:

37 (a) The office of financial management, the department of  
38 enterprise services, and other agencies to develop a financial data  
39 system necessary to implement a fully developed lean performance  
40 management system; and

1 (b) The department of enterprise services to develop a workforce  
2 learning and training development and workforce performance  
3 management system necessary for employees, middle managers,  
4 supervisors, and senior agency leaders to implement a fully developed  
5 lean performance management system, with Baldrige assessments; and

6 (8) Adopt rules necessary to administer this chapter.

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

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

12 (b) Provide quarterly reports to the office of performance  
13 management regarding implementation of its agency performance  
14 management implementation plan;

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

23 (d) Coordinate with the office of performance management to  
24 provide for Baldrige assessments of its operations every two years,  
25 and transmit completed Baldrige assessments and feedback reports to  
26 the office of performance management; and

27 (e) Strive to implement real-time web-based tracking and  
28 reporting of agency performance and lean performance management  
29 system activities.

30 (2) An agency's Baldrige assessment score measures the agency's  
31 progress toward achieving world-class performance. Each agency's goal  
32 is to achieve a sixty percent score within seven years of its first  
33 Baldrige assessment. When an agency achieves a sixty percent score,  
34 it must apply for a Malcolm Baldrige national quality award, pursuant  
35 to 15 U.S.C. Sec. 3711a.

36 (3) An agency that:

37 (a) Achieves the goal in subsection (2) of this section is not  
38 required to conduct a Baldrige assessment every two years, but must  
39 conduct a Baldrige assessment at least every four years; and

1 (b) Fails to achieve the goal in subsection (2) of this section  
2 must achieve certification under an internationally recognized  
3 quality management system, such as ISO 9001, or its equivalent,  
4 within seven years of the first Baldrige assessment.

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

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

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

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

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

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

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

27 (2) Each agency must also adopt an agency ethics plan and an  
28 agency performance management implementation plan pursuant to section  
29 5 of this act.

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

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

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

1       ~~(3) Each agency shall, within available funds, ensure that its~~  
2 ~~quality management, accountability, and performance system:~~

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

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

8       ~~(c) Includes clear, relevant, and easy to understand measures for~~  
9 ~~each activity;~~

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

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

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

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

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

21       ~~(i) Allocates resources based on strategies to improve~~  
22 ~~performance.~~

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

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

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

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

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

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

1 and agency performance management implementation plan pursuant to  
2 chapter 43.--- RCW (the new chapter created in section 29 of this  
3 act).

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

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

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

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

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

32 (1) The director of financial management ((shall)) must:  
33 ((+1)) (a) Supervise and administer the activities of the office  
34 of financial management.

35 ((+2)) (b) Exercise all the powers and perform all the duties  
36 prescribed by law with respect to the administration of the state  
37 budget and accounting system.

1       (~~(3)~~) (c) Advise the governor and the legislature with respect  
2 to matters affecting program management and planning.

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

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

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

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

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

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

38       (4) Performance measures required by this section must be  
39 included in agency performance management implementation plans

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

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

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

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

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

1 achieving true results, state agencies, the office of financial  
2 management, and the legislature will be able to prioritize state  
3 resources.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

38 (h) Tabulations showing each postretirement adjustment by  
39 retirement system established after fiscal year 1991, to include, but  
40 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 2012 c 229 s 587 are each amended to  
6 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 information 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 office of financial management shall consult with the~~  
7 ~~information services board when conducting reviews of major~~  
8 ~~information technology systems in use by state agencies. The goal is~~  
9 ~~that reviews of these information technology systems occur~~  
10 ~~periodically.~~

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

1 ~~procedural modifications must be submitted to the legislative fiscal~~  
2 ~~committees by September 30, 1996.~~

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

6 (a) Consider the extent to which the agency's activities  
7 demonstrate progress toward ~~((the statewide budgeting priorities,~~  
8 ~~along with any specific review conducted under subsection (4) of this~~  
9 ~~section.~~

10 ~~(7))~~ implementing its agency strategic plan and agency  
11 performance management implementation plan; and

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

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

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

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

36 (1) Ten percent of cost savings must be redirected to the  
37 agency's other critical operations if the office of performance  
38 management certifies that the agency is making adequate progress in  
39 implementing its agency performance management implementation plan,

1 and in responding to performance audits conducted by the state  
2 auditor and the joint legislative audit and review committee,  
3 Baldrige assessments conducted pursuant to section 5 of this act, and  
4 other appropriate audits;

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

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

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

16 **Sec. 15.** RCW 43.88.160 and 2012 c 230 s 1 are each amended to  
17 read as follows:

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

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

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

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

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

32 (~~(4)~~) (5) In addition, the director of financial management, as  
33 agent of the governor, (~~shall~~) must:

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

1 must include criteria for determining the scope and comprehensiveness  
2 of internal controls required by classes of agencies, depending on  
3 the level of resources at risk.

4 (ii) Each agency head or authorized designee (~~((shall))~~) must be  
5 assigned the responsibility and authority for establishing and  
6 maintaining internal audits following the standards of internal  
7 auditing of the institute of internal auditors;

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

14 (c) Establish policies for allowing the contracting of child care  
15 services;

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

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

32 (f) Fix the number and classes of positions or authorized  
33 employee years of employment for each agency and during the fiscal  
34 period amend the determinations previously fixed by the director  
35 except that the director (~~((shall not be))~~) is not empowered to fix the  
36 number or the classes for the following: Agencies headed by elective  
37 officials;

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

40 (~~((+5))~~) (6)(a) The treasurer (~~((shall))~~) must:

1       ~~((a))~~ (i) Receive, keep, and disburse all public funds of the  
2 state not expressly required by law to be received, kept, and  
3 disbursed by some other persons(~~(- PROVIDED, That)~~). However, this  
4 subsection (~~shall~~) does not apply to those public funds of the  
5 institutions of higher learning which are not subject to  
6 appropriation;

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

9       ~~((c))~~ (iii) Keep a correct and current account of all moneys  
10 received and disbursed by the treasurer, classified by fund or  
11 account;

12       ~~((d))~~ (iv) Coordinate agencies' acceptance and use of credit  
13 cards and other payment methods, if the agencies have received  
14 authorization under RCW 43.41.180;

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

17       (b) It (~~shall be~~) is unlawful for the treasurer to disburse  
18 public funds in the treasury except upon forms or by alternative  
19 means duly prescribed by the director of financial management. These  
20 forms or alternative means (~~shall~~) must provide for authentication  
21 and certification by the agency head or the agency head's designee  
22 that the services have been rendered or the materials have been  
23 furnished; or, in the case of loans or grants, that the loans or  
24 grants are authorized by law; or, in the case of payments for  
25 periodic maintenance services to be performed on state owned  
26 equipment, that a written contract for such periodic maintenance  
27 services is currently in effect; and the treasurer (~~shall not be~~)  
28 is not liable under the treasurer's surety bond for erroneous or  
29 improper payments so made. When services are lawfully paid for in  
30 advance of full performance by any private individual or business  
31 entity other than equipment maintenance providers or as provided for  
32 by RCW 42.24.035, (~~such~~) the individual or entity other than  
33 central stores rendering such services (~~shall~~) must make a cash  
34 deposit or furnish surety bond coverage to the state (~~as shall be~~  
35 ~~fixed~~) in an amount fixed by law, or if not fixed by law, then in  
36 (~~such amounts as shall be~~) the amount fixed by the director of the  
37 department of enterprise services but in no case (~~shall such~~) may  
38 the required cash deposit or surety bond be less than an amount  
39 (~~which~~) that will fully indemnify the state against any and all  
40 losses on account of breach of promise to fully perform such

1 services. No payments (~~shall~~) may be made in advance for any  
2 equipment maintenance services to be performed more than twelve  
3 months after such payment except that institutions of higher  
4 education as defined in RCW 28B.10.016 may make payments in advance  
5 for equipment maintenance services to be performed up to sixty months  
6 after such payment. Any such bond so furnished (~~shall~~) must be  
7 conditioned that the person, firm or corporation receiving the  
8 advance payment will apply it toward performance of the contract. The  
9 responsibility for recovery of erroneous or improper payments made  
10 under this section (~~shall~~) lies with the agency head or the agency  
11 head's designee in accordance with rules issued pursuant to this  
12 chapter. Nothing in this section (~~shall~~) may be construed to permit  
13 a public body to advance funds to a private service provider pursuant  
14 to a grant or loan before services have been rendered or material  
15 furnished.

16 (~~(6)~~) (7)(a) The state auditor (~~shall~~) must:

17 (~~(a)~~) (i) Report to the legislature the results of current post  
18 audits that have been made of the financial transactions of each  
19 agency; to this end the auditor may, in the auditor's discretion,  
20 examine the books and accounts of any agency, official, or employee  
21 charged with the receipt, custody, or safekeeping of public funds.  
22 Where feasible in conducting examinations, the auditor (~~shall~~) must  
23 utilize data and findings from the internal control system prescribed  
24 by the office of financial management. The current post audit of each  
25 agency may include a section on recommendations to the legislature as  
26 provided in (~~(e)~~) (a)(iii) of this subsection.

27 (~~(b)~~) (ii) Give information to the legislature, whenever  
28 required, upon any subject relating to the financial affairs of the  
29 state.

30 (~~(e)~~) (iii) Make the auditor's official report on or before the  
31 thirty-first of December which precedes the meeting of the  
32 legislature. The report (~~shall~~) must be for the last complete  
33 fiscal period and (~~shall~~) must include determinations as to whether  
34 agencies, in making expenditures, complied with the laws of this  
35 state. The state auditor is authorized to perform or participate in  
36 performance verifications and performance audits as expressly  
37 authorized by the legislature in the omnibus biennial appropriations  
38 acts or in the performance audit work plan approved by the joint  
39 legislative audit and review committee. The state auditor, upon  
40 completing an audit for legal and financial compliance under chapter

1 43.09 RCW or a performance verification, may report to the joint  
2 legislative audit and review committee or other appropriate  
3 committees of the legislature, in a manner prescribed by the joint  
4 legislative audit and review committee, on facts relating to the  
5 management or performance of governmental programs where such facts  
6 are discovered incidental to the legal and financial audit or  
7 performance verification. The auditor may make such a report to a  
8 legislative committee only if the auditor has determined that the  
9 agency has been given an opportunity and has failed to resolve the  
10 management or performance issues raised by the auditor. If the  
11 auditor makes a report to a legislative committee, the agency may  
12 submit to the committee a response to the report. This subsection  
13 ~~((6))~~ (7) ~~((shall))~~ may not be construed to authorize the auditor  
14 to allocate other than de minimis resources to performance audits  
15 except as expressly authorized in the appropriations acts or in the  
16 performance audit work plan. The results of a performance audit  
17 conducted by the state auditor that has been requested by the joint  
18 legislative audit and review committee must only be transmitted to  
19 the joint legislative audit and review committee.

20 ~~((d))~~ (iv) Be empowered to take exception to specific  
21 expenditures that have been incurred by any agency or to take  
22 exception to other practices related in any way to the agency's  
23 financial transactions and to cause such exceptions to be made a  
24 matter of public record, including disclosure to the agency concerned  
25 and to the director of financial management. It ~~((shall be))~~ is the  
26 duty of the director of financial management to cause corrective  
27 action to be taken within six months, such action to include, as  
28 appropriate, the withholding of funds as provided in RCW 43.88.110.  
29 The director of financial management ~~((shall))~~ must annually report  
30 by December 31st the status of audit resolution to the appropriate  
31 committees of the legislature, the state auditor, and the attorney  
32 general. The director of financial management ~~((shall))~~ must include  
33 in the audit resolution report actions taken as a result of an audit  
34 including, but not limited to, types of personnel actions, costs and  
35 types of litigation, and value of recouped goods or services.

36 ~~((e))~~ (v) Promptly report any irregularities to the attorney  
37 general.

38 ~~((f))~~ (vi) Investigate improper governmental activity under  
39 chapter 42.40 RCW.

1       **(b)** In addition to the authority given to the state auditor in  
2 this subsection (~~((6))~~) (7), the state auditor is authorized to  
3 conduct performance audits identified in RCW 43.09.470. Nothing in  
4 this subsection (~~((6) shall)~~) (7) must limit, impede, or restrict the  
5 state auditor from conducting performance audits identified in RCW  
6 43.09.470.

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

8       (a) Make post audits of the financial transactions of any agency  
9 and management surveys and program reviews as provided for in chapter  
10 44.28 RCW as well as performance audits and program evaluations. To  
11 this end the joint committee may in its discretion examine the books,  
12 accounts, and other records of any agency, official, or employee.

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

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

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

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

26       **Sec. 16.** RCW 43.88C.010 and 2013 c 332 s 11 are each amended to  
27 read as follows:

28       (1) The caseload forecast council is hereby created. The council  
29 shall consist of two individuals appointed by the governor and four  
30 individuals, one of whom is appointed by the chairperson of each of  
31 the two largest political caucuses in the senate and house of  
32 representatives. The chair of the council (~~((shall))~~) must be selected  
33 from among the four caucus appointees. The council may select such  
34 other officers as the members deem necessary.

35       (2) The council (~~((shall))~~) must employ a caseload forecast  
36 supervisor to supervise the preparation of all caseload forecasts. As  
37 used in this chapter, "supervisor" means the caseload forecast  
38 supervisor.

1 (3) Approval by an affirmative vote of at least five members of  
2 the council is required for any decisions regarding employment of the  
3 supervisor. Employment of the supervisor (~~shall~~) terminates after  
4 each term of three years. At the end of the first year of each three-  
5 year term the council (~~shall~~) must consider extension of the  
6 supervisor's term by one year. The council may fix the compensation  
7 of the supervisor. The supervisor (~~shall~~) must employ staff  
8 sufficient to accomplish the purposes of this section.

9 (4) The caseload forecast council (~~shall~~) must oversee the  
10 preparation of and approve, by an affirmative vote of at least four  
11 members, the official state caseload forecasts prepared under RCW  
12 43.88C.020. The official forecast as approved by the council must  
13 include estimated savings in forecasted programs from implementation  
14 of the state performance management implementation plan and agency  
15 performance management implementation plans adopted pursuant to  
16 chapter 43.--- RCW (the new chapter created in section 29 of this  
17 act). If the council is unable to approve a forecast before a date  
18 required in RCW 43.88C.020, the supervisor (~~shall~~) must submit the  
19 forecast without approval and the forecast (~~shall have~~) has the  
20 same effect as if approved by the council.

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

25 (6) Members of the caseload forecast council (~~shall~~) must serve  
26 without additional compensation but (~~shall~~) must be reimbursed for  
27 travel expenses in accordance with RCW 44.04.120 while attending  
28 sessions of the council or on official business authorized by the  
29 council. Nonlegislative members of the council (~~shall~~) must be  
30 reimbursed for travel expenses in accordance with RCW 43.03.050 and  
31 43.03.060.

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

33 (a) The number of persons expected to meet entitlement  
34 requirements and require the services of public assistance programs,  
35 state correctional institutions, state correctional noninstitutional  
36 supervision, state institutions for juvenile offenders, the common  
37 school system, long-term care, medical assistance, foster care, and  
38 adoption support;

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

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

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

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

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

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

19 (a) An official state caseload forecast including estimated  
20 savings in forecasted programs resulting from implementation of the  
21 state performance management implementation plan and agency  
22 performance management implementation plans adopted pursuant to  
23 chapter 43.--- RCW (the new chapter created in section 29 of this  
24 act); and

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

27 (2) The supervisor (~~shall~~) must submit caseload forecasts  
28 prepared under this section, along with any unofficial forecasts  
29 provided under RCW 43.88C.010, to the governor and the members of the  
30 legislative fiscal committees, including one copy to the staff of  
31 each of the committees. The forecasts (~~shall~~) must be submitted at  
32 least three times each year and on such dates as the council  
33 determines will facilitate the development of budget proposals by the  
34 governor and the legislature.

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

36 (a) The supervisor immediate access to all information relating  
37 to caseload forecasts; and

38 (b) The supervisor, the office of financial management, and the  
39 office of performance management immediate access to all estimated

1 savings from implementation of the state performance management  
2 implementation plan and agency performance management implementation  
3 plans adopted pursuant to chapter 43.--- RCW (the new chapter created  
4 in section 29 of this act).

5 (4) The administrator of the legislative evaluation and  
6 accountability program committee may request, and the supervisor  
7 (~~shall~~) must provide, alternative caseload forecasts based on  
8 assumptions specified by the administrator.

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

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

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

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

29 (~~(b)~~) (3) Using the criteria developed in (~~(a) of this~~)  
30 subsection (2) of this section, the state auditor (~~shall~~) must  
31 contract for a statewide performance review to be completed as  
32 expeditiously as possible as a preliminary to a draft work plan for  
33 conducting performance audits. The board and the state auditor  
34 (~~shall~~) must develop a schedule and common methodology for  
35 conducting these reviews. The purpose of these performance reviews is  
36 to identify those agencies, programs, functions, or activities most  
37 likely to benefit from performance audits and to identify likely  
38 areas warranting early review, taking into account prior performance  
39 audits, if any, and prior fiscal audits.

1       ~~((e))~~ (4) The board and the state auditor ~~((shall))~~ must  
2 develop the draft work plan for performance audits based on input  
3 from citizens, state employees, including frontline employees, state  
4 managers, chairs and ranking members of appropriate legislative  
5 committees, the joint legislative audit and review committee, public  
6 officials, and others. The draft work plan may include a list of  
7 agencies, programs, or systems to be audited on a timeline decided by  
8 the board and the state auditor based on a number of factors  
9 including risk, importance, and citizen concerns. When putting  
10 together the draft work plan, there should be consideration of all  
11 audits and reports already required. On average, audits ~~((shall))~~  
12 must be designed to be completed as expeditiously as possible.

13       ~~((d))~~ (5) Before adopting the final work plan, the board  
14 ~~((shall))~~ must consult with the legislative auditor and other  
15 appropriate oversight and audit entities to coordinate work plans and  
16 avoid duplication of effort in their planned performance audits of  
17 state government agencies. The board ~~((shall))~~ must defer to the  
18 joint legislative audit and review committee work plan if a similar  
19 audit is included on both work plans for auditing.

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

23       ~~((f))~~ (7) All audits must include consideration of reports  
24 prepared by other government oversight entities. ~~((g))~~ The audits  
25 may include:

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

28       ~~((ii))~~ (b) Identification of funding sources to the state  
29 agency, to programs, and to services that can be eliminated, reduced,  
30 consolidated, or enhanced;

31       ~~((iii))~~ (c) Analysis of gaps and overlaps in programs and  
32 services and recommendations for improving, dropping, blending, or  
33 separating functions to correct gaps or overlaps;

34       ~~((iv))~~ (d) Analysis and recommendations for pooling information  
35 technology systems used within the state agency, and evaluation of  
36 information processing and telecommunications policy, organization,  
37 and management;

38       ~~((v))~~ (e) Analysis of the roles and functions of the state  
39 agency, its programs, and its services and their compliance with  
40 statutory authority and recommendations for eliminating or changing

1 those roles and functions and ensuring compliance with statutory  
2 authority;

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

7 ~~((vii))~~ (g) Verification of the reliability and validity of  
8 agency performance data, ~~((self-assessments))~~ assessments, and  
9 performance measurement systems ~~((as required under RCW 43.88.090))~~  
10 in agency strategic plans and agency performance management  
11 implementation plans adopted pursuant to chapter 43.--- RCW (the new  
12 chapter created in section 29 of this act);

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

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

16 ~~((x))~~ (j) Evaluation of planning, budgeting, and program  
17 evaluation policies and practices;

18 ~~((xi))~~ (k) Evaluation of personnel systems operation and  
19 management;

20 ~~((xii))~~ (l) Evaluation of state purchasing operations and  
21 management policies and practices; and

22 ~~((xiii))~~ (m) Evaluation of organizational structure and  
23 staffing levels, particularly in terms of the ratio of managers and  
24 supervisors to nonmanagement personnel.

25 ~~((h))~~ (8) The state auditor must solicit comments on  
26 preliminary performance audit reports from the audited state agency,  
27 the office of the governor, the office of financial management, the  
28 board, the chairs and ranking members of appropriate legislative  
29 committees, and the joint legislative audit and review committee for  
30 comment. Comments must be received within thirty days after receipt  
31 of the preliminary performance audit report unless a different time  
32 period is approved by the state auditor. All comments ~~((shall))~~ must  
33 be incorporated into the final performance audit report. The final  
34 performance audit report ~~((shall))~~ must include the objectives,  
35 scope, and methodology; the audit results, including findings and  
36 recommendations; conclusions; and identification of best practices.

37 ~~((i))~~ (9) The board and the state auditor ~~((shall))~~ must  
38 jointly release final performance audit reports to the governor, the  
39 citizens of Washington, the joint legislative audit and review

1 committee, and the appropriate standing legislative committees. Final  
2 performance audit reports (~~((shall))~~) must be posted on the internet.

3 ~~((+j))~~ (10) For institutions of higher education, performance  
4 audits (~~((shall))~~) may not duplicate, and where applicable, (~~((shall))~~)  
5 must make maximum use of existing audit records, accreditation  
6 reviews, and performance measures required by the office of financial  
7 management and nationally or regionally recognized accreditation  
8 organizations including accreditation of hospitals licensed under  
9 chapter 70.41 RCW and ambulatory care facilities.

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

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

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

18 (a) State government and each of its agencies, accounts, and  
19 programs, including the state performance management implementation  
20 plan and agency performance management implementation plans adopted  
21 pursuant to chapter 43.--- RCW (the new chapter created in section 29  
22 of this act);

23 (b) Local governments and each of their agencies, accounts, and  
24 programs;

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

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

29 (e) Other governmental entities, agencies, accounts, and  
30 programs. ((The term))

31 (2) For the purposes of this section, "government" means an  
32 agency, department, office, officer, board, commission, bureau,  
33 division, institution, or institution of higher education. This  
34 includes individual agencies and programs, as well as those programs  
35 and activities that cross agency lines. "Government" includes all  
36 elective and nonelective offices in the executive branch and includes  
37 the judicial and legislative branches.

38 (3) The state auditor (~~((shall))~~) must review and analyze the  
39 economy, efficiency, and effectiveness of the policies, management,

1 fiscal affairs, and operations of state and local governments,  
2 agencies, programs, and accounts. These performance audits (~~shall~~)  
3 must be conducted in accordance with the United States general  
4 accounting office government auditing standards. The state auditor  
5 must consult with the office of performance management and the joint  
6 legislative audit and review committee to develop audit criteria and  
7 standards to audit the state performance management implementation  
8 plan and agency performance management implementation plans under  
9 subsection (4)(h) of this section.

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

12 ((+1)) (a) Identification of cost savings;

13 ((+2)) (b) Identification of services that can be reduced or  
14 eliminated;

15 ((+3)) (c) Identification of programs or services that can be  
16 transferred to the private sector;

17 ((+4)) (d) A analysis of gaps or overlaps in programs or  
18 services and recommendations to correct gaps or overlaps;

19 ((+5)) (e) Feasibility of pooling information technology systems  
20 within the department;

21 ((+6)) (f) Analysis of the roles and functions of the  
22 department, and recommendations to change or eliminate departmental  
23 roles or functions;

24 ((+7)) (g) Recommendations for statutory or regulatory changes  
25 that may be necessary for the department to properly carry out its  
26 functions;

27 ((+8)) (h) Analysis of departmental performance data,  
28 performance measures, and (~~self-assessment~~) assessment systems in  
29 the state performance management implementation plan and agency  
30 performance management implementation plans adopted pursuant to  
31 chapter 43.--- RCW (the new chapter created in section 29 of this  
32 act); and

33 ((+9)) (i) Identification of best practices.

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

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

37 (7) Each audit report (~~shall~~) must be submitted to the  
38 corresponding legislative body or legislative bodies and made  
39 available to the public on or before thirty days after the completion  
40 of each audit or each follow-up audit. On or before thirty days after

1 the performance audit is made public, the corresponding legislative  
2 body or legislative bodies (~~shall~~) must hold at least one public  
3 hearing to consider the findings of the audit and (~~shall~~) must  
4 receive comments from the public.

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

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

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

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

18 (12) For performance audits of state government and its agencies,  
19 programs, and accounts, the legislature must consider the state  
20 auditor reports in connection with the legislative appropriations  
21 process.

22 (13) An annual report (~~will~~) must be submitted by the joint  
23 legislative audit and review committee by July 1st of each year  
24 detailing the status of the legislative implementation of the state  
25 auditor's recommendations. Justification must be provided for  
26 recommendations not implemented. Details of other corrective action  
27 must be provided as well.

28 (14) For performance audits of local governments and their  
29 agencies, programs, and accounts, the corresponding legislative body  
30 must consider the state auditor reports in connection with its  
31 spending practices. An annual report (~~will~~) must be submitted by  
32 the legislative body by July 1st of each year detailing the status of  
33 the legislative implementation of the state auditor's  
34 recommendations. Justification must be provided for recommendations  
35 not implemented. Details of other corrective action must be provided  
36 as well.

37 (15) The people encourage the state auditor to aggressively  
38 pursue the largest, costliest governmental entities first but to  
39 pursue all governmental entities in due course. Follow-up performance  
40 audits on any state and local government, agency, account, and

1 program may be conducted when determined necessary by the state  
2 auditor.

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

6 **Sec. 20.** RCW 46.68.290 and 2006 c 337 s 5 are each amended to  
7 read as follows:

8 (1) The transportation partnership account is hereby created in  
9 the state treasury. All distributions to the account from RCW  
10 46.68.090 must be deposited into the account. Money in the account  
11 may be spent only after appropriation. Expenditures from the account  
12 must be used only for projects or improvements identified as 2005  
13 transportation partnership projects or improvements in the omnibus  
14 transportation appropriations act, including any principal and  
15 interest on bonds authorized for the projects or improvements.

16 (2) The legislature finds that:

17 (a) Citizens demand and deserve accountability of transportation-  
18 related programs and expenditures. Transportation-related programs  
19 must continuously improve in quality, efficiency, and effectiveness  
20 in order to increase public trust;

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

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

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

29 (a) "Performance audit" means an objective and systematic  
30 assessment of a state agency or agencies or any of their programs,  
31 functions, or activities by the state auditor or designee in order to  
32 help improve agency efficiency, effectiveness, and accountability.  
33 Performance audits include economy and efficiency audits and program  
34 audits.

35 (b) "Transportation-related agency" means any state agency,  
36 board, or commission that receives funding primarily for  
37 transportation-related purposes. At a minimum, the department of  
38 transportation, the transportation improvement board or its successor  
39 entity, the county road administration board or its successor entity,

1 and the traffic safety commission are considered transportation-  
2 related agencies. The Washington state patrol and the department of  
3 licensing (~~shall~~) are not (~~be~~) considered transportation-related  
4 agencies under chapter 314, Laws of 2005.

5 (4) Within the authorities and duties under chapter 43.09 RCW,  
6 the state auditor (~~shall~~) must establish criteria and protocols for  
7 performance audits. Transportation-related agencies (~~shall~~) must be  
8 audited using criteria that include generally accepted government  
9 auditing standards as well as legislative mandates and performance  
10 objectives established by state agencies. Mandates include, but are  
11 not limited to, agency strategies, timelines, program objectives, and  
12 mission and goals as required in (~~RCW 43.88.090~~) agency strategic  
13 plans and agency performance management implementation plans adopted  
14 pursuant to chapter 43.--- RCW (the new chapter created in section 29  
15 of this act).

16 (5) Within the authorities and duties under chapter 43.09 RCW,  
17 the state auditor may conduct performance audits for transportation-  
18 related agencies. The state auditor (~~shall~~) must contract with  
19 private firms to conduct the performance audits. (~~(+6)~~) The audits  
20 may include:

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

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

26 (c) Analysis of gaps and overlaps in programs and services and  
27 recommendations for improving, dropping, blending, or separating  
28 functions to correct gaps or overlaps;

29 (d) Analysis and recommendations for pooling information  
30 technology systems used within the transportation-related agency, and  
31 evaluation of information processing and telecommunications policy,  
32 organization, and management;

33 (e) Analysis of the roles and functions of the transportation-  
34 related agency, its programs, and its services and their compliance  
35 with statutory authority and recommendations for eliminating or  
36 changing those roles and functions and ensuring compliance with  
37 statutory authority;

38 (f) Recommendations for eliminating or changing statutes, rules,  
39 and policy directives as may be necessary to ensure that the

1 transportation-related agency carry out reasonably and properly those  
2 functions vested in the agency by statute;

3 (g) Verification of the reliability and validity of  
4 transportation-related agency performance data, (~~self-assessments~~)  
5 assessments, and performance measurement systems as required (~~under~~  
6 ~~RCW 43.88.090~~) in agency strategic plans and agency performance  
7 management implementation plans adopted pursuant to chapter 43.---  
8 RCW (the new chapter created in section 29 of this act);

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

11 (i) Identification and recognition of best practices;

12 (j) Evaluation of planning, budgeting, and program evaluation  
13 policies and practices;

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

15 (l) Evaluation of purchasing operations and management policies  
16 and practices;

17 (m) Evaluation of organizational structure and staffing levels,  
18 particularly in terms of the ratio of managers and supervisors to  
19 nonmanagement personnel; and

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

23 (~~(7)~~) (6) Within the authorities and duties under chapter 43.09  
24 RCW, the state auditor must provide the preliminary performance audit  
25 reports to the audited state agency for comment. The auditor also may  
26 seek input on the preliminary report from other appropriate  
27 officials. Comments must be received within thirty days after receipt  
28 of the preliminary performance audit report unless a different time  
29 period is approved by the state auditor. The final performance audit  
30 report (~~shall~~) must include the objectives, scope, and methodology;  
31 the audit results, including findings and recommendations; the  
32 agency's response and conclusions; and identification of best  
33 practices.

34 (~~(8)~~) (7) The state auditor (~~shall~~) must provide final  
35 performance audit reports to the citizens of Washington, the  
36 governor, the joint legislative audit and review committee, the  
37 appropriate legislative committees, and other appropriate officials.  
38 Final performance audit reports (~~shall~~) must be posted on the  
39 internet.

1       (~~(9)~~) (8) The audited transportation-related agency is  
2 responsible for follow-up and corrective action on all performance  
3 audit findings and recommendations. The audited agency's plan for  
4 addressing each audit finding and recommendation (~~(shall)~~) must be  
5 included in the final audit report. The plan (~~(shall)~~) must provide  
6 the name of the contact person responsible for each action, the  
7 action planned, and the anticipated completion date. If the audited  
8 agency does not agree with the audit findings and recommendations or  
9 believes action is not required, then the action plan (~~(shall)~~) must  
10 include an explanation and specific reasons.

11       (9)(a) The office of financial management (~~(shall)~~) must require  
12 periodic progress reports from the audited agency until all  
13 resolution has occurred. The office of financial management is  
14 responsible for achieving audit resolution. The office of financial  
15 management (~~(shall)~~) must annually report by December 31st the status  
16 of performance audit resolution to the appropriate legislative  
17 committees and the state auditor. The legislature (~~(shall)~~) must  
18 consider the performance audit results in connection with the state  
19 budget process.

20       (b) The auditor may request status reports on specific audits or  
21 findings.

22       (10) For the period from July 1, 2005, until June 30, 2007, the  
23 amount of \$4,000,000 is appropriated from the transportation  
24 partnership account to the state auditors office for the purposes of  
25 subsections (2) through (~~(9)~~) (8) of this section.

26       **Sec. 21.** RCW 47.04.280 and 2013 c 199 s 1 are each amended to  
27 read as follows:

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

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

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

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

3 (d) Mobility: To improve the predictable movement of goods and  
4 people throughout Washington state;

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

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

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

13 (3) These policy goals are intended to be the basis for  
14 establishing detailed and measurable objectives and related  
15 performance measures.

16 (4) (~~It is the intent of the legislature that the office of~~  
17 ~~financial management establish objectives and performance measures~~  
18 ~~for~~) The department of transportation and other state agencies with  
19 transportation-related responsibilities must include policy goals in  
20 subsection (1) of this section in agency strategic plans and agency  
21 performance management implementation plans adopted pursuant to  
22 chapter 43.--- RCW (the new chapter created in section 29 of this  
23 act) to ensure that transportation system performance at local,  
24 regional, and state government levels progresses toward the  
25 attainment of the policy goals (set forth in subsection (1) of this  
26 section. The office of financial management shall submit initial  
27 objectives and performance measures to the legislature for its review  
28 and shall provide copies of the same to the commission during the  
29 2008 legislative session. The office of financial management shall  
30 submit objectives and performance measures to the legislature for its  
31 review and shall provide copies of the same to the commission during  
32 each regular session of the legislature during an even-numbered year  
33 thereafter)).

34 (5) A local or regional agency engaging in transportation  
35 planning may voluntarily establish objectives and performance  
36 measures to demonstrate progress toward the attainment of the policy  
37 goals set forth in subsection (1) of this section or any other  
38 transportation policy goals established by the local or regional  
39 agency. A local or regional agency engaging in transportation  
40 planning is encouraged to provide local and regional objectives and

1 performance measures to be included (~~(with the objectives and~~  
2 ~~performance measures submitted to the legislature pursuant to~~  
3 ~~subsection (4) of this section)~~) in agency strategic plans 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).

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

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

10 (1) The department is empowered to operate such ferry system,  
11 including all operations, whether intrastate or international, upon  
12 any route or routes, and toll bridges as a revenue-producing and  
13 self-liquidating undertaking. The department has full charge of the  
14 construction, rehabilitation, rebuilding, enlarging, improving,  
15 operation, and maintenance of the ferry system, including toll  
16 bridges, approaches, and roadways incidental thereto that may be  
17 authorized by the department, including the collection of tolls and  
18 other charges for the services and facilities of the undertaking. The  
19 department has the exclusive right to enter into leases and contracts  
20 for use and occupancy by other parties of the concessions and space  
21 located on the ferries, wharves, docks, approaches, parking lots, and  
22 landings, including the selling of commercial advertising space and  
23 licenses to use the Washington State Ferries trademarks, but, except  
24 as provided in subsection (2) of this section, no such leases or  
25 contracts may be entered into for more than ten years, nor without a  
26 competitive contract process, except as otherwise provided in this  
27 section. The competitive process (~~(shall)~~) must be (~~(either)~~) an  
28 invitation for bids in accordance with the process established by  
29 chapter 43.19 RCW(~~(, or a request for proposals in accordance with~~  
30 ~~the process established by RCW 47.56.030)~~). All revenues from  
31 commercial advertising, concessions, parking, leases, and contracts  
32 must be deposited in the Puget Sound ferry operations account (~~(in~~  
33 ~~accordance with RCW 47.60.150)~~).

34 (2) As part of a joint development agreement under which a public  
35 or private developer constructs or installs improvements on ferry  
36 system property, the department may lease all or part of such  
37 property and improvements to such developers for that period of time,  
38 not to exceed fifty-five years, or not to exceed thirty years for  
39 those areas located within harbor areas, which the department

1 determines is necessary to allow the developer to make reasonable  
2 recovery on its initial investment. Any lease entered into as  
3 provided for in this subsection that involves state aquatic lands  
4 (~~shall~~) must conform with the Washington state Constitution and  
5 applicable statutory requirements as determined by the department of  
6 natural resources. That portion of the lease rate attributable to the  
7 state aquatic lands (~~shall~~) must be distributed in the same manner  
8 as other lease revenues derived from state aquatic lands as provided  
9 in RCW (~~79.24.580~~) 79.105.150.

10 (3) The department (~~shall~~) must include in the strategic  
11 planning and performance assessment process, as required (~~by RCW~~  
12 ~~43.88.090~~) in agency strategic plans and agency performance  
13 management implementation plans adopted pursuant to chapter 43.---  
14 RCW (the new chapter created in section 29 of this act), an analysis  
15 of the compatibility of public and private partnerships with the  
16 state ferry system's core business, and the department's efforts to  
17 maximize nonfarebox revenues and provide benefit to the public users  
18 of the ferry system facilities. The department (~~shall~~) must include  
19 an assessment of the need for an open solicitation to identify and  
20 select possible public or private partnerships in order to maximize  
21 the value of projects and the state's investment in current and  
22 future ferry system operations.

23 (a) When the department determines that an open solicitation is  
24 necessary, a request for proposal (~~shall~~) must be released,  
25 consisting of an open solicitation outlining functional  
26 specifications to be used as the basis for selecting partnerships in  
27 the project.

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

33 (c) If no responses are received, or those that are received are  
34 incompatible with ferry system operations, or do not meet the  
35 criteria stated in (b) of this subsection, the state ferry system may  
36 proceed with state ferry system operating strategies designed to  
37 achieve state ferry system objectives without established  
38 partnerships.

1       **Sec. 23.** RCW 70.94.551 and 2009 c 427 s 3 are each amended to  
2 read as follows:

3       (1) The secretary of the department of transportation may  
4 coordinate an interagency board or other interested parties for the  
5 purpose of developing policies or guidelines that promote consistency  
6 among state agency commute trip reduction programs required by RCW  
7 70.94.527 and 70.94.531 or developed under the joint comprehensive  
8 commute trip reduction plan described in this section. The board  
9 (~~shall~~) must include representatives of the departments of  
10 transportation, (~~general administration~~) enterprise services,  
11 ecology, and (~~community, trade, and economic development~~) commerce  
12 and such other departments and interested groups as the secretary of  
13 the department of transportation determines to be necessary. Policies  
14 and guidelines (~~shall be~~) are applicable to all state agencies  
15 including but not limited to policies and guidelines regarding  
16 parking and parking charges, employee incentives for commuting by  
17 other than single-occupant automobiles, flexible and alternative work  
18 schedules, alternative worksites, and the use of state-owned vehicles  
19 for car and van pools and guaranteed rides home. The policies and  
20 guidelines shall also consider the costs and benefits to state  
21 agencies of achieving commute trip reductions and consider mechanisms  
22 for funding state agency commute trip reduction programs.

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

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

33       (a) In developing the joint comprehensive commute trip reduction  
34 plan, the department of transportation (~~shall~~) must work with  
35 applicable state agencies, including institutions of higher  
36 education, and (~~shall~~) must collaborate with the following  
37 entities: Local jurisdictions; regional transportation planning  
38 organizations as described in chapter 47.80 RCW; transit agencies,  
39 including regional transit authorities as described in chapter 81.112  
40 RCW and transit agencies that serve areas within twenty-five miles of

1 the Olympia, Lacey, or Tumwater urban growth areas; and the capitol  
2 campus design advisory committee established in RCW 43.34.080.

3 (b) The joint comprehensive commute trip reduction plan must  
4 build on existing commute trip reduction programs and policies. At a  
5 minimum, the joint comprehensive commute trip reduction plan must  
6 include strategies for telework and flexible work schedules, parking  
7 management, and consideration of the impacts of worksite location and  
8 design on multimodal transportation options.

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

11 (d) The joint comprehensive commute trip reduction plan may  
12 include strategies to accommodate differences in worksite size and  
13 location.

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

18 (f) Not more than ninety days after the adoption of the joint  
19 comprehensive commute trip reduction plan, state agencies within the  
20 three urban growth areas must implement a commute trip reduction  
21 program consistent with the objectives and strategies of the joint  
22 comprehensive commute trip reduction plan.

23 (4) The department of transportation (~~shall~~) must review the  
24 initial commute trip reduction program of each state agency subject  
25 to the commute trip reduction plan for state agencies to determine if  
26 the program is likely to meet the applicable commute trip reduction  
27 goals and notify the agency of any deficiencies. If it is found that  
28 the program is not likely to meet the applicable commute trip  
29 reduction goals, the department of transportation will work with the  
30 agency to modify the program as necessary.

31 (5) Each state agency implementing a commute trip reduction plan  
32 (~~shall~~) must report at least once per year to its agency director  
33 on the performance of the agency's commute trip reduction program as  
34 part of the agency's (~~quality management, accountability, and~~  
35 ~~performance system as defined by RCW 43.17.385~~) performance  
36 management implementation plan adopted pursuant to chapter 43.--- RCW  
37 (the new chapter created in section 29 of this act). The reports  
38 (~~shall~~) must assess the performance of the program, progress toward  
39 state goals established under RCW 70.94.537, and recommendations for  
40 improving the program.

1 (6) The department of transportation (~~shall~~) must review the  
2 agency performance reports defined in subsection (5) of this section  
3 and submit a biennial report for state agencies subject to this  
4 chapter to the governor and incorporate the report in the commute  
5 trip reduction board report to the legislature as directed in RCW  
6 70.94.537(6). The report (~~shall~~) must include, but is not limited  
7 to, an evaluation of the most recent measurement results, progress  
8 toward state goals established under RCW 70.94.537, and  
9 recommendations for improving the performance of state agency commute  
10 trip reduction programs. The information (~~shall~~) must be reported  
11 in a form established by the commute trip reduction board.

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

14 The office of the administrator for the courts is encouraged to  
15 conduct performance audits of courts under the authority of the  
16 supreme court, in conformity with criteria and methods developed by  
17 the board for judicial administration that have been approved by the  
18 supreme court. In developing criteria and methods for conducting  
19 performance audits, the board for judicial administration is  
20 encouraged to consider quality improvement programs, audits, and  
21 scoring. The judicial branch is encouraged to submit the results of  
22 these efforts to the chief justice of the supreme court or his or her  
23 designee, (~~and with~~) to any other applicable boards or committees  
24 established under the authority of the supreme court to oversee  
25 government accountability, and to the legislature.

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

28 (1) The joint legislative audit and review committee, the joint  
29 transportation committee, the select committee on pension policy, the  
30 legislative evaluation and accountability program committee, the  
31 office of legislative support services, the joint higher education  
32 committee, and the joint legislative systems committee are subject to  
33 such operational policies, procedures, and oversight as are deemed  
34 necessary by the facilities and operations committee of the senate  
35 and the executive rules committee of the house of representatives to  
36 ensure operational adequacy of the agencies of the legislative  
37 branch. As used in this section, "operational policies, procedures,  
38 and oversight" includes the development process of biennial budgets,

1 contracting procedures, personnel policies, and compensation plans,  
2 selection of a chief administrator, facilities, and expenditures.  
3 This section does not grant oversight authority to the facilities and  
4 operations committee of the senate over any standing committee of the  
5 house of representatives or oversight authority to the executive  
6 rules committee of the house of representatives over any standing  
7 committee of the senate.

8 (2) The facilities and operations committee of the senate and the  
9 executive rules committee of the house of representatives are  
10 encouraged to cooperate with the office of performance management and  
11 to adopt agency performance management implementation plans and  
12 conduct Baldrige assessments of operations pursuant to chapter 43.---  
13 RCW (the new chapter created in section 29 of this act).

14 NEW SECTION. Sec. 26. A new section is added to chapter 43.19  
15 RCW to read as follows:

16 (1) The department must enter into a partnership with the  
17 Baldrige performance excellence program, national institutes of  
18 standards and technology, United States department of commerce, and  
19 performance excellence northwest and Washington state quality award  
20 to develop a suite of web-based classroom training modules for  
21 employees, middle managers, supervisors, and senior agency leaders.

22 (2) The training modules must:

23 (a) Build fundamental knowledge and skills regarding agency  
24 strategic plans, agency ethics plans, agency performance management  
25 implementation plans, Baldrige assessments, and other requirements in  
26 chapter 43.--- RCW (the new chapter created in section 29 of this  
27 act), enabling state agencies and partner organizations to achieve  
28 measurable results; and

29 (b) Be completed and approved by the office of performance  
30 management by September 1, 2015.

31 NEW SECTION. Sec. 27. RCW 43.17.380 (Quality management,  
32 accountability, and performance system—Definitions) and 2005 c 384 s  
33 2 are each repealed.

34 NEW SECTION. Sec. 28. This act may be known and cited as the  
35 performance management act.

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

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