
ENGROSSED SECOND SUBSTITUTE SENATE BILL 5737

State of Washington

64th Legislature

2015 Regular Session

By Senate Ways & Means (originally sponsored by Senators Miloscia and Chase)

1 AN ACT Relating to government performance and accountability;
2 amending RCW 43.17.385, 43.17.390, 43.41.100, 43.41.270, 43.88.005,
3 43.88.030, 43.88.090, 43.88.160, 43.88C.010, 43.88C.020, 43.09.440,
4 43.09.470, 46.68.290, 47.04.280, 47.60.140, 70.94.551, and 2.56.200;
5 reenacting and amending RCW 44.04.260; adding a new section to
6 chapter 43.88 RCW; adding a new section to chapter 43.19 RCW; adding
7 a new chapter to Title 43 RCW; creating a new section; and repealing
8 RCW 43.17.380.

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

10 NEW SECTION. **Sec. 1.** (1) The legislature intends that an office
11 of performance management should:
12 (a) Be established in statute;
13 (b) Be headed by a director appointed by the governor and
14 confirmed by the senate;
15 (c) Be granted administrative authority over state performance
16 management programs, ensuring that all executive branch agencies
17 properly implement world-class lean performance management systems to
18 achieve operational excellence;
19 (d) Coordinate performance assessments of state agencies by
20 independent examiners; and

1 (e) Analyze and report agency performance systems, data, and
2 assessment results to the public, appropriate agencies, and the
3 legislature.

4 (2) The office's goal is to develop and implement documented
5 world-class lean performance management systems that can be
6 duplicated in all other states.

7 NEW SECTION. **Sec. 2.** (1) There is created in the office of the
8 governor the office of performance management.

9 (2) The executive head of the office of performance management is
10 a director appointed by the governor with the consent of the senate,
11 who serves at the pleasure of the governor.

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

14 NEW SECTION. **Sec. 3.** The definitions in this section apply
15 throughout this chapter unless the context clearly requires
16 otherwise.

17 (1) "Agency" means every state agency, department, office,
18 officer, board, commission, bureau, division, institution, or
19 institution of higher education, and all offices of executive branch
20 state government-elected officials, except agricultural commissions
21 under Title 15 RCW.

22 (a) "Large agency" means an agency with five hundred or more
23 full-time equivalent staff.

24 (b) "Medium size agency" means an agency with more than one
25 hundred but fewer than five hundred full-time equivalent staff.

26 (c) "Small agency" means an agency with fewer than one hundred
27 full-time equivalent staff.

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

30 (3) "Agency performance management implementation plan" means a
31 detailed plan to implement a lean performance management system that:

32 (a) Provides for gathering, monitoring, and analysis of data to
33 measure performance and eliminate waste and inefficiency in agency
34 operations;

35 (b) Conforms to an internationally recognized quality management
36 system, such as ISO 9001 or ISO 9004, or its equivalent;

1 (c) Includes all activities and requirements necessary to reduce
2 agency costs by one percent annually within two years of adoption and
3 two percent annually within four years of adoption;

4 (d) Allocates resources to improve performance; and

5 (e) Includes all specifications, processes, activities, criteria,
6 and timelines necessary to guide other government entities in
7 implementing a comparable plan.

8 (4) "Agency strategic plan" means a plan described in section 7
9 of this act.

10 (5) "Baldrige assessment" means an assessment of agency
11 operational performance by a trained examiner using the Baldrige
12 excellence framework.

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

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

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

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

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

29 (9) "State performance management implementation plan" means a
30 detailed plan to implement a statewide lean performance management
31 system involving all agencies that:

32 (a) Includes performance measures and targets, with segmented
33 data regarding operations of all agencies and operations of each
34 agency;

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

37 (c) Measures validated cost reductions and other performance
38 improvements for all agencies; and

39 (d) Monitors implementation by all agencies.

1 NEW SECTION. **Sec. 4.** (1) Beginning July 1, 2015, the office of
2 performance management must conduct an inventory and review of state
3 agency performance management plans, including any experience with
4 recognized tools such as Baldrige or similar frameworks, strategic
5 planning goals and processes, leadership capacity, and lean culture
6 maturity for the purpose of determining the readiness and capacity of
7 each agency to comply with this chapter. By April 1, 2016, the office
8 must submit, in compliance with RCW 43.01.035, a report to the
9 legislature and the governor evaluating the results of the inventory
10 and identifying the agencies' strengths, weaknesses, opportunities,
11 and threats.

12 (2) The office of performance management also must:

13 (a) Develop one or more mechanisms to promote the sharing of
14 information between agencies regarding best practices, challenges,
15 and successes, with the goal of allowing agencies that have
16 successfully deployed the performance assessment and implemented a
17 performance management plan to serve as a resource to agencies in the
18 process of doing so; and

19 (b) Annually select one or more multiagency programs or processes
20 for a lean performance analysis, to be conducted in collaboration
21 with the affected agencies, with the goal of identifying cross-
22 jurisdictional efficiencies and performance improvements, including
23 those for which statutory or fiscal authority may be needed. The
24 results of the analysis must be included in the annual report to the
25 legislature under section 5 of this act.

26 NEW SECTION. **Sec. 5.** The office of performance management must:

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

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

37 (3) Enter into a partnership with the Baldrige performance
38 excellence program, national institutes of standards and technology,

1 United States department of commerce, and performance excellence
2 northwest and Washington state quality award to:

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

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

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

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

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

16 (4) Annually certify, pursuant to section 15 of this act, whether
17 agencies have made adequate progress in:

18 (a) Implementing agency performance management implementation
19 plans; and

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

23 (5) Annually report to the legislature regarding:

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

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

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

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

34 (7) Collaborate with:

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

39 (b) The department of enterprise services to develop a workforce
40 learning and training development and workforce performance

1 management system necessary for employees, middle managers,
2 supervisors, and senior agency leaders to implement a fully developed
3 lean performance management system, with Baldrige assessments; and

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

5 NEW SECTION. **Sec. 6.** (1) Within fiscal resources currently
6 allocated to performance management efforts, each agency must:

7 (a) Adopt an agency strategic plan pursuant to section 7 of this
8 act, an agency ethics plan, a workforce learning and training
9 development and workforce performance management system, and an
10 agency performance management implementation plan;

11 (b) Provide periodic reports to the office of performance
12 management regarding implementation of its agency performance
13 management implementation plan. Large agencies must report quarterly,
14 medium size agencies must report annually, and small agencies must
15 report biennially;

16 (c) Provide periodic reports to pertinent legislative committees
17 regarding implementation of its agency performance management
18 implementation plan, including the number and type of lean management
19 projects conducted during the reporting period, fiscal savings
20 attributable to the projects, performance goals for the upcoming
21 reporting period, and a summary of all previous performance audits
22 conducted by the state auditor and the joint legislative audit and
23 review committee, and previous Baldrige assessments. Large agencies
24 must report annually and medium size and small agencies must report
25 biennially;

26 (d) Coordinate with the office of performance management to
27 provide for Baldrige assessments of its operations every three years
28 for large agencies and, beginning in 2019, every three years for
29 medium size agencies, and beginning in 2021, every three years for
30 small size agencies, and transmit completed Baldrige assessments and
31 feedback reports to the office of performance management; and

32 (e) Strive to implement real-time web-based tracking and
33 reporting of agency performance and lean performance management
34 system activities.

35 (2) An agency's Baldrige assessment score measures the agency's
36 progress toward achieving world-class performance. Each agency's goal
37 is to achieve a sixty percent score within seven years of its first
38 Baldrige assessment. When an agency achieves a sixty percent score,

1 it must apply for a Malcolm Baldrige national quality award, pursuant
2 to 15 U.S.C. Sec. 3711a.

3 (3) A large agency that:

4 (a) Achieves the goal in subsection (2) of this section is not
5 required to conduct a Baldrige assessment every three years, but must
6 conduct a Baldrige assessment at least every six years; and

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

11 NEW SECTION. **Sec. 7.** (1) Within fiscal resources currently
12 allocated to performance management efforts, each agency must adopt
13 an agency strategic plan that:

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

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

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

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

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

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

34 (2) Each agency must also adopt an agency ethics plan and an
35 agency performance management implementation plan pursuant to section
36 5 of this act.

37 **Sec. 8.** RCW 43.17.385 and 2014 c 68 s 6 are each amended to read
38 as follows:

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

4 (2) Each agency shall ensure that managers and staff at all
5 levels, including those who directly deliver services, are engaged in
6 the system and shall provide managers and staff with the training
7 necessary for successful implementation.

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

10 (a) Uses strategic business planning to establish goals,
11 objectives, and activities consistent with the priorities of
12 government, as provided in statute;

13 (b) Engages stakeholders and customers in establishing service
14 requirements and improving service delivery systems;

15 (c) Includes clear, relevant, and easy-to-understand measures for
16 each activity;

17 (d) Gathers, monitors, and analyzes activity data;

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

20 (f) Establishes performance goals and expectations for employees
21 that reflect the organization's objectives; and provides for regular
22 assessments of employee performance;

23 (g) Uses activity measures to report progress toward agency
24 objectives to the agency director at least quarterly;

25 (h) Where performance is not meeting intended objectives, holds
26 regular problem-solving sessions to develop and implement a plan for
27 addressing gaps; and

28 (i) Allocates resources based on strategies to improve
29 performance.

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

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

36 (6) The governor shall report annually to citizens on the
37 performance of state agency programs. The governor's report shall
38 include:

39 (a) Progress made toward the priorities of government as a result
40 of agency activities; and

1 ~~(b) Improvements in agency quality management systems, fiscal~~
2 ~~efficiency, process efficiency, asset management, personnel~~
3 ~~management, statutory and regulatory compliance, and management of~~
4 ~~technology systems.~~

5 ~~(7) Each state agency shall integrate efforts made under this~~
6 ~~section with other management, accountability, and performance~~
7 ~~systems)) must adopt an agency strategic plan, agency ethics plan,~~
8 ~~and agency performance management implementation plan pursuant to~~
9 ~~chapter 43.--- RCW (the new chapter created in section 30 of this~~
10 ~~act).~~

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

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

19 **Sec. 9.** RCW 43.17.390 and 2009 c 564 s 931 are each amended to
20 read as follows:

21 ~~((Starting in 2012, and at least once every three years~~
22 ~~thereafter, each agency shall apply to the Washington state quality~~
23 ~~award, or similar organization, for an independent assessment of its~~
24 ~~quality management, accountability, and performance system. The~~
25 ~~assessment shall evaluate the effectiveness of all elements of its~~
26 ~~management, accountability, and performance system, including:~~
27 ~~Leadership, strategic planning, customer focus, analysis and~~
28 ~~information, employee performance management, and process~~
29 ~~improvement. The purpose of the assessment is to recognize best~~
30 ~~practice and identify improvement opportunities.)) Pursuant to~~
31 ~~section 5 of this act, the office of performance management must~~
32 ~~enter into a partnership with the Baldrige performance excellence~~
33 ~~program, national institutes of standards and technology, United~~
34 ~~States department of commerce, and performance excellence northwest~~
35 ~~and Washington state quality award regarding Baldrige assessments of~~
36 ~~state agencies and other matters.~~

37 **Sec. 10.** RCW 43.41.100 and 2009 c 549 s 5119 are each amended to
38 read as follows:

1 (1) The director of financial management (~~(shall)~~) must:
2 (~~(1)~~) (a) Supervise and administer the activities of the office
3 of financial management.
4 (~~(2)~~) (b) Exercise all the powers and perform all the duties
5 prescribed by law with respect to the administration of the state
6 budget and accounting system.
7 (~~(3)~~) (c) Advise the governor and the legislature with respect
8 to matters affecting program management and planning.
9 (~~(4) Make~~) (d) Cooperate with the office of performance
10 management in conducting efficiency surveys of all state departments
11 and institutions, and the administrative and business methods pursued
12 therein, examine into the physical needs and industrial activities
13 thereof, and make confidential reports to the governor, recommending
14 necessary betterments, repairs, and the installation of improved and
15 more economical administrative methods, and advising such action as
16 will result in a greater measure of self-support and remedies for
17 inefficient functioning.

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

24 **Sec. 11.** RCW 43.41.270 and 2009 c 345 s 12 are each amended to
25 read as follows:

26 (1) The office of (~~financial~~) performance management (~~(shall)~~)
27 must assist natural resource-related agencies in developing outcome-
28 focused performance measures for administering natural resource-
29 related and environmentally based grant and loan programs. These
30 performance measures are to be used in determining grant eligibility,
31 for program management and performance assessment.

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

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

6 (4) Performance measures required by this section must be
7 included in agency performance management implementation plans
8 adopted pursuant to chapter 43.--- RCW (the new chapter created in
9 section 30 of this act).

10 (5) For purposes of this section, "natural resource-related
11 agencies" include the department of ecology, the department of
12 natural resources, the department of fish and wildlife, the state
13 conservation commission, the recreation and conservation funding
14 board, the salmon recovery funding board, and the public works board
15 within the department of (~~community, trade, and economic~~
16 ~~development~~) commerce.

17 (~~(5)~~) (6) For purposes of this section, "natural resource-
18 related environmentally based grant and loan programs" includes the
19 conservation reserve enhancement program; dairy nutrient management
20 grants under chapter 90.64 RCW; state conservation commission water
21 quality grants under chapter 89.08 RCW; coordinated prevention
22 grants, public participation grants, and remedial action grants under
23 RCW 70.105D.070; water pollution control facilities financing under
24 chapter 70.146 RCW; aquatic lands enhancement grants under RCW
25 79.105.150; habitat grants under the Washington wildlife and
26 recreation program under RCW 79A.15.040; salmon recovery grants under
27 chapter 77.85 RCW; and the public works trust fund program under
28 chapter 43.155 RCW. The term also includes programs administered by
29 the department of fish and wildlife related to protection or recovery
30 of fish stocks which are funded with moneys from the capital budget.

31 **Sec. 12.** RCW 43.88.005 and 2005 c 386 s 1 are each amended to
32 read as follows:

33 The legislature finds that agency missions, goals, and objectives
34 should focus on statewide results, driven by agency strategic plans
35 and agency performance management implementation plans adopted
36 pursuant to chapter 43.--- RCW (the new chapter created in section 30
37 of this act). It is the intent of the legislature to focus the
38 biennial budget on how state agencies produce real results (~~that~~
39 ~~reflect the goals of statutory programs~~), reflecting goals in agency

1 strategic plans and agency performance management implementation
2 plans. Specifically, budget managers and the legislature must have
3 the data to move toward better statewide results that produce the
4 intended public benefit. This data must be supplied in an impartial,
5 quantifiable form, and demonstrate progress (~~toward statewide~~
6 ~~results~~) in implementing agency strategic plans and agency
7 performance management implementation plans. With a renewed focus on
8 achieving true results, state agencies, the office of financial
9 management, and the legislature will be able to prioritize state
10 resources.

11 **Sec. 13.** RCW 43.88.030 and 2006 c 334 s 43 are each amended to
12 read as follows:

13 (1) The director of financial management (~~shall~~) must provide
14 all agencies with a complete set of instructions for submitting
15 biennial budget requests to the director at least three months before
16 agency budget documents are due into the office of financial
17 management.

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

21 (a) An outline of the proposed financial policies of the state
22 for the ensuing fiscal period, as well as an outline of the proposed
23 six-year financial policies where applicable, and (~~shall~~) must
24 describe in connection therewith the important features of the
25 budget(~~. The biennial budget document or documents shall also~~
26 ~~describe~~);

27 (b) Performance indicators that demonstrate measurable progress
28 (~~towards priority results. The message shall set forth~~) in
29 implementing agency strategic plans and agency performance management
30 implementation plans adopted pursuant to chapter 43.--- RCW (the new
31 chapter created in section 30 of this act);

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

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

1 (3) The budget document or documents (~~shall~~) must set forth a
2 proposal for expenditures in the ensuing fiscal period, or six-year
3 period where applicable, based upon the estimated revenues and
4 caseloads as approved by the economic and revenue forecast council
5 and caseload forecast council or upon the estimated revenues and
6 caseloads of the office of financial management for those funds,
7 accounts, sources, and programs for which the forecast councils do
8 not prepare an official forecast. The budget document or documents
9 and their expenditures must incorporate estimated savings from
10 implementation of the state performance management implementation
11 plan and agency performance management implementation plans adopted
12 pursuant to chapter 43.--- RCW (the new chapter created in section 30
13 of this act), as approved by the caseload forecast council in its
14 most recent official forecast. Revenues (~~shall~~) must be estimated
15 for such fiscal period from the source and at the rates existing by
16 law at the time of submission of the budget document, including the
17 supplemental budgets submitted in the even-numbered years of a
18 biennium. However, the estimated revenues and caseloads for use in
19 the governor's budget document may be adjusted to reflect budgetary
20 revenue transfers and revenue and caseload estimates dependent upon
21 budgetary assumptions of enrollments, workloads, and caseloads. All
22 adjustments to the approved estimated revenues and caseloads must be
23 set forth in the budget document. The governor may additionally
24 submit, as an appendix to each supplemental, biennial, or six-year
25 agency budget or to the budget document or documents, a proposal for
26 expenditures in the ensuing fiscal period from revenue sources
27 derived from proposed changes in existing statutes.

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

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

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

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

36 (d) Such additional information dealing with revenues and
37 expenditures as the governor (~~shall~~) deems pertinent and useful to
38 the legislature;

39 (e) Tabulations showing expenditures classified by fund,
40 function, and agency;

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

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

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

11 ~~((+2))~~ (5) The budget document or documents (~~shall~~) must
12 include detailed estimates of all anticipated revenues applicable to
13 proposed operating or capital expenditures and (~~shall~~) must also
14 include all proposed operating or capital expenditures. The total of
15 beginning undesignated fund balance and estimated revenues less
16 working capital and other reserves (~~shall~~) must equal or exceed the
17 total of proposed applicable expenditures.

18 (6) The budget document or documents (~~shall~~) must further
19 include:

20 (a) Interest, amortization and redemption charges on the state
21 debt;

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

23 (c) Other statutory expenditures;

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

25 (e) Revenues derived from agency operations;

26 (f) Expenditures and revenues (~~shall~~) must be given in
27 comparative form showing those incurred or received for the
28 immediately past fiscal period and those anticipated for the current
29 biennium and next ensuing biennium;

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

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

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

37 (j) A showing and explanation of anticipated amounts of general
38 fund and other funds required to amortize the unfunded actuarial
39 accrued liability of the retirement system specified under chapter

1 41.45 RCW, and the contributions to meet such amortization, stated in
2 total dollars and as a level percentage of total compensation.

3 ~~((3))~~ (7) The governor's operating budget document or documents
4 ~~((shall reflect the statewide priorities as required by RCW~~
5 ~~43.88.090.~~

6 ~~(4) The governor's operating budget document or documents shall~~
7 ~~identify activities that are not addressing the statewide priorities.~~

8 ~~(5))~~ must reflect the goals and objectives of agency strategic
9 plans adopted pursuant to chapter 43.--- RCW (the new chapter created
10 in section 30 of this act).

11 (8) A separate capital budget document or schedule ~~((shall))~~ must
12 be submitted that ~~((will))~~ contains the following:

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

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

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

26 (d) A strategic plan for reducing backlogs of maintenance and
27 repair projects. The plan ~~((shall))~~ must include a prioritized list
28 of specific facility deficiencies and capital projects to address the
29 deficiencies for each agency, cost estimates for each project, a
30 schedule for completing projects over a reasonable period of time,
31 and identification of normal maintenance activities to reduce future
32 backlogs;

33 (e) A statement of the reason or purpose for a project;

34 (f) Verification that a project is consistent with the provisions
35 set forth in chapter 36.70A RCW;

36 (g) A statement about the proposed site, size, and estimated life
37 of the project, if applicable;

38 (h) Estimated total project cost;

39 (i) For major projects valued over five million dollars,
40 estimated costs for the following project components: Acquisition,

1 consultant services, construction, equipment, project management, and
2 other costs included as part of the project. Project component costs
3 (~~shall~~) must be displayed in a standard format defined by the
4 office of financial management to allow comparisons between projects;

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

7 (k) Estimated ensuing biennium costs;

8 (l) Estimated costs beyond the ensuing biennium;

9 (m) Estimated construction start and completion dates;

10 (n) Source and type of funds proposed;

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

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

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

28 (r) Standard terms, including a standard and uniform definition
29 of normal maintenance, for all capital projects;

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

32 (9) For purposes of (~~this subsection (5)~~) subsection (8) of
33 this section, the term "capital project" (~~shall~~) must be defined
34 subsequent to the analysis, findings, and recommendations of a joint
35 committee comprised of representatives from the house capital
36 appropriations committee, senate ways and means committee,
37 legislative evaluation and accountability program committee, and
38 office of financial management.

39 (~~(6)~~) (10) No change affecting the comparability of agency or
40 program information relating to expenditures, revenues, workload,

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

12 **Sec. 14.** RCW 43.88.090 and 2012 c 229 s 587 are each amended to
13 read as follows:

14 (1)(a) For purposes of developing budget proposals to the
15 legislature, the governor (~~shall have the power, and it shall be the~~
16 ~~governor's duty, to~~) must require from proper agency officials such
17 detailed estimates and other information (~~in such form and at such~~
18 ~~times~~) as the governor (~~shall~~) directs. The governor (~~shall~~)
19 must communicate statewide priorities to agencies in the state
20 performance management implementation plan adopted pursuant to
21 chapter 43.--- RCW (the new chapter created in section 30 of this
22 act) for use in developing biennial budget recommendations for their
23 agency, and (~~shall~~) must seek public involvement and input on these
24 priorities. The estimates for the legislature and the judiciary
25 (~~shall~~) must be transmitted to the governor and (~~shall~~) must be
26 included in the budget without revision. The estimates for state
27 pension contributions (~~shall~~) must be based on the rates provided
28 in chapter 41.45 RCW. Copies of all such estimates (~~shall~~) must be
29 transmitted to the standing committees on ways and means of the house
30 and senate at the same time as they are filed with the governor and
31 the office of financial management.

32 (b) The estimates (~~shall~~) must include statements or tables
33 (~~which indicate~~) indicating, by agency, the state funds (~~which~~)
34 that are required for the receipt of federal matching revenues. The
35 estimates (~~shall~~) must be revised as necessary to reflect
36 legislative enactments and adopted appropriations and (~~shall~~) must
37 be included with the initial biennial allotment submitted under RCW
38 43.88.110. The estimates must reflect that the agency considered any
39 alternatives to reduce costs or improve service delivery identified

1 in the findings of a performance audit of the agency by the joint
2 legislative audit and review committee. Nothing in this subsection
3 requires performance audit findings to be published as part of the
4 budget.

5 (2) Each state agency (~~shall define its mission and establish~~
6 ~~measurable goals for achieving desirable results for those who~~
7 ~~receive its services and the taxpayers who pay for those services.~~
8 ~~Each agency shall also develop clear strategies and timelines to~~
9 ~~achieve its goals. This section does not require an agency to develop~~
10 ~~a new mission or goals in place of identifiable missions or goals~~
11 ~~that meet the intent of this section. The mission and goals of each~~
12 ~~agency must conform to statutory direction and limitations.~~

13 (3) ~~For the purpose of assessing activity performance, each state~~
14 ~~agency shall establish quality and productivity objectives for each~~
15 ~~major activity in its budget. The objectives must be consistent with~~
16 ~~the missions and goals developed under this section. The objectives~~
17 ~~must be expressed to the extent practicable in outcome-based,~~
18 ~~objective, and measurable form unless an exception to adopt a~~
19 ~~different standard is granted by the office of financial management~~
20 ~~and approved by the legislative committee on performance review.~~
21 ~~Objectives must specifically address the statutory purpose or intent~~
22 ~~of the program or activity and focus on data that measure whether the~~
23 ~~agency is achieving or making progress toward the purpose of the~~
24 ~~activity and toward statewide priorities. The office of financial~~
25 ~~management shall provide necessary professional and technical~~
26 ~~assistance to assist state agencies in the development of strategic~~
27 ~~plans that include the mission of the agency and its programs,~~
28 ~~measurable goals, strategies, and performance measurement systems.~~

29 (4) ~~Each state agency shall adopt procedures for and perform~~
30 ~~continuous self assessment of each activity, using the mission,~~
31 ~~goals, objectives, and measurements required under subsections (2)~~
32 ~~and (3) of this section. The assessment of the activity must also~~
33 ~~include an evaluation of major information technology systems or~~
34 ~~projects that may assist the agency in achieving or making progress~~
35 ~~toward the activity purpose and statewide priorities. The evaluation~~
36 ~~of proposed major information technology systems or projects shall be~~
37 ~~in accordance with the standards and policies established by the~~
38 ~~information services board. Agencies' progress toward the mission,~~
39 ~~goals, objectives, and measurements required by subsections (2) and~~

1 ~~(3) of this section is subject to review as set forth in this~~
2 ~~subsection.~~

3 ~~(a) The office of financial management shall regularly conduct~~
4 ~~reviews of selected activities to analyze whether the objectives and~~
5 ~~measurements submitted by agencies demonstrate progress toward~~
6 ~~statewide results.~~

7 ~~(b) The office of financial management shall consult with: (i)~~
8 ~~The four-year institutions of higher education in those reviews that~~
9 ~~involve four-year institutions of higher education; and (ii) the~~
10 ~~state board for community and technical colleges in those reviews~~
11 ~~that involve two-year institutions of higher education.~~

12 ~~(c) The goal is for all major activities to receive at least one~~
13 ~~review each year.~~

14 ~~(d) The office of financial management shall consult with the~~
15 ~~information services board when conducting reviews of major~~
16 ~~information technology systems in use by state agencies. The goal is~~
17 ~~that reviews of these information technology systems occur~~
18 ~~periodically.~~

19 ~~(5) It is the policy of the legislature that))~~ must adopt an
20 agency strategic plan pursuant to chapter 43.--- RCW (the new chapter
21 created in section 30 of this act). Each agency's budget
22 recommendations must be directly linked to the agency's stated
23 mission and ~~((program, quality, and productivity goals and~~
24 ~~objectives))~~ goals in agency strategic plans. Consistent with this
25 policy, agency budget proposals must include integration of
26 performance measures that allow objective determination of an
27 activity's success in ~~((achieving its goals. When a review under~~
28 ~~subsection (4) of this section or other analysis determines that the~~
29 ~~agency's objectives demonstrate))~~ implementing the agency's strategic
30 plan and agency performance management implementation plan. When a
31 Baldrige assessment conducted pursuant to section 6 of this act
32 indicates that the agency is making insufficient progress toward the
33 goals of any particular program or is otherwise underachieving or
34 inefficient, the agency's budget request ~~((shall))~~ must contain
35 proposals to remedy or improve the selected programs. ~~((The office of~~
36 ~~financial management shall develop a plan to merge the budget~~
37 ~~development process with agency performance assessment procedures.~~
38 ~~The plan must include a schedule to integrate agency strategic plans~~
39 ~~and performance measures into agency budget requests and the~~
40 ~~governor's budget proposal over three fiscal biennia. The plan must~~

1 identify those agencies that will implement the revised budget
2 process in the 1997-1999 biennium, the 1999-2001 biennium, and the
3 2001-2003 biennium. In consultation with the legislative fiscal
4 committees, the office of financial management shall recommend
5 statutory and procedural modifications to the state's budget,
6 accounting, and reporting systems to facilitate the performance
7 assessment procedures and the merger of those procedures with the
8 state budget process. The plan and recommended statutory and
9 procedural modifications must be submitted to the legislative fiscal
10 committees by September 30, 1996.

11 ~~(6))~~ (3) In reviewing agency budget requests in order to prepare
12 the governor's biennial budget request or supplemental budget
13 request, the office of financial management ~~((shall))~~ must:

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

18 ~~(7))~~ implementing its agency strategic plan and agency
19 performance management implementation plan; and

20 (b) Comply with section 15 of this act.

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

37 NEW SECTION. Sec. 15. A new section is added to chapter 43.88
38 RCW to read as follows:

1 In a proposed biennial budget or supplemental budget, the
2 director must redirect cost savings realized from implementation of
3 an agency performance management implementation plan adopted pursuant
4 to chapter 43.--- RCW (the new chapter created in section 30 of this
5 act) as follows:

6 (1) Ten percent of cost savings must be redirected to the
7 agency's other critical operations if the office of performance
8 management certifies that the agency is making adequate progress in
9 implementing its agency performance management implementation plan,
10 and in responding to performance audits conducted by the state
11 auditor and the joint legislative audit and review committee,
12 Baldrige assessments conducted pursuant to section 6 of this act, and
13 other appropriate audits;

14 (2) Ten percent of cost savings must be redirected to the agency
15 to improve performance under the agency performance management
16 implementation plan;

17 (3) Ten percent of cost savings must be redirected to the office
18 of performance management to improve performance under the state
19 performance management implementation plan adopted pursuant to
20 chapter 43.--- RCW (the new chapter created in section 30 of this
21 act); and

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

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

27 (1) This section sets forth the major fiscal duties and
28 responsibilities of officers and agencies of the executive branch.
29 The regulations issued by the governor pursuant to this chapter
30 (~~shall~~) must provide for a comprehensive, orderly basis for fiscal
31 management and control, including efficient accounting and reporting
32 therefor, for the executive branch of the state government and may
33 include, in addition, such requirements as will generally promote
34 more efficient public management in the state.

35 (~~(1)~~) (2) Governor; director of financial management. The
36 governor, through the director of financial management, (~~shall~~)
37 must devise and supervise a modern and complete accounting system for
38 each agency to the end that all revenues, expenditures, receipts,
39 disbursements, resources, and obligations of the state (~~shall~~) must

1 be properly and systematically accounted for. The accounting system
2 (~~shall~~) must include the development of accurate, timely records
3 and reports of all financial affairs of the state. The system
4 (~~shall~~) must also provide for central accounts in the office of
5 financial management at the level of detail deemed necessary by the
6 director to perform central financial management. The director of
7 financial management (~~shall~~) must adopt and periodically update an
8 accounting procedures manual. Any agency maintaining its own
9 accounting and reporting system (~~shall~~) must comply with the
10 updated accounting procedures manual and the rules of the director
11 adopted under this chapter. An agency may receive a waiver from
12 complying with this requirement if the waiver is approved by the
13 director. Waivers expire at the end of the fiscal biennium for which
14 they are granted. The director (~~shall~~) must forward notice of
15 waivers granted to the appropriate legislative fiscal committees. The
16 director of financial management may require such financial,
17 statistical, and other reports as the director deems necessary from
18 all agencies covering any period.

19 (~~(+2)~~) (3) Except as provided in chapter 43.88C RCW, the
20 director of financial management is responsible for quarterly
21 reporting of primary operating budget drivers such as applicable
22 workloads, caseload estimates, and appropriate unit cost data. These
23 reports (~~shall~~) must be transmitted to the legislative fiscal
24 committees or by electronic means to the legislative evaluation and
25 accountability program committee. Quarterly reports (~~shall~~) must
26 include actual monthly data and the variance between actual and
27 estimated data to date. The reports (~~shall~~) must also include
28 estimates of these items for the remainder of the budget period.

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

1 (~~(4)~~) (5) In addition, the director of financial management, as
2 agent of the governor, (~~shall~~) must:

3 (a)(i) Develop and maintain a system of internal controls and
4 internal audits comprising methods and procedures to be adopted by
5 each agency that will safeguard its assets, check the accuracy and
6 reliability of its accounting data, promote operational efficiency in
7 cooperation with the office of performance management, and encourage
8 adherence to prescribed managerial policies for accounting and
9 financial controls. The system developed by the director (~~shall~~)
10 must include criteria for determining the scope and comprehensiveness
11 of internal controls required by classes of agencies, depending on
12 the level of resources at risk.

13 (ii) Each agency head or authorized designee (~~shall~~) must be
14 assigned the responsibility and authority for establishing and
15 maintaining internal audits following the standards of internal
16 auditing of the institute of internal auditors;

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

23 (c) Establish policies for allowing the contracting of child care
24 services;

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

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

1 (f) Fix the number and classes of positions or authorized
2 employee years of employment for each agency and during the fiscal
3 period amend the determinations previously fixed by the director
4 except that the director (~~((shall not be))~~) is not empowered to fix the
5 number or the classes for the following: Agencies headed by elective
6 officials;

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

9 ~~((+5))~~ (6)(a) The treasurer (~~((shall))~~) must:

10 ~~((+a))~~ (i) Receive, keep, and disburse all public funds of the
11 state not expressly required by law to be received, kept, and
12 disbursed by some other persons(~~((+ PROVIDED, That))~~). However, this
13 subsection (~~((shall))~~) does not apply to those public funds of the
14 institutions of higher learning which are not subject to
15 appropriation;

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

18 ~~((+c))~~ (iii) Keep a correct and current account of all moneys
19 received and disbursed by the treasurer, classified by fund or
20 account;

21 ~~((+d))~~ (iv) Coordinate agencies' acceptance and use of credit
22 cards and other payment methods, if the agencies have received
23 authorization under RCW 43.41.180;

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

26 (b) It (~~((shall be))~~) is unlawful for the treasurer to disburse
27 public funds in the treasury except upon forms or by alternative
28 means duly prescribed by the director of financial management. These
29 forms or alternative means (~~((shall))~~) must provide for authentication
30 and certification by the agency head or the agency head's designee
31 that the services have been rendered or the materials have been
32 furnished; or, in the case of loans or grants, that the loans or
33 grants are authorized by law; or, in the case of payments for
34 periodic maintenance services to be performed on state owned
35 equipment, that a written contract for such periodic maintenance
36 services is currently in effect; and the treasurer (~~((shall not be))~~)
37 is not liable under the treasurer's surety bond for erroneous or
38 improper payments so made. When services are lawfully paid for in
39 advance of full performance by any private individual or business
40 entity other than equipment maintenance providers or as provided for

1 by RCW 42.24.035, (~~such~~) the individual or entity other than
2 central stores rendering such services (~~shall~~) must make a cash
3 deposit or furnish surety bond coverage to the state (~~as shall be~~
4 ~~fixed~~) in an amount fixed by law, or if not fixed by law, then in
5 (~~such amounts as shall be~~) the amount fixed by the director of the
6 department of enterprise services but in no case (~~shall such~~) may
7 the required cash deposit or surety bond be less than an amount
8 (~~which~~) that will fully indemnify the state against any and all
9 losses on account of breach of promise to fully perform such
10 services. No payments (~~shall~~) may be made in advance for any
11 equipment maintenance services to be performed more than twelve
12 months after such payment except that institutions of higher
13 education as defined in RCW 28B.10.016 may make payments in advance
14 for equipment maintenance services to be performed up to sixty months
15 after such payment. Any such bond so furnished (~~shall~~) must be
16 conditioned that the person, firm or corporation receiving the
17 advance payment will apply it toward performance of the contract. The
18 responsibility for recovery of erroneous or improper payments made
19 under this section (~~shall~~) lies with the agency head or the agency
20 head's designee in accordance with rules issued pursuant to this
21 chapter. Nothing in this section (~~shall~~) may be construed to permit
22 a public body to advance funds to a private service provider pursuant
23 to a grant or loan before services have been rendered or material
24 furnished.

25 (~~(6)~~) (7)(a) The state auditor (~~shall~~) must:

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

36 (~~(b)~~) (ii) Give information to the legislature, whenever
37 required, upon any subject relating to the financial affairs of the
38 state.

39 (~~(e)~~) (iii) Make the auditor's official report on or before the
40 thirty-first of December which precedes the meeting of the

1 legislature. The report (~~shall~~) must be for the last complete
2 fiscal period and (~~shall~~) must include determinations as to whether
3 agencies, in making expenditures, complied with the laws of this
4 state. The state auditor is authorized to perform or participate in
5 performance verifications and performance audits as expressly
6 authorized by the legislature in the omnibus biennial appropriations
7 acts or in the performance audit work plan approved by the joint
8 legislative audit and review committee. The state auditor, upon
9 completing an audit for legal and financial compliance under chapter
10 43.09 RCW or a performance verification, may report to the joint
11 legislative audit and review committee or other appropriate
12 committees of the legislature, in a manner prescribed by the joint
13 legislative audit and review committee, on facts relating to the
14 management or performance of governmental programs where such facts
15 are discovered incidental to the legal and financial audit or
16 performance verification. The auditor may make such a report to a
17 legislative committee only if the auditor has determined that the
18 agency has been given an opportunity and has failed to resolve the
19 management or performance issues raised by the auditor. If the
20 auditor makes a report to a legislative committee, the agency may
21 submit to the committee a response to the report. This subsection
22 (~~(6)~~) (7) (~~shall~~) may not be construed to authorize the auditor
23 to allocate other than de minimis resources to performance audits
24 except as expressly authorized in the appropriations acts or in the
25 performance audit work plan. The results of a performance audit
26 conducted by the state auditor that has been requested by the joint
27 legislative audit and review committee must only be transmitted to
28 the joint legislative audit and review committee.

29 (~~(d)~~) (iv) Be empowered to take exception to specific
30 expenditures that have been incurred by any agency or to take
31 exception to other practices related in any way to the agency's
32 financial transactions and to cause such exceptions to be made a
33 matter of public record, including disclosure to the agency concerned
34 and to the director of financial management. It (~~shall be~~) is the
35 duty of the director of financial management to cause corrective
36 action to be taken within six months, such action to include, as
37 appropriate, the withholding of funds as provided in RCW 43.88.110.
38 The director of financial management (~~shall~~) must annually report
39 by December 31st the status of audit resolution to the appropriate
40 committees of the legislature, the state auditor, and the attorney

1 general. The director of financial management (~~shall~~) must include
2 in the audit resolution report actions taken as a result of an audit
3 including, but not limited to, types of personnel actions, costs and
4 types of litigation, and value of recouped goods or services.

5 ~~((e))~~ (v) Promptly report any irregularities to the attorney
6 general.

7 ~~((f))~~ (vi) Investigate improper governmental activity under
8 chapter 42.40 RCW.

9 (b) In addition to the authority given to the state auditor in
10 this subsection ~~((6))~~ (7), the state auditor is authorized to
11 conduct performance audits identified in RCW 43.09.470. Nothing in
12 this subsection ~~((6) shall)~~ (7) must limit, impede, or restrict the
13 state auditor from conducting performance audits identified in RCW
14 43.09.470.

15 ~~((7))~~ (8) The joint legislative audit and review committee may:

16 (a) Make post audits of the financial transactions of any agency
17 and management surveys and program reviews as provided for in chapter
18 44.28 RCW as well as performance audits and program evaluations. To
19 this end the joint committee may in its discretion examine the books,
20 accounts, and other records of any agency, official, or employee.

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

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

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

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

34 **Sec. 17.** RCW 43.88C.010 and 2013 c 332 s 11 are each amended to
35 read as follows:

36 (1) The caseload forecast council is hereby created. The council
37 shall consist of two individuals appointed by the governor and four
38 individuals, one of whom is appointed by the chairperson of each of
39 the two largest political caucuses in the senate and house of

1 representatives. The chair of the council (~~shall~~) must be selected
2 from among the four caucus appointees. The council may select such
3 other officers as the members deem necessary.

4 (2) The council (~~shall~~) must employ a caseload forecast
5 supervisor to supervise the preparation of all caseload forecasts. As
6 used in this chapter, "supervisor" means the caseload forecast
7 supervisor.

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

16 (4) The caseload forecast council (~~shall~~) must oversee the
17 preparation of and approve, by an affirmative vote of at least four
18 members, the official state caseload forecasts prepared under RCW
19 43.88C.020. The official forecast as approved by the council must
20 include estimated savings, including savings that may result from
21 measurable improvements as defined in section 3 of this act, in
22 forecasted programs from implementation of the state performance
23 management implementation plan and agency performance management
24 implementation plans adopted pursuant to chapter 43.--- RCW (the new
25 chapter created in section 30 of this act). If the council is unable
26 to approve a forecast before a date required in RCW 43.88C.020, the
27 supervisor (~~shall~~) must submit the forecast without approval and
28 the forecast (~~shall have~~) has the same effect as if approved by the
29 council.

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

34 (6) Members of the caseload forecast council (~~shall~~) must serve
35 without additional compensation but (~~shall~~) must be reimbursed for
36 travel expenses in accordance with RCW 44.04.120 while attending
37 sessions of the council or on official business authorized by the
38 council. Nonlegislative members of the council (~~shall~~) must be
39 reimbursed for travel expenses in accordance with RCW 43.03.050 and
40 43.03.060.

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

2 (a) The number of persons expected to meet entitlement
3 requirements and require the services of public assistance programs,
4 state correctional institutions, state correctional noninstitutional
5 supervision, state institutions for juvenile offenders, the common
6 school system, long-term care, medical assistance, foster care, and
7 adoption support;

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

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

14 (9) The caseload forecast council (~~shall~~) must forecast youth
15 participating in the extended foster care program pursuant to RCW
16 74.13.031 separately from other children who are residing in foster
17 care and who are under eighteen years of age.

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

20 **Sec. 18.** RCW 43.88C.020 and 1997 c 168 s 2 are each amended to
21 read as follows:

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

26 (a) An official state caseload forecast including estimated
27 savings, including savings that may result from measurable
28 improvements as defined in section 3 of this act, in forecasted
29 programs resulting from implementation of the state performance
30 management implementation plan and agency performance management
31 implementation plans adopted pursuant to chapter 43.--- RCW (the new
32 chapter created in section 30 of this act). For nonforecasted
33 programs, the office of performance management must submit an annual
34 report to the caseload forecast council detailing the estimated
35 savings, including savings that may result from measurable
36 improvements as defined in section 3 of this act, achieved under
37 chapter 43.--- RCW (the new chapter created in section 30 of this
38 act). The caseload forecast council must submit an annual report to

1 the governor and the legislature on the savings achieved and the
2 future projected savings; and

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

5 (2) The supervisor (~~shall~~) must submit caseload forecasts
6 prepared under this section, along with any unofficial forecasts
7 provided under RCW 43.88C.010, to the governor and the members of the
8 legislative fiscal committees, including one copy to the staff of
9 each of the committees. The forecasts (~~shall~~) must be submitted at
10 least three times each year and on such dates as the council
11 determines will facilitate the development of budget proposals by the
12 governor and the legislature.

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

14 (a) The supervisor immediate access to all information relating
15 to caseload forecasts; and

16 (b) The supervisor, the office of financial management, and the
17 office of performance management immediate access to all estimated
18 savings from implementation of the state performance management
19 implementation plan and agency performance management implementation
20 plans adopted pursuant to chapter 43.--- RCW (the new chapter created
21 in section 30 of this act).

22 (4) The administrator of the legislative evaluation and
23 accountability program committee may request, and the supervisor
24 (~~shall~~) must provide, alternative caseload forecasts based on
25 assumptions specified by the administrator.

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

30 **Sec. 19.** RCW 43.09.440 and 2012 c 229 s 817 are each amended to
31 read as follows:

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

35 (~~(a)~~) (2) The board (~~shall~~) must establish criteria for
36 performance audits consistent with the criteria and standards
37 followed by the joint legislative audit and review committee. This
38 criteria (~~shall~~) must include, at a minimum, the auditing standards
39 of the United States government accountability office, as well as

1 legislative mandates and performance objectives established by state
2 agencies and the legislature. Mandates include, but are not limited
3 to, agency strategies, timelines, program objectives, and mission and
4 goals as required in ~~((RCW 43.88.090))~~ agency strategic plans adopted
5 pursuant to chapter 43.--- RCW (the new chapter created in section 30
6 of this act).

7 ~~((b))~~ (3) Using the criteria developed in ~~((a) of this)~~
8 subsection (2) of this section, the state auditor ~~((shall))~~ must
9 contract for a statewide performance review to be completed as
10 expeditiously as possible as a preliminary to a draft work plan for
11 conducting performance audits. The board and the state auditor
12 ~~((shall))~~ must develop a schedule and common methodology for
13 conducting these reviews. The purpose of these performance reviews is
14 to identify those agencies, programs, functions, or activities most
15 likely to benefit from performance audits and to identify likely
16 areas warranting early review, taking into account prior performance
17 audits, if any, and prior fiscal audits.

18 ~~((c))~~ (4) The board and the state auditor ~~((shall))~~ must
19 develop the draft work plan for performance audits based on input
20 from citizens, state employees, including frontline employees, state
21 managers, chairs and ranking members of appropriate legislative
22 committees, the joint legislative audit and review committee, public
23 officials, and others. The draft work plan may include a list of
24 agencies, programs, or systems to be audited on a timeline decided by
25 the board and the state auditor based on a number of factors
26 including risk, importance, and citizen concerns. When putting
27 together the draft work plan, there should be consideration of all
28 audits and reports already required. On average, audits ~~((shall))~~
29 must be designed to be completed as expeditiously as possible.

30 ~~((d))~~ (5) Before adopting the final work plan, the board
31 ~~((shall))~~ must consult with the legislative auditor and other
32 appropriate oversight and audit entities to coordinate work plans and
33 avoid duplication of effort in their planned performance audits of
34 state government agencies. The board ~~((shall))~~ must defer to the
35 joint legislative audit and review committee work plan if a similar
36 audit is included on both work plans for auditing.

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

1 ~~((f))~~ (7) All audits must include consideration of reports
2 prepared by other government oversight entities. ~~((g))~~ The audits
3 may include:

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

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

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

12 ~~((iv))~~ (d) Analysis and recommendations for pooling information
13 technology systems used within the state agency, and evaluation of
14 information processing and telecommunications policy, organization,
15 and management;

16 ~~((v))~~ (e) Analysis of the roles and functions of the state
17 agency, its programs, and its services and their compliance with
18 statutory authority and recommendations for eliminating or changing
19 those roles and functions and ensuring compliance with statutory
20 authority;

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

25 ~~((vii))~~ (g) Verification of the reliability and validity of
26 agency performance data, ~~((self-assessments))~~ assessments, and
27 performance measurement systems ~~((as required under RCW 43.88.090))~~
28 in agency strategic plans and agency performance management
29 implementation plans adopted pursuant to chapter 43.--- RCW (the new
30 chapter created in section 30 of this act);

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

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

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

36 ~~((xi))~~ (k) Evaluation of personnel systems operation and
37 management;

38 ~~((xii))~~ (l) Evaluation of state purchasing operations and
39 management policies and practices; and

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

4 ~~((h))~~ (8) The state auditor must solicit comments on
5 preliminary performance audit reports from the audited state agency,
6 the office of the governor, the office of financial management, the
7 board, the chairs and ranking members of appropriate legislative
8 committees, and the joint legislative audit and review committee for
9 comment. Comments must be received within thirty days after receipt
10 of the preliminary performance audit report unless a different time
11 period is approved by the state auditor. All comments ~~((shall))~~ must
12 be incorporated into the final performance audit report. The final
13 performance audit report ~~((shall))~~ must include the objectives,
14 scope, and methodology; the audit results, including findings and
15 recommendations; conclusions; and identification of best practices.

16 ~~((i))~~ (9) The board and the state auditor ~~((shall))~~ must
17 jointly release final performance audit reports to the governor, the
18 citizens of Washington, the joint legislative audit and review
19 committee, and the appropriate standing legislative committees. Final
20 performance audit reports ~~((shall))~~ must be posted on the internet.

21 ~~((j))~~ (10) For institutions of higher education, performance
22 audits ~~((shall))~~ may not duplicate, and where applicable, ~~((shall))~~
23 must make maximum use of existing audit records, accreditation
24 reviews, and performance measures required by the office of financial
25 management and nationally or regionally recognized accreditation
26 organizations including accreditation of hospitals licensed under
27 chapter 70.41 RCW and ambulatory care facilities.

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

31 **Sec. 20.** RCW 43.09.470 and 2006 c 1 s 2 are each amended to read
32 as follows:

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

36 (a) State government and each of its agencies, accounts, and
37 programs, including the state performance management implementation
38 plan and agency performance management implementation plans adopted

1 pursuant to chapter 43.--- RCW (the new chapter created in section 30
2 of this act);

3 (b) Local governments and each of their agencies, accounts, and
4 programs;

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

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

9 (e) Other governmental entities, agencies, accounts, and
10 programs. ((The term))

11 (2) For the purposes of this section, "government" means an
12 agency, department, office, officer, board, commission, bureau,
13 division, institution, or institution of higher education. This
14 includes individual agencies and programs, as well as those programs
15 and activities that cross agency lines. "Government" includes all
16 elective and nonelective offices in the executive branch and includes
17 the judicial and legislative branches.

18 (3) The state auditor ((shall)) must review and analyze the
19 economy, efficiency, and effectiveness of the policies, management,
20 fiscal affairs, and operations of state and local governments,
21 agencies, programs, and accounts. These performance audits ((shall))
22 must be conducted in accordance with the United States general
23 accounting office government auditing standards. The state auditor
24 must consult with the office of performance management and the joint
25 legislative audit and review committee to develop audit criteria and
26 standards to audit the state performance management implementation
27 plan and agency performance management implementation plans under
28 subsection (4)(h) of this section.

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

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

32 ((+2)) (b) Identification of services that can be reduced or
33 eliminated;

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

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

38 ((+5)) (e) Feasibility of pooling information technology systems
39 within the department;

1 ~~((+6))~~ (f) Analysis of the roles and functions of the
2 department, and recommendations to change or eliminate departmental
3 roles or functions;

4 ~~((+7))~~ (g) Recommendations for statutory or regulatory changes
5 that may be necessary for the department to properly carry out its
6 functions;

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

13 ~~((+9))~~ (i) Identification of best practices.

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

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

17 (7) Each audit report ~~((shall))~~ must be submitted to the
18 corresponding legislative body or legislative bodies and made
19 available to the public on or before thirty days after the completion
20 of each audit or each follow-up audit. On or before thirty days after
21 the performance audit is made public, the corresponding legislative
22 body or legislative bodies ~~((shall))~~ must hold at least one public
23 hearing to consider the findings of the audit and ~~((shall))~~ must
24 receive comments from the public.

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

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

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

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

38 (12) For performance audits of state government and its agencies,
39 programs, and accounts, the legislature must consider the state

1 auditor reports in connection with the legislative appropriations
2 process.

3 (13) An annual report (~~(will)~~) must be submitted by the joint
4 legislative audit and review committee by July 1st of each year
5 detailing the status of the legislative implementation of the state
6 auditor's recommendations. Justification must be provided for
7 recommendations not implemented. Details of other corrective action
8 must be provided as well.

9 (14) For performance audits of local governments and their
10 agencies, programs, and accounts, the corresponding legislative body
11 must consider the state auditor reports in connection with its
12 spending practices. An annual report (~~(will)~~) must be submitted by
13 the legislative body by July 1st of each year detailing the status of
14 the legislative implementation of the state auditor's
15 recommendations. Justification must be provided for recommendations
16 not implemented. Details of other corrective action must be provided
17 as well.

18 (15) The people encourage the state auditor to aggressively
19 pursue the largest, costliest governmental entities first but to
20 pursue all governmental entities in due course. Follow-up performance
21 audits on any state and local government, agency, account, and
22 program may be conducted when determined necessary by the state
23 auditor.

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

27 **Sec. 21.** RCW 46.68.290 and 2006 c 337 s 5 are each amended to
28 read as follows:

29 (1) The transportation partnership account is hereby created in
30 the state treasury. All distributions to the account from RCW
31 46.68.090 must be deposited into the account. Money in the account
32 may be spent only after appropriation. Expenditures from the account
33 must be used only for projects or improvements identified as 2005
34 transportation partnership projects or improvements in the omnibus
35 transportation appropriations act, including any principal and
36 interest on bonds authorized for the projects or improvements.

37 (2) The legislature finds that:

38 (a) Citizens demand and deserve accountability of transportation-
39 related programs and expenditures. Transportation-related programs

1 must continuously improve in quality, efficiency, and effectiveness
2 in order to increase public trust;

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

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

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

11 (a) "Performance audit" means an objective and systematic
12 assessment of a state agency or agencies or any of their programs,
13 functions, or activities by the state auditor or designee in order to
14 help improve agency efficiency, effectiveness, and accountability.
15 Performance audits include economy and efficiency audits and program
16 audits.

17 (b) "Transportation-related agency" means any state agency,
18 board, or commission that receives funding primarily for
19 transportation-related purposes. At a minimum, the department of
20 transportation, the transportation improvement board or its successor
21 entity, the county road administration board or its successor entity,
22 and the traffic safety commission are considered transportation-
23 related agencies. The Washington state patrol and the department of
24 licensing (~~(shall)~~) are not (~~(be)~~) considered transportation-related
25 agencies under chapter 314, Laws of 2005.

26 (4) Within the authorities and duties under chapter 43.09 RCW,
27 the state auditor (~~(shall)~~) must establish criteria and protocols for
28 performance audits. Transportation-related agencies (~~(shall)~~) must be
29 audited using criteria that include generally accepted government
30 auditing standards as well as legislative mandates and performance
31 objectives established by state agencies. Mandates include, but are
32 not limited to, agency strategies, timelines, program objectives, and
33 mission and goals as required in (~~(RCW 43.88.090)~~) agency strategic
34 plans and agency performance management implementation plans adopted
35 pursuant to chapter 43.--- RCW (the new chapter created in section 30
36 of this act).

37 (5) Within the authorities and duties under chapter 43.09 RCW,
38 the state auditor may conduct performance audits for transportation-
39 related agencies. The state auditor (~~(shall)~~) must contract with

1 private firms to conduct the performance audits. ((+6+)) The audits
2 may include:

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

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

8 (c) Analysis of gaps and overlaps in programs and services and
9 recommendations for improving, dropping, blending, or separating
10 functions to correct gaps or overlaps;

11 (d) Analysis and recommendations for pooling information
12 technology systems used within the transportation-related agency, and
13 evaluation of information processing and telecommunications policy,
14 organization, and management;

15 (e) Analysis of the roles and functions of the transportation-
16 related agency, its programs, and its services and their compliance
17 with statutory authority and recommendations for eliminating or
18 changing those roles and functions and ensuring compliance with
19 statutory authority;

20 (f) Recommendations for eliminating or changing statutes, rules,
21 and policy directives as may be necessary to ensure that the
22 transportation-related agency carry out reasonably and properly those
23 functions vested in the agency by statute;

24 (g) Verification of the reliability and validity of
25 transportation-related agency performance data, ((self-assessments))
26 assessments, and performance measurement systems as required ((~~under~~
27 ~~RCW 43.88.090~~)) in agency strategic plans and agency performance
28 management implementation plans adopted pursuant to chapter 43.---
29 RCW (the new chapter created in section 30 of this act);

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

32 (i) Identification and recognition of best practices;

33 (j) Evaluation of planning, budgeting, and program evaluation
34 policies and practices;

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

36 (l) Evaluation of purchasing operations and management policies
37 and practices;

38 (m) Evaluation of organizational structure and staffing levels,
39 particularly in terms of the ratio of managers and supervisors to
40 nonmanagement personnel; and

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

4 ~~((+7))~~ (6) Within the authorities and duties under chapter 43.09
5 RCW, the state auditor must provide the preliminary performance audit
6 reports to the audited state agency for comment. The auditor also may
7 seek input on the preliminary report from other appropriate
8 officials. Comments must be received within thirty days after receipt
9 of the preliminary performance audit report unless a different time
10 period is approved by the state auditor. The final performance audit
11 report ~~((shall))~~ must include the objectives, scope, and methodology;
12 the audit results, including findings and recommendations; the
13 agency's response and conclusions; and identification of best
14 practices.

15 ~~((+8))~~ (7) The state auditor ~~((shall))~~ must provide final
16 performance audit reports to the citizens of Washington, the
17 governor, the joint legislative audit and review committee, the
18 appropriate legislative committees, and other appropriate officials.
19 Final performance audit reports ~~((shall))~~ must be posted on the
20 internet.

21 ~~((+9))~~ (8) The audited transportation-related agency is
22 responsible for follow-up and corrective action on all performance
23 audit findings and recommendations. The audited agency's plan for
24 addressing each audit finding and recommendation ~~((shall))~~ must be
25 included in the final audit report. The plan ~~((shall))~~ must provide
26 the name of the contact person responsible for each action, the
27 action planned, and the anticipated completion date. If the audited
28 agency does not agree with the audit findings and recommendations or
29 believes action is not required, then the action plan ~~((shall))~~ must
30 include an explanation and specific reasons.

31 (9)(a) The office of financial management ~~((shall))~~ must require
32 periodic progress reports from the audited agency until all
33 resolution has occurred. The office of financial management is
34 responsible for achieving audit resolution. The office of financial
35 management ~~((shall))~~ must annually report by December 31st the status
36 of performance audit resolution to the appropriate legislative
37 committees and the state auditor. The legislature ~~((shall))~~ must
38 consider the performance audit results in connection with the state
39 budget process.

1 **(b)** The auditor may request status reports on specific audits or
2 findings.

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

7 **Sec. 22.** RCW 47.04.280 and 2013 c 199 s 1 are each amended to
8 read as follows:

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

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

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

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

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

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

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

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

33 (3) These policy goals are intended to be the basis for
34 establishing detailed and measurable objectives and related
35 performance measures.

36 ~~((It is the intent of the legislature that the office of
37 financial management establish objectives and performance measures
38 for))~~ The department of transportation and other state agencies with
39 transportation-related responsibilities must include policy goals in

1 subsection (1) of this section in agency strategic plans and agency
2 performance management implementation plans adopted pursuant to
3 chapter 43.--- RCW (the new chapter created in section 30 of this
4 act) to ensure that transportation system performance at local,
5 regional, and state government levels progresses toward the
6 attainment of the policy goals (~~set forth in subsection (1) of this~~
7 ~~section. The office of financial management shall submit initial~~
8 ~~objectives and performance measures to the legislature for its review~~
9 ~~and shall provide copies of the same to the commission during the~~
10 ~~2008 legislative session. The office of financial management shall~~
11 ~~submit objectives and performance measures to the legislature for its~~
12 ~~review and shall provide copies of the same to the commission during~~
13 ~~each regular session of the legislature during an even-numbered year~~
14 ~~thereafter)).~~

15 (5) A local or regional agency engaging in transportation
16 planning may voluntarily establish objectives and performance
17 measures to demonstrate progress toward the attainment of the policy
18 goals set forth in subsection (1) of this section or any other
19 transportation policy goals established by the local or regional
20 agency. A local or regional agency engaging in transportation
21 planning is encouraged to provide local and regional objectives and
22 performance measures to be included (~~with the objectives and~~
23 ~~performance measures submitted to the legislature pursuant to~~
24 ~~subsection (4) of this section)) in agency strategic plans and agency
25 performance management implementation plans adopted pursuant to
26 chapter 43.--- RCW (the new chapter created in section 30 of this
27 act).~~

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

29 **Sec. 23.** RCW 47.60.140 and 2003 c 374 s 2 are each amended to
30 read as follows:

31 (1) The department is empowered to operate such ferry system,
32 including all operations, whether intrastate or international, upon
33 any route or routes, and toll bridges as a revenue-producing and
34 self-liquidating undertaking. The department has full charge of the
35 construction, rehabilitation, rebuilding, enlarging, improving,
36 operation, and maintenance of the ferry system, including toll
37 bridges, approaches, and roadways incidental thereto that may be
38 authorized by the department, including the collection of tolls and
39 other charges for the services and facilities of the undertaking. The

1 department has the exclusive right to enter into leases and contracts
2 for use and occupancy by other parties of the concessions and space
3 located on the ferries, wharves, docks, approaches, parking lots, and
4 landings, including the selling of commercial advertising space and
5 licenses to use the Washington State Ferries trademarks, but, except
6 as provided in subsection (2) of this section, no such leases or
7 contracts may be entered into for more than ten years, nor without a
8 competitive contract process, except as otherwise provided in this
9 section. The competitive process (~~shall~~) must be (~~either~~) an
10 invitation for bids in accordance with the process established by
11 chapter 43.19 RCW(~~, or a request for proposals in accordance with~~
12 ~~the process established by RCW 47.56.030~~). All revenues from
13 commercial advertising, concessions, parking, leases, and contracts
14 must be deposited in the Puget Sound ferry operations account (~~in~~
15 ~~accordance with RCW 47.60.150~~).

16 (2) As part of a joint development agreement under which a public
17 or private developer constructs or installs improvements on ferry
18 system property, the department may lease all or part of such
19 property and improvements to such developers for that period of time,
20 not to exceed fifty-five years, or not to exceed thirty years for
21 those areas located within harbor areas, which the department
22 determines is necessary to allow the developer to make reasonable
23 recovery on its initial investment. Any lease entered into as
24 provided for in this subsection that involves state aquatic lands
25 (~~shall~~) must conform with the Washington state Constitution and
26 applicable statutory requirements as determined by the department of
27 natural resources. That portion of the lease rate attributable to the
28 state aquatic lands (~~shall~~) must be distributed in the same manner
29 as other lease revenues derived from state aquatic lands as provided
30 in RCW (~~79.24.580~~) 79.105.150.

31 (3) The department (~~shall~~) must include in the strategic
32 planning and performance assessment process, as required (~~by RCW~~
33 ~~43.88.090~~) in agency strategic plans and agency performance
34 management implementation plans adopted pursuant to chapter 43.---
35 RCW (the new chapter created in section 30 of this act), an analysis
36 of the compatibility of public and private partnerships with the
37 state ferry system's core business, and the department's efforts to
38 maximize nonfarebox revenues and provide benefit to the public users
39 of the ferry system facilities. The department (~~shall~~) must include
40 an assessment of the need for an open solicitation to identify and

1 select possible public or private partnerships in order to maximize
2 the value of projects and the state's investment in current and
3 future ferry system operations.

4 (a) When the department determines that an open solicitation is
5 necessary, a request for proposal (~~shall~~) must be released,
6 consisting of an open solicitation outlining functional
7 specifications to be used as the basis for selecting partnerships in
8 the project.

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

14 (c) If no responses are received, or those that are received are
15 incompatible with ferry system operations, or do not meet the
16 criteria stated in (b) of this subsection, the state ferry system may
17 proceed with state ferry system operating strategies designed to
18 achieve state ferry system objectives without established
19 partnerships.

20 **Sec. 24.** RCW 70.94.551 and 2009 c 427 s 3 are each amended to
21 read as follows:

22 (1) The secretary of the department of transportation may
23 coordinate an interagency board or other interested parties for the
24 purpose of developing policies or guidelines that promote consistency
25 among state agency commute trip reduction programs required by RCW
26 70.94.527 and 70.94.531 or developed under the joint comprehensive
27 commute trip reduction plan described in this section. The board
28 (~~shall~~) must include representatives of the departments of
29 transportation, (~~general administration~~) enterprise services,
30 ecology, and (~~community, trade, and economic development~~) commerce
31 and such other departments and interested groups as the secretary of
32 the department of transportation determines to be necessary. Policies
33 and guidelines (~~shall be~~) are applicable to all state agencies
34 including but not limited to policies and guidelines regarding
35 parking and parking charges, employee incentives for commuting by
36 other than single-occupant automobiles, flexible and alternative work
37 schedules, alternative worksites, and the use of state-owned vehicles
38 for car and van pools and guaranteed rides home. The policies and
39 guidelines shall also consider the costs and benefits to state

1 agencies of achieving commute trip reductions and consider mechanisms
2 for funding state agency commute trip reduction programs.

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

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

13 (a) In developing the joint comprehensive commute trip reduction
14 plan, the department of transportation (~~shall~~) must work with
15 applicable state agencies, including institutions of higher
16 education, and (~~shall~~) must collaborate with the following
17 entities: Local jurisdictions; regional transportation planning
18 organizations as described in chapter 47.80 RCW; transit agencies,
19 including regional transit authorities as described in chapter 81.112
20 RCW and transit agencies that serve areas within twenty-five miles of
21 the Olympia, Lacey, or Tumwater urban growth areas; and the capitol
22 campus design advisory committee established in RCW 43.34.080.

23 (b) The joint comprehensive commute trip reduction plan must
24 build on existing commute trip reduction programs and policies. At a
25 minimum, the joint comprehensive commute trip reduction plan must
26 include strategies for telework and flexible work schedules, parking
27 management, and consideration of the impacts of worksite location and
28 design on multimodal transportation options.

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

31 (d) The joint comprehensive commute trip reduction plan may
32 include strategies to accommodate differences in worksite size and
33 location.

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

38 (f) Not more than ninety days after the adoption of the joint
39 comprehensive commute trip reduction plan, state agencies within the
40 three urban growth areas must implement a commute trip reduction

1 program consistent with the objectives and strategies of the joint
2 comprehensive commute trip reduction plan.

3 (4) The department of transportation (~~shall~~) must review the
4 initial commute trip reduction program of each state agency subject
5 to the commute trip reduction plan for state agencies to determine if
6 the program is likely to meet the applicable commute trip reduction
7 goals and notify the agency of any deficiencies. If it is found that
8 the program is not likely to meet the applicable commute trip
9 reduction goals, the department of transportation will work with the
10 agency to modify the program as necessary.

11 (5) Each state agency implementing a commute trip reduction plan
12 (~~shall~~) must report at least once per year to its agency director
13 on the performance of the agency's commute trip reduction program as
14 part of the agency's (~~quality management, accountability, and~~
15 ~~performance system as defined by RCW 43.17.385~~) performance
16 management implementation plan adopted pursuant to chapter 43.--- RCW
17 (the new chapter created in section 30 of this act). The reports
18 (~~shall~~) must assess the performance of the program, progress toward
19 state goals established under RCW 70.94.537, and recommendations for
20 improving the program.

21 (6) The department of transportation (~~shall~~) must review the
22 agency performance reports defined in subsection (5) of this section
23 and submit a biennial report for state agencies subject to this
24 chapter to the governor and incorporate the report in the commute
25 trip reduction board report to the legislature as directed in RCW
26 70.94.537(6). The report (~~shall~~) must include, but is not limited
27 to, an evaluation of the most recent measurement results, progress
28 toward state goals established under RCW 70.94.537, and
29 recommendations for improving the performance of state agency commute
30 trip reduction programs. The information (~~shall~~) must be reported
31 in a form established by the commute trip reduction board.

32 **Sec. 25.** RCW 2.56.200 and 2005 c 385 s 10 are each amended to
33 read as follows:

34 The office of the administrator for the courts is encouraged to
35 conduct performance audits of courts under the authority of the
36 supreme court, in conformity with criteria and methods developed by
37 the board for judicial administration that have been approved by the
38 supreme court. In developing criteria and methods for conducting
39 performance audits, the board for judicial administration is

1 encouraged to consider quality improvement programs, audits, and
2 scoring. The judicial branch is encouraged to submit the results of
3 these efforts to the chief justice of the supreme court or his or her
4 designee, (~~and with~~) to any other applicable boards or committees
5 established under the authority of the supreme court to oversee
6 government accountability, and to the legislature.

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

9 (1) The joint legislative audit and review committee, the joint
10 transportation committee, the select committee on pension policy, the
11 legislative evaluation and accountability program committee, the
12 office of legislative support services, the joint higher education
13 committee, and the joint legislative systems committee are subject to
14 such operational policies, procedures, and oversight as are deemed
15 necessary by the facilities and operations committee of the senate
16 and the executive rules committee of the house of representatives to
17 ensure operational adequacy of the agencies of the legislative
18 branch. As used in this section, "operational policies, procedures,
19 and oversight" includes the development process of biennial budgets,
20 contracting procedures, personnel policies, and compensation plans,
21 selection of a chief administrator, facilities, and expenditures.
22 This section does not grant oversight authority to the facilities and
23 operations committee of the senate over any standing committee of the
24 house of representatives or oversight authority to the executive
25 rules committee of the house of representatives over any standing
26 committee of the senate.

27 (2) The facilities and operations committee of the senate and the
28 executive rules committee of the house of representatives are
29 encouraged to cooperate with the office of performance management and
30 to adopt agency performance management implementation plans and
31 conduct Baldrige assessments of operations pursuant to chapter 43.---
32 RCW (the new chapter created in section 30 of this act).

33 NEW SECTION. **Sec. 27.** A new section is added to chapter 43.19
34 RCW to read as follows:

35 (1) The department must enter into a partnership with the
36 Baldrige performance excellence program, national institutes of
37 standards and technology, United States department of commerce, and
38 performance excellence northwest and Washington state quality award

1 to develop a suite of web-based classroom training modules for
2 employees, middle managers, supervisors, and senior agency leaders.

3 (2) The training modules must:

4 (a) Build fundamental knowledge and skills regarding agency
5 strategic plans, agency ethics plans, agency performance management
6 implementation plans, Baldrige assessments, and other requirements in
7 chapter 43.--- RCW (the new chapter created in section 30 of this
8 act), enabling state agencies and partner organizations to achieve
9 measurable results; and

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

12 NEW SECTION. **Sec. 28.** RCW 43.17.380 (Quality management,
13 accountability, and performance system—Definitions) and 2005 c 384 s
14 2 are each repealed.

15 NEW SECTION. **Sec. 29.** This act may be known and cited as the
16 performance management act.

17 NEW SECTION. **Sec. 30.** Sections 1 through 7 of this act
18 constitute a new chapter in Title 43 RCW.

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