**5737-S2.E AMH GGIT H2605.1 - NOT FOR FLOOR USE**

**E2SSB 5737** - H COMM AMD

By Committee on General Government & Information Technology

Strike everything after the enacting clause and insert the following:

"NEW SECTION. **Sec.**  The legislature recognizes that Washington state and its public servants are committed to the continuous improvement of services, outcomes, and performance of state government to realize a safe, beautiful and healthy place to live and work. Therefore, the legislature intends to achieve these aims through an innovative, data-driven, performance management office that will drive the operations of state government through lean thinking.

NEW SECTION. **Sec.**  (1) There is created in the office of the governor the office of performance management. The office's goal is to develop and implement a documented world-class lean performance management system.

(2) The executive head of the office of performance management is a director appointed by the governor, who serves at the pleasure of the governor.

(3) The director may employ personnel necessary for the administration of the office of performance management.

NEW SECTION. **Sec.**  The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Agency" means each state agency, department, office, board, commission, or other unit of state government, but does not include an office or agency headed by a statewide elected official, institutions of higher education as defined in RCW 28B.10.016, agricultural commodity commissions, or agencies of the legislative or judicial branches of state government.

(2) "Agency ethics plan" means a plan to promote ethical practices and to eliminate fraudulent practices in agency operations.

(3) "Agency strategic plan" means a plan described in section 6 of this act.

(4) "Lean performance management system" means a system that:

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

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

(5) "Measurable improvements" includes but is not limited to cost savings, cost avoidance, improved safety, increased quality, accuracy and efficiency, improved customer satisfaction, and enhanced employee engagement and satisfaction.

(6) "State performance management implementation plan" means a detailed plan to implement a statewide lean performance management system.

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

(1) Beginning July 1, 2015, conduct an inventory of agency strategic plans and ethics plans and an evaluation of an agency's lean maturity. By May 1, 2016, the office must submit, in compliance with RCW 43.01.036, a report to the legislature and the governor with the results of the inventory and evaluation.

(2) Adopt, by January 1, 2016, and implement a state strategic plan and a state performance management implementation plan.

(3) Collaborate with the department of enterprise services and the office of financial management's state human resources division to develop a workforce learning and training program and a workforce performance management system necessary for employees, middle managers, supervisors, and senior agency leaders to implement a fully developed lean performance management system; and

(4) Adopt rules necessary to administer this chapter.

NEW SECTION. **Sec.**  Each agency must:

(1) Adopt an agency strategic plan pursuant to section 6 of this act, an agency ethics plan, and a workforce learning and training development plan;

(2) Provide annual reports to the office of performance management regarding implementation and results of its lean improvement projects that identify measurable improvements.

NEW SECTION. **Sec.**  Each agency must adopt an agency strategic plan that:

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

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

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

(a) Be consistent with the mission and goals defined under subsection (1) of this section;

(b) Be expressed to the extent practicable in outcome-based, objective, and measurable form; and

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

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

In addition to audits authorized under RCW 43.88.160, the state auditor shall conduct independent, comprehensive performance audits of state government and each of its agencies, accounts, and programs; local governments and each of their agencies, accounts, and programs; state and local education governmental entities and each of their agencies, accounts, and programs; state and local transportation governmental entities and each of their agencies, accounts, and programs; and other governmental entities, agencies, accounts, and programs. The term "government" means an agency, department, office, officer, board, commission, bureau, division, institution, or institution of higher education. This includes individual agencies and programs, as well as those programs and activities that cross agency lines. "Government" includes all elective and nonelective offices in the executive branch and includes the judicial and legislative branches. The state auditor shall review and analyze the economy, efficiency, and effectiveness of the policies, management, fiscal affairs, and operations of state and local governments, agencies, programs, and accounts. These performance audits shall be conducted in accordance with the United States general accounting office government auditing standards. The state auditor must consult with the office of performance management and the joint legislative audit and review committee to develop audit criteria and standards to audit the state performance management implementation plan. The scope for each performance audit shall not be limited and shall include nine specific elements: (1) Identification of cost savings; (2) identification of services that can be reduced or eliminated; (3) identification of programs or services that can be transferred to the private sector; (4) analysis of gaps or overlaps in programs or services and recommendations to correct gaps or overlaps; (5) feasibility of pooling information technology systems within the department; (6) analysis of the roles and functions of the department, and recommendations to change or eliminate departmental roles or functions; (7) recommendations for statutory or regulatory changes that may be necessary for the department to properly carry out its functions; (8) analysis of departmental performance data, performance measures, and self-assessment systems; and (9) identification of best practices. The state auditor may contract out any performance audits. For counties and cities, the audit may be conducted as part of audits otherwise required by state law. Each audit report shall be submitted to the corresponding legislative body or legislative bodies and made available to the public on or before thirty days after the completion of each audit or each follow-up audit. On or before thirty days after the performance audit is made public, the corresponding legislative body or legislative bodies shall hold at least one public hearing to consider the findings of the audit and shall receive comments from the public. The state auditor is authorized to issue subpoenas to governmental entities for required documents, memos, and budgets to conduct the performance audits. The state auditor may, at any time, conduct a performance audit to determine not only the efficiency, but also the effectiveness, of any government agency, account, or program. No legislative body, officeholder, or employee may impede or restrict the authority or the actions of the state auditor to conduct independent, comprehensive performance audits. To the greatest extent possible, the state auditor shall instruct and advise the appropriate governmental body on a step-by-step remedy to whatever ineffectiveness and inefficiency is discovered in the audited entity. For performance audits of state government and its agencies, programs, and accounts, the legislature must consider the state auditor reports in connection with the legislative appropriations process. An annual report will be submitted by the joint legislative audit and review committee by July 1st of each year detailing the status of the legislative implementation of the state auditor's recommendations. Justification must be provided for recommendations not implemented. Details of other corrective action must be provided as well. For performance audits of local governments and their agencies, programs, and accounts, the corresponding legislative body must consider the state auditor reports in connection with its spending practices. An annual report will be submitted by the legislative body by July 1st of each year detailing the status of the legislative implementation of the state auditor's recommendations. Justification must be provided for recommendations not implemented. Details of other corrective action must be provided as well. The people encourage the state auditor to aggressively pursue the largest, costliest governmental entities first but to pursue all governmental entities in due course. Follow-up performance audits on any state and local government, agency, account, and program may be conducted when determined necessary by the state auditor. Revenues from the performance audits of government account, created in RCW 43.09.475, shall be used for the cost of the audits.

NEW SECTION. **Sec.**  This act may be known and cited as the performance management act.

NEW SECTION. **Sec.**  Sections 1 through 6 and 8 of this act constitute a new chapter in Title 43 RCW.

NEW SECTION. **Sec.**  If specific funding for the purposes of this act, referencing this act by bill or chapter number, is not provided by June 30, 2015, in the omnibus appropriations act, this act is null and void."

EFFECT: Removes the requirement that the Office of Performance Management (OPM) assist in developing and review and approve agency performance plans, ethics plans, and workforce systems; agency performance management implementation plans and develop mechanisms to promote sharing of best practices; and select multiagency programs or processes for a lean performance analysis. All requirements for a partnership with performance excellence programs and Baldrige assessments are removed. The requirement for the OPM to collaborate with the Office of Financial Management (OFM) to develop a financial data system is removed. Requires agencies to provide annual, rather than periodic, reports to the OPM regarding implementation and results of the agency's Lean improvement projects that identify measurable improvements. The requirements for agencies to provide periodic reports to the Legislature, implement real-time web-based tracking and reporting of agency performance are removed. Removes all requirements regarding performance management in budget documents and redirection of cost savings. Removes provisions transferring OFM duties to the OPM. Removes the requirements pertaining to the Caseload Forecast Council. Removes language encouraging the courts and the Legislature to adopt performance management implementation plans. Adds a null and void clause.