

CERTIFICATION OF ENROLLMENT

ENGROSSED SUBSTITUTE SENATE BILL 6680

54th Legislature
1996 Regular Session

Passed by the Senate March 5, 1996
YEAS 45 NAYS 0

CERTIFICATE

I, Marty Brown, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE SENATE BILL 6680** as passed by the Senate and the House of Representatives on the dates hereon set forth.

President of the Senate

Passed by the House March 1, 1996
YEAS 97 NAYS 0

Secretary

**Speaker of the
House of Representatives**

Approved

FILED

Governor of the State of Washington

**Secretary of State
State of Washington**

ENGROSSED SUBSTITUTE SENATE BILL 6680

AS AMENDED BY THE HOUSE

Passed Legislature - 1996 Regular Session

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; creating a new
4 section; and repealing RCW 43.88B.005, 43.88B.007,
5 43.88B.010, 43.88B.020, 43.88B.030, 43.88B.031, 43.88B.040, 43.88B.050,
6 43.88B.900, and 43.88B.901.

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

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

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

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

6 The purpose of this chapter is to ensure that all state agencies
7 and programs have a valid and necessary mission and that the agencies
8 have clearly defined performance objectives, quality objectives, and
9 cost objectives that are appropriately balanced. Each agency and
10 program should operate within a strategic plan that includes the
11 mission of the agency or program, measurable goals, strategies, and
12 performance measurement systems that are vital tools used for agency
13 management, legislative budget and policy deliberations, and public
14 accountability. State agencies should engage customers, taxpayers,
15 employees, and the legislature in the development and redevelopment of
16 these plans. The strategic plans should be the framework within which
17 agencies continuously assess the value and relative priority of their
18 various functions. In order to streamline state government and
19 redirect resources more effectively, the legislature intends to begin
20 a systematic, fundamental review of the functions of state programs.

21 In developing future legislation to create new programs and
22 activities in state government, or redirect existing programs and
23 activities, the legislature shall include in such legislation the
24 specific purpose and measurable goals of the program or activity.

25 NEW SECTION. **Sec. 2.** The legislative committee on performance
26 review is established.

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

28 (a) The majority leader of the senate;

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

30 (c) The minority leader of the senate;

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

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

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

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

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

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

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

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

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

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

36 NEW SECTION. **Sec. 4.** (1) Performance reviews under this chapter
37 shall include a rethinking of the programs and functions of state

1 agencies to assess whether or not they have a vital purpose or valid
2 mission. The director shall work to involve frontline employees,
3 agency and program managers, customers of the program or service, other
4 taxpayers, legislators, legislative staff, office of financial
5 management staff, and other external public and private sector experts
6 as deemed appropriate in conducting performance reviews. The director
7 shall, as necessary, contract with experts from either the private or
8 public sector to assist in performance reviews.

9 (2) In preparation for a performance review, a state agency shall
10 identify each of its discrete functions or activities, along with
11 associated costs and full-time equivalent staff, as requested by the
12 director. In reviewing the agency or program, the director shall
13 identify those activities and programs that should be strengthened,
14 those that should be abandoned, and those that need to be redirected or
15 other alternatives explored. The review should consider: (a) Whether
16 or not the purpose for which the agency or program was created is still
17 valid based on the circumstances under which the program was created
18 versus those that exist at the time of the review; (b) the relative
19 priority of the program among the agency's functions; (c) costs or
20 implications of not performing the function; (d) citizen's individual
21 responsibilities and freedoms; (e) whether or not the mission of the
22 agency or program is attainable considering the effect of factors and
23 circumstances beyond the control of the agency; and (f) in the event of
24 inadequate performance by the program, the potential for a workable,
25 affordable plan to improve performance.

26 (3) Performance reviews must also determine the existence and
27 utility of an agency or program strategic plan that includes a concise
28 statement of the agency's or program's mission, a vision for future
29 direction, measurable goals and objectives, and clear strategies and
30 specific timelines to achieve them. The director shall determine the
31 extent to which the plan: (a) Forms the basis of agency management
32 practices and continuous process reevaluation and improvement; (b) can
33 be used to clearly identify and prioritize agency functions; (c)
34 provides a valuable basis for legislative policy and budget
35 deliberations; (d) is used to ensure accountability of employees,
36 particularly managers, for achieving program goals, and is a primary
37 consideration in retention and promotion of staff; (e) is used to
38 assess the quality and effectiveness of the agency's programs and
39 activities; (f) appropriately balances cost objectives, quality

1 objectives, and performance objectives; and (g) is useful in
2 demonstrating public accountability. The agency strategic plan shall
3 provide for periodic self-assessment by the agency to determine whether
4 the agency is achieving the goals and objectives of its programs.
5 Where self-assessments have been completed by an agency, the
6 assessments must be incorporated into a performance review conducted
7 under this chapter.

8 (4) If the state agency or program being reviewed has not
9 identified acceptable organizations or programs in the public or
10 private sector to be used as benchmarks against which to measure its
11 performance, the director shall conduct a review sufficient to
12 recommend such benchmarks to the agency, the governor, and the
13 legislature.

14 (5) As a part of each performance review and in consultation with
15 the director of the agency being reviewed and the director of financial
16 management, the director of the legislative office of performance
17 review shall develop recommendations regarding statutes that inhibit or
18 do not contribute to the agency's ability to perform its functions
19 effectively and efficiently.

20 (6) Based on the information and conclusions compiled from the work
21 required in subsections (1) through (5) of this section, the director
22 shall develop an advisory recommendation for the governor and the
23 legislature regarding whether an agency, programs of an agency, or
24 activities within an agency should be continued, abandoned, or
25 restructured.

26 **NEW SECTION.** **Sec. 5.** Before the completion of each legislative
27 session and in conjunction with development of the final omnibus
28 appropriations act, the legislative committee on performance review
29 shall approve a performance review plan for the next twelve to fifteen
30 months. The performance review plan must include a schedule of
31 agencies, programs, or activities for which performance reviews will be
32 initiated during that period. The plan must also include anticipated
33 performance review revolving fund charges to each individual agency
34 scheduled for review. Appropriations for scheduled agencies shall be
35 adjusted in the omnibus appropriations act to reflect the anticipated
36 charges. For each performance review included, the plan must identify
37 the role of the legislative office of performance review and the state
38 auditor, as well as the need to contract for additional public or

1 private sector expertise. In preparing a draft plan for consideration
2 by the committee, the director shall consult with the state auditor,
3 the chair and staff of the legislative budget committee, the director
4 of financial management, and the chairs and staff of appropriate
5 legislative standing committees. The committee shall meet quarterly to
6 review progress on the plan and, if necessary, revise the plan.

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

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

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

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

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

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

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

1 assumptions of enrollments, workloads, and caseloads. All adjustments
2 to the approved estimated revenues must be set forth in the budget
3 document. The governor may additionally submit, as an appendix to each
4 supplemental, biennial, or six-year agency budget or to the budget
5 document or documents, a proposal for expenditures in the ensuing
6 fiscal period from revenue sources derived from proposed changes in
7 existing statutes.

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

15 The budget document or documents shall also contain:

16 (a) Revenues classified by fund and source for the immediately past
17 fiscal period, those received or anticipated for the current fiscal
18 period, those anticipated for the ensuing biennium, and those
19 anticipated for the ensuing six-year period to support the six-year
20 programs and financial plans required under RCW 44.40.070;

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

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

25 (d) Such additional information dealing with revenues and
26 expenditures as the governor shall deem pertinent and useful to the
27 legislature;

28 (e) Tabulations showing expenditures classified by fund, function,
29 activity and object;

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

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

36 (h) Tabulations showing each postretirement adjustment by
37 retirement system established after fiscal year 1991, to include, but
38 not be limited to, estimated total payments made to the end of the

1 previous biennial period, estimated payments for the present biennium,
2 and estimated payments for the ensuing biennium.

3 (2) The budget document or documents shall include detailed
4 estimates of all anticipated revenues applicable to proposed operating
5 or capital expenditures and shall also include all proposed operating
6 or capital expenditures. The total of beginning undesignated fund
7 balance and estimated revenues less working capital and other reserves
8 shall equal or exceed the total of proposed applicable expenditures.
9 The budget document or documents shall further include:

10 (a) Interest, amortization and redemption charges on the state
11 debt;

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

13 (c) Other statutory expenditures;

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

15 (e) Revenues derived from agency operations;

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

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

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

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

28 (j) A showing and explanation of anticipated amounts of general
29 fund and other funds required to amortize the unfunded actuarial
30 accrued liability of the retirement system specified under chapter
31 41.45 RCW, and the contributions to meet such amortization, stated in
32 total dollars and as a level percentage of total compensation; and

33 (k) For each agency, a description of the findings and
34 recommendations of any applicable review by the legislative office of
35 performance review conducted during the prior fiscal period. The
36 budget document must describe the potential costs and savings
37 associated with implementing the findings and recommendations,
38 including any recommendations for program eliminations.

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

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

6 (b) A capital program consisting of proposed capital projects for
7 the next biennium and the two biennia succeeding the next biennium
8 consistent with the long-range facilities plan. Insomuch as is
9 practical, and recognizing emergent needs, the capital program shall
10 reflect the priorities, projects, and spending levels proposed in
11 previously submitted capital budget documents in order to provide a
12 reliable long-range planning tool for the legislature and state
13 agencies;

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

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

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

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

21 (g) Estimated total project cost;

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

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

30 (j) Estimated ensuing biennium costs;

31 (k) Estimated costs beyond the ensuing biennium;

32 (l) Estimated construction start and completion dates;

33 (m) Source and type of funds proposed;

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

36 (o) For any capital appropriation requested for a state agency for
37 the acquisition of land or the capital improvement of land in which the
38 primary purpose of the acquisition or improvement is recreation or
39 wildlife habitat conservation, the capital budget document, or an

1 omnibus list of recreation and habitat acquisitions provided with the
2 governor's budget document, shall identify the projected costs of
3 operation and maintenance for at least the two biennia succeeding the
4 next biennium. Omnibus lists of habitat and recreation land
5 acquisitions shall include individual project cost estimates for
6 operation and maintenance as well as a total for all state projects
7 included in the list. The document shall identify the source of funds
8 from which the operation and maintenance costs are proposed to be
9 funded;

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

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

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

16 For purposes of this subsection (3), the term "capital project"
17 shall be defined subsequent to the analysis, findings, and
18 recommendations of a joint committee comprised of representatives from
19 the house capital appropriations committee, senate ways and means
20 committee, legislative transportation committee, legislative evaluation
21 and accountability program committee, and office of financial
22 management.

23 (4) No change affecting the comparability of agency or program
24 information relating to expenditures, revenues, workload, performance
25 and personnel shall be made in the format of any budget document or
26 report presented to the legislature under this section or RCW
27 43.88.160(1) relative to the format of the budget document or report
28 which was presented to the previous regular session of the legislature
29 during an odd-numbered year without prior legislative concurrence.
30 Prior legislative concurrence shall consist of (a) a favorable majority
31 vote on the proposal by the standing committees on ways and means of
32 both houses if the legislature is in session or (b) a favorable
33 majority vote on the proposal by members of the legislative evaluation
34 and accountability program committee if the legislature is not in
35 session.

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

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

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

18 (2) Each state agency shall define its mission and establish
19 measurable goals for achieving desirable results for those who receive
20 its services and the taxpayers who pay for those services. Each agency
21 shall also develop clear strategies and timelines to achieve its goals.
22 This section does not require an agency to develop a new mission or
23 goals in place of identifiable missions or goals that meet the intent
24 of this section. The mission and goals of each agency must conform to
25 statutory direction and limitations.

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

38 (4) Each state agency shall adopt procedures for continuous self-
39 assessment of each program and activity, using the mission, goals,

1 objectives, and measurements required under subsections (2) and (3) of
2 this section.

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

23 (6) In the year of the gubernatorial election, the governor shall
24 invite the governor-elect or the governor-elect's designee to attend
25 all hearings provided in RCW 43.88.100; and the governor shall furnish
26 the governor-elect or the governor-elect's designee with such
27 information as will enable the governor-elect or the governor-elect's
28 designee to gain an understanding of the state's budget requirements.
29 The governor-elect or the governor-elect's designee may ask such
30 questions during the hearings and require such information as the
31 governor-elect or the governor-elect's designee deems necessary and may
32 make recommendations in connection with any item of the budget which,
33 with the governor-elect's reasons therefor, shall be presented to the
34 legislature in writing with the budget document. Copies of all such
35 estimates and other required information shall also be submitted to the
36 standing committees on ways and means of the house and senate.

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

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

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

31 (2) The director of financial management is responsible for
32 quarterly reporting of primary operating budget drivers such as
33 applicable workloads, caseload estimates, and appropriate unit cost
34 data. These reports shall be transmitted to the legislative fiscal
35 committees or by electronic means to the legislative evaluation and
36 accountability program committee. Quarterly reports shall include
37 actual monthly data and the variance between actual and estimated data
38 to date. The reports shall also include estimates of these items for
39 the remainder of the budget period.

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

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

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

23 Each agency head or authorized designee shall be assigned the
24 responsibility and authority for establishing and maintaining internal
25 audits following the standards of internal auditing of the institute of
26 internal auditors;

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

32 (c) Establish policies for allowing the contracting of child care
33 services;

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

36 (e) Review any pay and classification plans, and changes
37 thereunder, developed by any agency for their fiscal impact: PROVIDED,
38 That none of the provisions of this subsection shall affect merit
39 systems of personnel management now existing or hereafter established

1 by statute relating to the fixing of qualifications requirements for
2 recruitment, appointment, or promotion of employees of any agency. The
3 director shall advise and confer with agencies including appropriate
4 standing committees of the legislature as may be designated by the
5 speaker of the house and the president of the senate regarding the
6 fiscal impact of such plans and may amend or alter said plans, except
7 that for the following agencies no amendment or alteration of said
8 plans may be made without the approval of the agency concerned:
9 Agencies headed by elective officials;

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

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

18 (h)) Adopt rules to effectuate provisions contained in (a) through
19 ((g))) (f) of this subsection.

20 (5) The treasurer shall:

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

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

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

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

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

35 It shall be unlawful for the treasurer to disburse public funds in
36 the treasury except upon forms or by alternative means duly prescribed
37 by the director of financial management. These forms or alternative
38 means shall provide for authentication and certification by the agency
39 head or the agency head's designee that the services have been rendered

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

29 (6) The state auditor shall:

30 (a) Report to the legislature the results of current post audits
31 that have been made of the financial transactions of each agency; to
32 this end the auditor may, in the auditor's discretion, examine the
33 books and accounts of any agency, official, or employee charged with
34 the receipt, custody, or safekeeping of public funds. Where feasible
35 in conducting examinations, the auditor shall utilize data and findings
36 from the internal control system prescribed by the office of financial
37 management. The current post audit of each agency may include a
38 section on recommendations to the legislature as provided in (c) of
39 this subsection.

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

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

31 (d) Be empowered to take exception to specific expenditures that
32 have been incurred by any agency or to take exception to other
33 practices related in any way to the agency's financial transactions and
34 to cause such exceptions to be made a matter of public record,
35 including disclosure to the agency concerned and to the director of
36 financial management. It shall be the duty of the director of
37 financial management to cause corrective action to be taken promptly,
38 such action to include, as appropriate, the withholding of funds as
39 provided in RCW 43.88.110.

1 (e) Promptly report any irregularities to the attorney general.
2 (f) Investigate improper governmental activity under chapter 42.40
3 RCW.

4 (7) The legislative budget committee may:

5 (a) Make post audits of the financial transactions of any agency
6 and management surveys and program reviews as provided for in RCW
7 44.28.085 as well as performance audits and program evaluations. To
8 this end the committee may in its discretion examine the books,
9 accounts, and other records of any agency, official, or employee.

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

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

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

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

23 NEW SECTION. **Sec. 12.** The following acts or parts of acts are

24 each repealed:

- 25 (1) RCW 43.88B.005 and 1994 c 184 s 1;
- 26 (2) RCW 43.88B.007 and 1994 c 184 s 2;
- 27 (3) RCW 43.88B.010 and 1994 c 184 s 3;
- 28 (4) RCW 43.88B.020 and 1994 c 184 s 4;
- 29 (5) RCW 43.88B.030 and 1994 c 184 s 5;
- 30 (6) RCW 43.88B.031 and 1994 c 184 s 6;
- 31 (7) RCW 43.88B.040 and 1994 c 184 s 7;
- 32 (8) RCW 43.88B.050 and 1994 c 184 s 8;
- 33 (9) RCW 43.88B.900 and 1994 c 184 s 13; and
- 34 (10) RCW 43.88B.901 and 1994 c 184 s 15.

35 NEW SECTION. **Sec. 13.** Sections 1 through 8 of this act constitute

36 a new chapter in Title 44 RCW.

1 NEW SECTION. **Sec. 14.** If specific funding for purposes of this
2 act, referencing this act by bill or chapter number, is not provided by
3 June 30, 1996, in the supplemental omnibus appropriations act, this act
4 is null and void.

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