
SUBSTITUTE SENATE BILL 6680

State of Washington

54th Legislature

1996 Regular Session

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

Read first time 01/26/96.

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

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

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

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

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

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

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

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

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

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

31 (a) The majority leader of the senate;

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

33 (c) The minority leader of the senate;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 NEW SECTION. **Sec. 5.** Before the completion of each legislative
2 session and in conjunction with development of the final omnibus
3 appropriations act, the legislative committee on performance review
4 shall approve a performance review plan for the next twelve to fifteen
5 months. The performance review plan must include a schedule of
6 agencies, programs, or activities for which performance reviews will be
7 initiated during that period. The plan must also include anticipated
8 performance review revolving fund charges to each individual agency
9 scheduled for review. Appropriations for scheduled agencies shall be
10 adjusted in the omnibus appropriations act to reflect the anticipated
11 charges. For each performance review included, the plan must identify
12 the role of the legislative office of performance review and the state
13 auditor, as well as the need to contract for additional public or
14 private sector expertise. In preparing a draft plan for consideration
15 by the committee, the director shall consult with the state auditor,
16 the chair and staff of the legislative budget committee, the director
17 of financial management, and the chairs and staff of appropriate
18 legislative standing committees. The committee shall meet quarterly to
19 review progress on the plan and, if necessary, revise the plan.

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

32 NEW SECTION. **Sec. 7.** The performance review revolving fund is
33 established in the state treasury. Expenditures from the fund may be
34 spent only by appropriation. The fund is established to assist in
35 recovering the costs of performance reviews from the audited agency or
36 program. Subject to appropriation, the director shall assess agencies
37 all or a portion of the cost of performance reviews.

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

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

6 NEW SECTION. **Sec. 8.** To ensure the accuracy and timeliness of
7 information used as the basis for performance reviews and other
8 responsibilities of the legislature, the director shall be provided
9 direct and unrestricted access to information held by any state agency.
10 Agencies shall submit directly to the legislative office of performance
11 review, on a confidential basis, all data and other information
12 requested, including tax records and client data.

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

15 (1) The director of financial management shall provide all agencies
16 with a complete set of instructions for submitting biennial budget
17 requests to the director at least three months before agency budget
18 documents are due into the office of financial management. The
19 director shall provide agencies that are required under RCW 44.40.070
20 to develop comprehensive six-year program and financial plans with a
21 complete set of instructions for submitting these program and financial
22 plans at the same time that instructions for submitting other budget
23 requests are provided. The budget document or documents shall consist
24 of the governor's budget message which shall be explanatory of the
25 budget and shall contain an outline of the proposed financial policies
26 of the state for the ensuing fiscal period, as well as an outline of
27 the proposed six-year financial policies where applicable, and shall
28 describe in connection therewith the important features of the budget.
29 The message shall set forth the reasons for salient changes from the
30 previous fiscal period in expenditure and revenue items and shall
31 explain any major changes in financial policy. Attached to the budget
32 message shall be such supporting schedules, exhibits and other
33 explanatory material in respect to both current operations and capital
34 improvements as the governor shall deem to be useful to the
35 legislature. The budget document or documents shall set forth a
36 proposal for expenditures in the ensuing fiscal period, or six-year
37 period where applicable, based upon the estimated revenues as approved

1 by the economic and revenue forecast council or upon the estimated
2 revenues of the office of financial management for those funds,
3 accounts, and sources for which the office of the economic and revenue
4 forecast council does not prepare an official forecast, including those
5 revenues anticipated to support the six-year programs and financial
6 plans under RCW 44.40.070. In estimating revenues to support financial
7 plans under RCW 44.40.070, the office of financial management shall
8 rely on information and advice from the interagency revenue task force.
9 Revenues shall be estimated for such fiscal period from the source and
10 at the rates existing by law at the time of submission of the budget
11 document, including the supplemental budgets submitted in the even-
12 numbered years of a biennium. However, the estimated revenues for use
13 in the governor's budget document may be adjusted to reflect budgetary
14 revenue transfers and revenue estimates dependent upon budgetary
15 assumptions of enrollments, workloads, and caseloads. All adjustments
16 to the approved estimated revenues must be set forth in the budget
17 document. The governor may additionally submit, as an appendix to each
18 supplemental, biennial, or six-year agency budget or to the budget
19 document or documents, a proposal for expenditures in the ensuing
20 fiscal period from revenue sources derived from proposed changes in
21 existing statutes.

22 Supplemental and biennial documents shall reflect a six-year
23 expenditure plan consistent with estimated revenues from existing
24 sources and at existing rates for those agencies required to submit
25 six-year program and financial plans under RCW 44.40.070. Any
26 additional revenue resulting from proposed changes to existing statutes
27 shall be separately identified within the document as well as related
28 expenditures for the six-year period.

29 The budget document or documents shall also contain:

30 (a) Revenues classified by fund and source for the immediately past
31 fiscal period, those received or anticipated for the current fiscal
32 period, those anticipated for the ensuing biennium, and those
33 anticipated for the ensuing six-year period to support the six-year
34 programs and financial plans required under RCW 44.40.070;

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

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

1 (d) Such additional information dealing with revenues and
2 expenditures as the governor shall deem pertinent and useful to the
3 legislature;

4 (e) Tabulations showing expenditures classified by fund, function,
5 activity and object;

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

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

12 (h) Tabulations showing each postretirement adjustment by
13 retirement system established after fiscal year 1991, to include, but
14 not be limited to, estimated total payments made to the end of the
15 previous biennial period, estimated payments for the present biennium,
16 and estimated payments for the ensuing biennium.

17 (2) The budget document or documents shall include detailed
18 estimates of all anticipated revenues applicable to proposed operating
19 or capital expenditures and shall also include all proposed operating
20 or capital expenditures. The total of beginning undesignated fund
21 balance and estimated revenues less working capital and other reserves
22 shall equal or exceed the total of proposed applicable expenditures.
23 The budget document or documents shall further include:

24 (a) Interest, amortization and redemption charges on the state
25 debt;

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

27 (c) Other statutory expenditures;

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

29 (e) Revenues derived from agency operations;

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

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

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

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

4 (j) A showing and explanation of anticipated amounts of general
5 fund and other funds required to amortize the unfunded actuarial
6 accrued liability of the retirement system specified under chapter
7 41.45 RCW, and the contributions to meet such amortization, stated in
8 total dollars and as a level percentage of total compensation; and

9 (k) For each agency, a description of the findings and
10 recommendations of any applicable review by the legislative office of
11 performance review conducted during the prior fiscal period. The
12 budget document must describe the potential costs and savings
13 associated with implementing the findings and recommendations,
14 including any recommendations for program eliminations and alternative
15 delivery methods.

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

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

21 (b) A capital program consisting of proposed capital projects for
22 the next biennium and the two biennia succeeding the next biennium
23 consistent with the long-range facilities plan. Inasmuch as is
24 practical, and recognizing emergent needs, the capital program shall
25 reflect the priorities, projects, and spending levels proposed in
26 previously submitted capital budget documents in order to provide a
27 reliable long-range planning tool for the legislature and state
28 agencies;

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

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

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

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

36 (g) Estimated total project cost;

37 (h) For major projects valued over five million dollars, estimated
38 costs for the following project components: Acquisition, consultant
39 services, construction, equipment, project management, and other costs

1 included as part of the project. Project component costs shall be
2 displayed in a standard format defined by the office of financial
3 management to allow comparisons between projects;

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

6 (j) Estimated ensuing biennium costs;

7 (k) Estimated costs beyond the ensuing biennium;

8 (l) Estimated construction start and completion dates;

9 (m) Source and type of funds proposed;

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

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

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

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

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

31 For purposes of this subsection (3), the term "capital project"
32 shall be defined subsequent to the analysis, findings, and
33 recommendations of a joint committee comprised of representatives from
34 the house capital appropriations committee, senate ways and means
35 committee, legislative transportation committee, legislative evaluation
36 and accountability program committee, and office of financial
37 management.

38 (4) No change affecting the comparability of agency or program
39 information relating to expenditures, revenues, workload, performance

1 and personnel shall be made in the format of any budget document or
2 report presented to the legislature under this section or RCW
3 43.88.160(1) relative to the format of the budget document or report
4 which was presented to the previous regular session of the legislature
5 during an odd-numbered year without prior legislative concurrence.
6 Prior legislative concurrence shall consist of (a) a favorable majority
7 vote on the proposal by the standing committees on ways and means of
8 both houses if the legislature is in session or (b) a favorable
9 majority vote on the proposal by members of the legislative evaluation
10 and accountability program committee if the legislature is not in
11 session.

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

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

25 The estimates shall include statements or tables which indicate, by
26 agency, the state funds which are required for the receipt of federal
27 matching revenues. The estimates shall be revised as necessary to
28 reflect legislative enactments and adopted appropriations and shall be
29 included with the initial biennial allotment submitted under RCW
30 43.88.110.

31 (2) Each state agency shall define its mission and establish
32 measurable goals for achieving desirable results for those who receive
33 its services and the taxpayers who pay for those services. Each agency
34 shall also develop clear strategies and timelines to achieve its goals.
35 This section does not require an agency to develop a new mission or
36 goals in place of identifiable missions or goals that meet the intent
37 of this section.

1 (3) For the purpose of assessing program performance, each state
2 agency shall establish program objectives for each major program in its
3 budget. The objectives must be consistent with the missions and goals
4 developed under this section. The objectives must be expressed to the
5 extent practicable in outcome-based, objective, and measurable form
6 unless an exception to adopt a different standard is granted by the
7 office of financial management and approved by the legislative
8 committee on performance review. The office of financial management
9 shall provide necessary professional and technical assistance to assist
10 state agencies in the development of strategic plans that include the
11 mission of the agency and its programs, measurable goals, strategies,
12 and performance measurement systems.

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

17 (5) It is the policy of the legislature that an agency's
18 development of any budget proposals must be directly linked to the
19 agency's stated mission and program goals and objectives. Consistent
20 with this policy, agency budget proposals must include implementation
21 of performance measures that allow objective determination of a
22 program's ability to achieve its goals. The office of financial
23 management shall develop a plan to merge the budget development process
24 with agency performance assessment procedures. The plan must include
25 a schedule to integrate agency strategic plans and performance measures
26 into agency budget requests and the governor's budget proposal over
27 three fiscal biennia. The plan must identify those agencies that will
28 implement the revised budget process in the 1997-1999 biennium, the
29 1999-2001 biennium, and the 2001-2003 biennium. In consultation with
30 the legislative fiscal committees, the office of financial management
31 shall recommend statutory and procedural modifications to the state's
32 budget, accounting, and reporting systems to facilitate the performance
33 assessment procedures and the merger of those procedures with the state
34 budget process. The plan and recommended statutory and procedural
35 modifications must be submitted to the legislative fiscal committees by
36 September 30, 1996.

37 (6) In the year of the gubernatorial election, the governor shall
38 invite the governor-elect or the governor-elect's designee to attend
39 all hearings provided in RCW 43.88.100; and the governor shall furnish

1 the governor-elect or the governor-elect's designee with such
2 information as will enable the governor-elect or the governor-elect's
3 designee to gain an understanding of the state's budget requirements.
4 The governor-elect or the governor-elect's designee may ask such
5 questions during the hearings and require such information as the
6 governor-elect or the governor-elect's designee deems necessary and may
7 make recommendations in connection with any item of the budget which,
8 with the governor-elect's reasons therefor, shall be presented to the
9 legislature in writing with the budget document. Copies of all such
10 estimates and other required information shall also be submitted to the
11 standing committees on ways and means of the house and senate.

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

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

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

1 they are granted. The director shall forward notice of waivers granted
2 to the appropriate legislative fiscal committees. The director of
3 financial management may require such financial, statistical, and other
4 reports as the director deems necessary from all agencies covering any
5 period.

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

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

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

28 (a) Develop and maintain a system of internal controls and internal
29 audits comprising methods and procedures to be adopted by each agency
30 that will safeguard its assets, check the accuracy and reliability of
31 its accounting data, promote operational efficiency, and encourage
32 adherence to prescribed managerial policies for accounting and
33 financial controls. The system developed by the director shall include
34 criteria for determining the scope and comprehensiveness of internal
35 controls required by classes of agencies, depending on the level of
36 resources at risk.

37 Each agency head or authorized designee shall be assigned the
38 responsibility and authority for establishing and maintaining internal

1 audits following the standards of internal auditing of the institute of
2 internal auditors;

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

8 (c) Establish policies for allowing the contracting of child care
9 services;

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

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

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

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

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

35 (5) The treasurer shall:

36 (a) Receive, keep, and disburse all public funds of the state not
37 expressly required by law to be received, kept, and disbursed by some
38 other persons: PROVIDED, That this subsection shall not apply to those

1 public funds of the institutions of higher learning which are not
2 subject to appropriation;

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

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

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

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

12 It shall be unlawful for the treasurer to disburse public funds in
13 the treasury except upon forms or by alternative means duly prescribed
14 by the director of financial management. These forms or alternative
15 means shall provide for authentication and certification by the agency
16 head or the agency head's designee that the services have been rendered
17 or the materials have been furnished; or, in the case of loans or
18 grants, that the loans or grants are authorized by law; or, in the case
19 of payments for periodic maintenance services to be performed on state
20 owned equipment, that a written contract for such periodic maintenance
21 services is currently in effect and copies thereof are on file with the
22 office of financial management; and the treasurer shall not be liable
23 under the treasurer's surety bond for erroneous or improper payments so
24 made. When services are lawfully paid for in advance of full
25 performance by any private individual or business entity other than as
26 provided for by RCW 42.24.035, such individual or entity other than
27 central stores rendering such services shall make a cash deposit or
28 furnish surety bond coverage to the state as shall be fixed in an
29 amount by law, or if not fixed by law, then in such amounts as shall be
30 fixed by the director of the department of general administration but
31 in no case shall such required cash deposit or surety bond be less than
32 an amount which will fully indemnify the state against any and all
33 losses on account of breach of promise to fully perform such services.
34 No payments shall be made in advance for any equipment maintenance
35 services to be performed more than three months after such payment.
36 Any such bond so furnished shall be conditioned that the person, firm
37 or corporation receiving the advance payment will apply it toward
38 performance of the contract. The responsibility for recovery of
39 erroneous or improper payments made under this section shall lie with

1 the agency head or the agency head's designee in accordance with
2 regulations issued pursuant to this chapter. Nothing in this section
3 shall be construed to permit a public body to advance funds to a
4 private service provider pursuant to a grant or loan before services
5 have been rendered or material furnished.

6 (6) The state auditor shall:

7 (a) Report to the legislature the results of current post audits
8 that have been made of the financial transactions of each agency; to
9 this end the auditor may, in the auditor's discretion, examine the
10 books and accounts of any agency, official, or employee charged with
11 the receipt, custody, or safekeeping of public funds. Where feasible
12 in conducting examinations, the auditor shall utilize data and findings
13 from the internal control system prescribed by the office of financial
14 management. The current post audit of each agency may include a
15 section on recommendations to the legislature as provided in (c) of
16 this subsection.

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

19 (c) Make the auditor's official report on or before the thirty-
20 first of December which precedes the meeting of the legislature. The
21 report shall be for the last complete fiscal period and shall include
22 determinations as to whether agencies, in making expenditures, complied
23 with the laws of this state. The state auditor is authorized to
24 perform or participate in performance verifications only as expressly
25 authorized by the legislature in the omnibus biennial appropriations
26 acts and may participate in performance reviews under chapter 44.---
27 RCW (sections 1 through 8 of this act) only as expressly authorized by
28 the performance review plan adopted by the legislative committee on
29 performance review. The state auditor, upon completing an audit for
30 legal and financial compliance under chapter 43.09 RCW or a performance
31 verification or performance review, may report to the legislative
32 budget committee, legislative committee on performance review, or other
33 appropriate committees of the legislature, in a manner prescribed by
34 the legislative budget committee or the director of the legislative
35 office of performance review, on facts relating to the management or
36 performance of governmental programs where such facts are discovered
37 incidental to the legal and financial audit ~~((or))~~, performance
38 verification, or performance review. The auditor may make such a
39 report to a legislative committee only if the auditor has determined

1 that the agency has been given an opportunity and has failed to resolve
2 the management or performance issues raised by the auditor. If the
3 auditor makes a report to a legislative committee, the agency may
4 submit to the committee a response to the report. This subsection (6)
5 shall not be construed to authorize the auditor to allocate other than
6 de minimis resources to performance audits except as expressly
7 authorized in the appropriations acts or the performance review plan.

8 (d) Be empowered to take exception to specific expenditures that
9 have been incurred by any agency or to take exception to other
10 practices related in any way to the agency's financial transactions and
11 to cause such exceptions to be made a matter of public record,
12 including disclosure to the agency concerned and to the director of
13 financial management. It shall be the duty of the director of
14 financial management to cause corrective action to be taken promptly,
15 such action to include, as appropriate, the withholding of funds as
16 provided in RCW 43.88.110.

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

18 (f) Investigate improper governmental activity under chapter 42.40
19 RCW.

20 (7) The legislative budget committee may:

21 (a) Make post audits of the financial transactions of any agency
22 and management surveys and program reviews as provided for in RCW
23 44.28.085 as well as performance audits and program evaluations. To
24 this end the committee may in its discretion examine the books,
25 accounts, and other records of any agency, official, or employee.

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

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

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

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

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

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

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

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

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

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

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

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

10 (8) RCW 43.88B.050 and 1994 c 184 s 8;

11 (9) RCW 43.88B.900 and 1994 c 184 s 13; and

12 (10) RCW 43.88B.901 and 1994 c 184 s 15.

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

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