

# SENATE BILL REPORT

## SB 5065

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As of February 7, 2017

**Title:** An act relating to government performance and accountability.

**Brief Description:** Concerning government performance and accountability.

**Sponsors:** Senators Miloscia and Zeiger.

**Brief History:**

**Committee Activity:** State Government: 2/01/17 [DPS-WM, DNP].  
Ways & Means: 2/08/17.

**Brief Summary of Bill**

- Establishes the Office of Performance Management (OPM) within the Office of the Governor, tasked with implementing a state strategic plan, assisting state agencies with Lean Management implementation, and partnering with organizations to conduct excellence assessments of state agencies.
- Requires each state agency to adopt a strategic plan and conduct excellence assessments in coordination with OPM.
- Provides for the redirection of cost savings realized from the implementation of agency strategic plans.

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### SENATE COMMITTEE ON STATE GOVERNMENT

**Majority Report:** That Substitute Senate Bill No. 5065 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Miloscia, Chair; Zeiger, Vice Chair; Kuderer and Pearson.

**Minority Report:** Do not pass.

Signed by Senator Hunt, Ranking Minority Member.

**Staff:** Samuel Brown (786-7470)

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### SENATE COMMITTEE ON WAYS & MEANS

*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Staff:** Julie Murray (786-7711)

**Background:** Lean Performance Management. Approximately ten states, including Washington, have established central offices to promote Lean performance management principles and programs in state agencies. Originally developed by Japanese corporations, Lean principles seek to increase efficiency and eliminate waste and inefficiency in operations, based upon continuous assessment and improvement.

Washington's office, Results Washington, was created by Governor Jay Inslee in a 2013 Executive Order, and operates within the Governor's Office. Results Washington is headed by an appointed director and includes 12 full-time employees. An additional five employees from other agencies participate in year-long fellowships in which they learn Lean principles that may be applied in their agencies.

Performance Assessments. A 1987 act established a federal program to evaluate management quality of U.S. businesses. Both the Baldrige Performance Excellence Program and the Malcolm Baldrige National Quality Award are administered by the National Institute of Standards and Technology (NIST), within the U.S. Department of Commerce. The program currently publishes performance excellence frameworks used by trained examiners to evaluate management in both for-profit and nonprofit organizations, including government entities. Following an assessment, an examiner scores an organization's management quality.

International Organization for Standardization (ISO) Quality Management Standards. The ISO is a nongovernmental organization based in Switzerland that develops voluntary international standards for products, services, and systems, including quality management systems in organizations.

**Summary of Bill (First Substitute):** Intent. The Legislature intends that an Office of Performance Management (OPM) should be established in statute. Several other intent provisions are specified.

Office of Performance Management. The OPM is created in the Governor's Office and granted administrative authority over Lean performance management programs in state executive branch agencies, including institutions of higher education. OPM is headed by a Director, appointed by the Governor, with the consent of the Senate. The Director may employ personnel necessary to administer OPM.

OPM Duties. OPM must:

- by 2018, adopt and implement a state strategic plan and state Lean performance management plan (state Lean plan), delegating authority as necessary to other agencies;
- assist agencies in developing agency strategic plans, agency ethics plans, workforce systems, and agency Lean performance management plans (agency Lean plans), and review then approve or disapprove the plans;
- partner with the NIST as well as private organizations to conduct excellence assessments of agencies, provide for modified assessments of small agencies with fewer than 20 employees, and encourage excellence assessments of local

- governments and major private partners of agencies, which will be considered in awarding contracts and grants;
- annually certify to the Office of Financial Management (OFM) whether agencies have adequately implemented agency Lean plans, responded to audits, and excellence assessments;
  - annually report to the Legislature regarding the implementation of the state Lean plan and agency Lean plans, excellence assessments, recommended changes in policy, and solicit input;
  - collaborate with agencies to develop a financial data system and workforce training system to implement a fully developed Lean system; and
  - adopt necessary administrative rules.

Agency Duties. Each agency must:

- adopt an agency strategic plan, as required under current law restated in a new provision;
- implement an agency ethics plan, workforce training system, and agency Lean plan;
- periodically report to OPM and the Legislature regarding implementation of agency Lean plans, excellence assessments, and other matters;
- coordinate with OPM for excellence assessments of its operations every two years; and
- strive to implement real-time web-based tracking and reporting of agency activities.

Excellence Assessments. An excellence assessment is an assessment of agency performance by a trained examiner using a framework published by NIST. Each agency's goal is to achieve a 60 percent excellence assessment score within seven years of its first assessment. An agency achieving the goal must apply for a NIST performance assessment, and may conduct less frequent excellence assessments. An agency failing to achieve the goal must achieve certification under an internationally recognized quality management system, such as ISO 9001, or its equivalent, within seven years of the first excellence assessment.

Cost Savings. In a proposed operating budget, OFM must redirect cost savings realized from the implementation of an agency Lean plan as follows:

- 10 percent to the agency's other critical operations if OPM certifies that the agency is making adequate progress in implementing its agency Lean plan and in responding to audits and excellence assessments;
- 10 percent to the agency to improve performance under its agency Lean plan; and
- 10 percent to OPM to improve performance under the state Lean plan.

Remaining savings must be redirected to reduce the agency's operating budget, but agency personnel may not be terminated to comply with this requirement.

The Caseload Forecast Council's forecast must include estimated savings from the state plan and agency plans. The Governor's proposed budget must incorporate these savings.

State Auditor. The State Auditor must conduct performance audits of the state Lean plan and agency Lean plans, and consult with OPM and the Joint Legislative Audit and Review Committee to develop audit criteria.

Judiciary. The judiciary is encouraged to submit judicial performance information to the Legislature.

Legislature. The Senate Facilities and Operations Committee and the House Executive Rules Committee are encouraged to cooperate with OPM, adopt Lean plans, and conduct excellence assessments.

Other. Several conforming amendments require agencies to adopt agency Lean plans and include current mandates in agency Lean plans and transfer authority from OFM to OPM.

The act may be known and cited as the Performance Management Act.

**EFFECT OF CHANGES MADE BY STATE GOVERNMENT COMMITTEE (First Substitute):**

- Exempts the Washington Beef Commission from the requirements of the act.

**Appropriation:** None.

**Fiscal Note:** Requested on January 9, 2017.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony on Original Bill (State Government):** *The committee recommended a different version of the bill than what was heard.* PRO: In many state agencies, there is no functioning Lean program or quality management. The goal of this bill is to improve state agency performance so that we have the most ethical, efficient, and effective agencies in the nation. Language in the bill follows proven principles from the private sector that NIST has applied. The language also includes audit requirements, which are essential to ensure that agencies are working well.

**Persons Testifying (State Government):** PRO: Senator Miloscia, Prime Sponsor.

**Persons Signed In To Testify But Not Testifying (State Government):** No one.