
SENATE BILL 6341

State of Washington

65th Legislature

2018 Regular Session

By Senators Miloscia and Palumbo

Read first time 01/12/18. Referred to Committee on State Government,
Tribal Relations & Elections.

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, 43.88C.010, 43.88C.020, 43.09.440, 43.09.470,
4 46.68.290, 47.04.280, 47.60.140, 70.94.551, and 2.56.200; reenacting
5 and amending RCW 43.88.160 and 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) Subject to the availability of amounts
8 appropriated for this specific purpose, there is created in the
9 office of the governor the office of performance management.

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

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

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

18 (1) "Agency" means every state agency, department, office,
19 officer, board, commission, bureau, division, institution, or
20 institution of higher education, and all offices of executive branch
21 state government-elected officials, except agricultural commissions
22 under Titles 15 and 16 RCW.

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

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

27 (a) Provides for gathering, monitoring, and analysis of data to
28 measure performance and eliminate waste and inefficiency in agency
29 operations;

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

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

35 (d) Allocates resources to improve performance; and

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

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

3 (5) "Excellence assessment" means an assessment of agency
4 operational performance by a trained national or state examiner using
5 an excellence framework published by the national institutes of
6 standards and technology, United States department of commerce.

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

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

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

14 (7) "State performance management implementation plan" means a
15 detailed plan to implement a statewide lean performance management
16 system involving all agencies that:

17 (a) Includes performance measures and targets, with segmented
18 data regarding operations of all agencies and operations of each
19 agency;

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

22 (c) Measures validated cost reductions and other performance
23 improvements for all agencies; and

24 (d) Monitors implementation by all agencies.

25 NEW SECTION. **Sec. 4.** Subject to the availability of amounts
26 appropriated for this specific purpose, the office of performance
27 management must:

28 (1) Adopt, by January 1, 2019, and implement a state strategic
29 plan and a state performance management implementation plan, and
30 delegate authority, as necessary, to agencies best suited to
31 implement elements of the state performance management implementation
32 plan;

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

38 (3) Enter into a partnership with the national institutes of
39 standards and technology, United States department of commerce, and

1 performance excellence northwest and Washington state quality award
2 to:

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

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

7 (c) Develop criteria, as needed, for excellence assessments for
8 very small agencies with fewer than twenty full-time equivalent
9 employees;

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

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

17 (4) Annually certify, pursuant to section 14 of this act, whether
18 agencies have made adequate progress in:

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

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

24 (5) Annually report to the legislature regarding:

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

28 (b) Status of excellence assessments of all agencies; and

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

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

35 (7) Collaborate with:

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

1 (b) The department of enterprise services to develop a workforce
2 learning and training development and workforce performance
3 management system necessary for employees, middle managers,
4 supervisors, and senior agency leaders to implement a fully developed
5 lean performance management system, with excellence assessments; and

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

7 NEW SECTION. **Sec. 5.** (1) Subject to the availability of amounts
8 appropriated for this specific purpose, each agency must:

9 (a) Adopt an agency strategic plan pursuant to section 6 of this
10 act, an agency ethics plan, a workforce learning and training
11 development and workforce performance management system, and an
12 agency performance management implementation plan;

13 (b) Provide quarterly reports to the office of performance
14 management regarding implementation of its agency performance
15 management implementation plan;

16 (c) Provide annual 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 excellence assessments;

24 (d) Coordinate with the office of performance management to
25 provide for excellence assessments of its operations every two years,
26 and transmit completed excellence assessments and feedback reports to
27 the office of performance management; and

28 (e) Strive to implement real-time web-based tracking and
29 reporting of agency performance and lean performance management
30 system activities.

31 (2) An agency's excellence assessment score measures the agency's
32 progress toward achieving world-class performance. Each agency's goal
33 is to achieve a sixty percent score within seven years of its first
34 excellence assessment. When an agency achieves a sixty percent score,
35 it must apply for a national institutes of science and technology
36 performance assessment.

37 (3) An agency that:

1 (a) Achieves the goal in subsection (2) of this section is not
2 required to conduct an excellence assessment every two years, but
3 must conduct an excellence assessment at least every four years; and

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

8 NEW SECTION. **Sec. 6.** (1) Subject to the availability of amounts
9 appropriated for this specific purpose, each agency must adopt an
10 agency strategic plan that:

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

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

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

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

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

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

31 (2) Subject to the availability of amounts appropriated for this
32 specific purpose, each agency must also adopt an agency ethics plan
33 and an agency performance management implementation plan pursuant to
34 section 5 of this act.

35 **Sec. 7.** RCW 43.17.385 and 2014 c 68 s 6 are each amended to read
36 as follows:

37 (1) Subject to the availability of amounts appropriated for this
38 specific purpose, each state agency ((shall, within available funds,

1 ~~develop and implement a quality management, accountability, and~~
2 ~~performance system to improve the public services it provides.~~

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

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

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

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

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

16 ~~(d) Gathers, monitors, and analyzes activity data;~~

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

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

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

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

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

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

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

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

38 ~~(a) Progress made toward the priorities of government as a result~~
39 ~~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 29 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. 8.** 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 4 of this act, the office of performance management must~~
32 ~~enter into a partnership with the national institutes of standards~~
33 ~~and technology, United States department of commerce, and performance~~
34 ~~excellence northwest and Washington state quality award regarding~~
35 ~~excellence assessments of state agencies and other matters.~~

36 **Sec. 9.** RCW 43.41.100 and 2009 c 549 s 5119 are each amended to
37 read as follows:

38 (1) The director of financial management ((shall)) must:

1 (~~(1)~~) (a) Supervise and administer the activities of the office
2 of financial management.

3 (~~(2)~~) (b) Exercise all the powers and perform all the duties
4 prescribed by law with respect to the administration of the state
5 budget and accounting system.

6 (~~(3)~~) (c) Advise the governor and the legislature with respect
7 to matters affecting program management and planning.

8 (~~(4) Make~~) (d) Cooperate with the office of performance
9 management in conducting efficiency surveys of all state departments
10 and institutions, and the administrative and business methods pursued
11 therein, examine into the physical needs and industrial activities
12 thereof, and make confidential reports to the governor, recommending
13 necessary betterments, repairs, and the installation of improved and
14 more economical administrative methods, and advising such action as
15 will result in a greater measure of self-support and remedies for
16 inefficient functioning.

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

23 **Sec. 10.** RCW 43.41.270 and 2009 c 345 s 12 are each amended to
24 read as follows:

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

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

38 (3) Natural resource agencies (~~shall~~) must consult with grant
39 or loan recipients including local governments, tribes,

1 nongovernmental organizations, and other interested parties, and
2 report to the office of financial management on the implementation of
3 this section.

4 (4) Performance measures required by this section must be
5 included in agency performance management implementation plans
6 adopted pursuant to chapter 43.--- RCW (the new chapter created in
7 section 29 of this act).

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

15 ~~((+5))~~ (6) For purposes of this section, "natural resource-
16 related environmentally based grant and loan programs" includes the
17 conservation reserve enhancement program; dairy nutrient management
18 grants under chapter 90.64 RCW; state conservation commission water
19 quality grants under chapter 89.08 RCW; coordinated prevention
20 grants, public participation grants, and remedial action grants under
21 RCW 70.105D.070; water pollution control facilities financing under
22 chapter 70.146 RCW; aquatic lands enhancement grants under RCW
23 79.105.150; habitat grants under the Washington wildlife and
24 recreation program under RCW 79A.15.040; salmon recovery grants under
25 chapter 77.85 RCW; and the public works trust fund program under
26 chapter 43.155 RCW. The term also includes programs administered by
27 the department of fish and wildlife related to protection or recovery
28 of fish stocks which are funded with moneys from the capital budget.

29 **Sec. 11.** RCW 43.88.005 and 2005 c 386 s 1 are each amended to
30 read as follows:

31 The legislature finds that agency missions, goals, and objectives
32 should focus on statewide results, driven by agency strategic plans
33 and agency performance management implementation plans adopted
34 pursuant to chapter 43.--- RCW (the new chapter created in section 29
35 of this act). It is the intent of the legislature to focus the
36 biennial budget on how state agencies produce real results ~~((that~~
37 ~~reflect the goals of statutory programs))~~, reflecting goals in agency
38 strategic plans and agency performance management implementation
39 plans. Specifically, budget managers and the legislature must have

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

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

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

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

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

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

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

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

37 (3) The budget document or documents (~~shall~~) must set forth a
38 proposal for expenditures in the ensuing fiscal period, or six-year
39 period where applicable, based upon the estimated revenues and

1 caseloads as approved by the economic and revenue forecast council
2 and caseload forecast council or upon the estimated revenues and
3 caseloads of the office of financial management for those funds,
4 accounts, sources, and programs for which the forecast councils do
5 not prepare an official forecast. The budget document or documents
6 and their expenditures must incorporate estimated savings from
7 implementation of the state performance management implementation
8 plan and agency performance management implementation plans adopted
9 pursuant to chapter 43.--- RCW (the new chapter created in section 29
10 of this act), as approved by the caseload forecast council in its
11 most recent official forecast. Revenues (~~shall~~) must be estimated
12 for such fiscal period from the source and at the rates existing by
13 law at the time of submission of the budget document, including the
14 supplemental budgets submitted in the even-numbered years of a
15 biennium. However, the estimated revenues and caseloads for use in
16 the governor's budget document may be adjusted to reflect budgetary
17 revenue transfers and revenue and caseload estimates dependent upon
18 budgetary assumptions of enrollments, workloads, and caseloads. All
19 adjustments to the approved estimated revenues and caseloads must be
20 set forth in the budget document. The governor may additionally
21 submit, as an appendix to each supplemental, biennial, or six-year
22 agency budget or to the budget document or documents, a proposal for
23 expenditures in the ensuing fiscal period from revenue sources
24 derived from proposed changes in existing statutes.

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

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

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

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

33 (d) Such additional information dealing with revenues and
34 expenditures as the governor (~~shall~~) deems pertinent and useful to
35 the legislature;

36 (e) Tabulations showing expenditures classified by fund,
37 function, and agency;

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

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

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

9 ~~((+2))~~ (5) The budget document or documents (~~shall~~) must
10 include detailed estimates of all anticipated revenues applicable to
11 proposed operating or capital expenditures and (~~shall~~) must also
12 include all proposed operating or capital expenditures. The total of
13 beginning undesignated fund balance and estimated revenues less
14 working capital and other reserves (~~shall~~) must equal or exceed the
15 total of proposed applicable expenditures.

16 (6) The budget document or documents (~~shall~~) must further
17 include:

18 (a) Interest, amortization and redemption charges on the state
19 debt;

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

21 (c) Other statutory expenditures;

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

23 (e) Revenues derived from agency operations;

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

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

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

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

35 (j) A showing and explanation of anticipated amounts of general
36 fund and other funds required to amortize the unfunded actuarial
37 accrued liability of the retirement system specified under chapter
38 41.45 RCW, and the contributions to meet such amortization, stated in
39 total dollars and as a level percentage of total compensation.

1 ~~((3))~~ (7) The governor's operating budget document or documents
2 ~~((shall reflect the statewide priorities as required by RCW~~
3 ~~43.88.090.~~

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

6 ~~(5))~~ must reflect the goals and objectives of agency strategic
7 plans adopted pursuant to chapter 43.--- RCW (the new chapter created
8 in section 29 of this act).

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

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

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

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

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

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

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

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

36 (h) Estimated total project cost;

37 (i) For major projects valued over five million dollars,
38 estimated costs for the following project components: Acquisition,
39 consultant services, construction, equipment, project management, and
40 other costs included as part of the project. Project component costs

1 (~~shall~~) must be displayed in a standard format defined by the
2 office of financial management to allow comparisons between projects;

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

5 (k) Estimated ensuing biennium costs;

6 (l) Estimated costs beyond the ensuing biennium;

7 (m) Estimated construction start and completion dates;

8 (n) Source and type of funds proposed;

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

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

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

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

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

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

37 (~~(6)~~) (10) No change affecting the comparability of agency or
38 program information relating to expenditures, revenues, workload,
39 performance and personnel (~~shall~~) may be made in the format of any
40 budget document or report presented to the legislature under this

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

10 **Sec. 13.** RCW 43.88.090 and 2015 3rd sp.s. c 1 s 409 are each
11 amended to read as follows:

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

30 (b) The estimates (~~((shall))~~) must include statements or tables
31 (~~((which indicate))~~) indicating, by agency, the state funds (~~((which))~~)
32 that are required for the receipt of federal matching revenues. The
33 estimates (~~((shall))~~) must be revised as necessary to reflect
34 legislative enactments and adopted appropriations and (~~((shall))~~) must
35 be included with the initial biennial allotment submitted under RCW
36 43.88.110. The estimates must reflect that the agency considered any
37 alternatives to reduce costs or improve service delivery identified
38 in the findings of a performance audit of the agency by the joint
39 legislative audit and review committee. Nothing in this subsection

1 requires performance audit findings to be published as part of the
2 budget.

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

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

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

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

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

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

12 ~~(d) The consolidated technology services agency shall review~~
13 ~~major information technology systems in use by state agencies~~
14 ~~periodically.~~

15 ~~(5) It is the policy of the legislature that))~~ must adopt an
16 agency strategic plan pursuant to chapter 43.--- RCW (the new chapter
17 created in section 29 of this act). Each agency's budget
18 recommendations must be directly linked to the agency's stated
19 mission and ~~((program, quality, and productivity goals and~~
20 ~~objectives))~~ goals in agency strategic plans. Consistent with this
21 policy, agency budget proposals must include integration of
22 performance measures that allow objective determination of an
23 activity's success in ~~((achieving its goals. When a review under~~
24 ~~subsection (4) of this section or other analysis determines that the~~
25 ~~agency's objectives demonstrate))~~ implementing the agency's strategic
26 plan and agency performance management implementation plan. When an
27 excellence assessment conducted pursuant to section 5 of this act
28 indicates that the agency is making insufficient progress toward the
29 goals of any particular program or is otherwise underachieving or
30 inefficient, the agency's budget request ~~((shall))~~ must contain
31 proposals to remedy or improve the selected programs. ~~((The office of~~
32 ~~financial management shall develop a plan to merge the budget~~
33 ~~development process with agency performance assessment procedures.~~
34 ~~The plan must include a schedule to integrate agency strategic plans~~
35 ~~and performance measures into agency budget requests and the~~
36 ~~governor's budget proposal over three fiscal biennia. The plan must~~
37 ~~identify those agencies that will implement the revised budget~~
38 ~~process in the 1997-1999 biennium, the 1999-2001 biennium, and the~~
39 ~~2001-2003 biennium. In consultation with the legislative fiscal~~
40 ~~committees, the office of financial management shall recommend~~

1 ~~statutory and procedural modifications to the state's budget,~~
2 ~~accounting, and reporting systems to facilitate the performance~~
3 ~~assessment procedures and the merger of those procedures with the~~
4 ~~state budget process. The plan and recommended statutory and~~
5 ~~procedural modifications must be submitted to the legislative fiscal~~
6 ~~committees by September 30, 1996.~~

7 ~~(6))~~ (3) In reviewing agency budget requests in order to prepare
8 the governor's biennial budget request or supplemental budget
9 request, the office of financial management (~~shall~~) must:

10 (a) Consider the extent to which the agency's activities
11 demonstrate progress toward (~~the statewide budgeting priorities,~~
12 ~~along with any specific review conducted under subsection (4) of this~~
13 ~~section)) implementing its agency strategic plan and agency~~
14 performance management implementation plan; and

15 (b) Comply with section 14 of this act.

16 ~~((7))~~ (4) In the year of the gubernatorial election, the
17 governor (~~shall~~) must invite the governor-elect or the governor-
18 elect's designee to attend all hearings provided in RCW 43.88.100;
19 and the governor (~~shall~~) must furnish the governor-elect or the
20 governor-elect's designee with such information as will enable the
21 governor-elect or the governor-elect's designee to gain an
22 understanding of the state's budget requirements. The governor-elect
23 or the governor-elect's designee may ask (~~such~~) questions during
24 the hearings and require (~~such~~) information as the governor-elect
25 or the governor-elect's designee deems necessary and may make
26 recommendations in connection with any item of the budget which, with
27 the governor-elect's reasons therefor, (~~shall~~) must be presented to
28 the legislature in writing with the budget document. Copies of all
29 such estimates and other required information (~~shall~~) must also be
30 submitted to the standing committees on ways and means of the house
31 and senate.

32 NEW SECTION. Sec. 14. A new section is added to chapter 43.88
33 RCW to read as follows:

34 In a proposed biennial budget or supplemental budget, the
35 director must redirect cost savings realized from implementation of
36 an agency performance management implementation plan adopted pursuant
37 to chapter 43.--- RCW (the new chapter created in section 29 of this
38 act) as follows:

1 (1) Ten percent of cost savings must be redirected to the
2 agency's other critical operations if the office of performance
3 management certifies that the agency is making adequate progress in
4 implementing its agency performance management implementation plan,
5 and in responding to performance audits conducted by the state
6 auditor and the joint legislative audit and review committee,
7 excellence assessments conducted pursuant to section 5 of this act,
8 and other appropriate audits;

9 (2) Ten percent of cost savings must be redirected to the agency
10 to improve performance under the agency performance management
11 implementation plan;

12 (3) Ten percent of cost savings must be redirected to the office
13 of performance management to improve performance under the state
14 performance management implementation plan adopted pursuant to
15 chapter 43.--- RCW (the new chapter created in section 29 of this
16 act); and

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

20 **Sec. 15.** RCW 43.88.160 and 2015 3rd sp.s. c 1 s 303 and 2015 3rd
21 sp.s. c 1 s 109 are each reenacted and amended to read as follows:

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

30 (~~(1)~~) (2) Governor; director of financial management. The
31 governor, through the director of financial management, (~~shall~~)
32 must devise and supervise a modern and complete accounting system for
33 each agency to the end that all revenues, expenditures, receipts,
34 disbursements, resources, and obligations of the state (~~shall~~) must
35 be properly and systematically accounted for. The accounting system
36 (~~shall~~) must include the development of accurate, timely records
37 and reports of all financial affairs of the state. The system
38 (~~shall~~) must also provide for central accounts in the office of
39 financial management at the level of detail deemed necessary by the

1 director to perform central financial management. The director of
2 financial management (~~shall~~) must adopt and periodically update an
3 accounting procedures manual. Any agency maintaining its own
4 accounting and reporting system (~~shall~~) must comply with the
5 updated accounting procedures manual and the rules of the director
6 adopted under this chapter. An agency may receive a waiver from
7 complying with this requirement if the waiver is approved by the
8 director. Waivers expire at the end of the fiscal biennium for which
9 they are granted. The director (~~shall~~) must forward notice of
10 waivers granted to the appropriate legislative fiscal committees. The
11 director of financial management may require such financial,
12 statistical, and other reports as the director deems necessary from
13 all agencies covering any period.

14 ~~((+2))~~ (3) Except as provided in chapter 43.88C RCW, the
15 director of financial management is responsible for quarterly
16 reporting of primary operating budget drivers such as applicable
17 workloads, caseload estimates, and appropriate unit cost data. These
18 reports (~~shall~~) must be transmitted to the legislative fiscal
19 committees or by electronic means to the legislative evaluation and
20 accountability program committee. Quarterly reports (~~shall~~) must
21 include actual monthly data and the variance between actual and
22 estimated data to date. The reports (~~shall~~) must also include
23 estimates of these items for the remainder of the budget period.

24 ~~((+3))~~ (4) The director of financial management (~~shall~~) must
25 report at least annually to the appropriate legislative committees
26 regarding the status of all appropriated capital projects, including
27 transportation projects, showing significant cost overruns or
28 underruns. If funds are shifted from one project to another, the
29 office of financial management (~~shall~~) must also reflect this in
30 the annual variance report. Once a project is complete, the report
31 (~~shall~~) must provide a final summary showing estimated start and
32 completion dates of each project phase compared to actual dates,
33 estimated costs of each project phase compared to actual costs, and
34 whether or not there are any outstanding liabilities or unsettled
35 claims at the time of completion.

36 ~~((+4))~~ (5) In addition, the director of financial management, as
37 agent of the governor, (~~shall~~) must:

38 (a) Develop and maintain a system of internal controls and
39 internal audits comprising methods and procedures to be adopted by
40 each agency that will safeguard its assets, check the accuracy and

1 reliability of its accounting data, promote operational efficiency in
2 cooperation with the office of performance management, and encourage
3 adherence to prescribed managerial policies for accounting and
4 financial controls. The system developed by the director (~~shall~~)
5 must include criteria for determining the scope and comprehensiveness
6 of internal controls required by classes of agencies, depending on
7 the level of resources at risk.

8 (i) For those agencies that the director determines internal
9 audit is required, the agency head or authorized designee (~~shall~~)
10 must be assigned the responsibility and authority for establishing
11 and maintaining internal audits following professional audit
12 standards including generally accepted government auditing standards
13 or standards adopted by the institute of internal auditors, or both.

14 (ii) For those agencies that the director determines internal
15 audit is not required, the agency head or authorized designee may
16 establish and maintain internal audits following professional audit
17 standards including generally accepted government auditing standards
18 or standards adopted by the institute of internal auditors, or both,
19 but at a minimum must comply with policies as established by the
20 director to assess the effectiveness of the agency's systems of
21 internal controls and risk management processes;

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

28 (c) Establish policies for allowing the contracting of child care
29 services;

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

32 (e) Review any pay and classification plans, and changes
33 thereunder, developed by any agency for their fiscal impact(~~or~~
34 ~~PROVIDED, That~~). However, none of the provisions of this subsection
35 shall affect merit systems of personnel management now existing or
36 hereafter established by statute relating to the fixing of
37 qualifications requirements for recruitment, appointment, or
38 promotion of employees of any agency. The director (~~shall~~) must
39 advise and confer with agencies including appropriate standing
40 committees of the legislature as may be designated by the speaker of

1 the house and the president of the senate regarding the fiscal impact
2 of such plans and may amend or alter the plans, except that for the
3 following agencies no amendment or alteration of the plans may be
4 made without the approval of the agency concerned: Agencies headed by
5 elective officials;

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

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

14 (~~((+5))~~) (6)(a) The treasurer (~~((shall))~~) must:

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

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

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

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

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

31 (b) It (~~((shall be))~~) is unlawful for the treasurer to disburse
32 public funds in the treasury except upon forms or by alternative
33 means duly prescribed by the director of financial management. These
34 forms or alternative means (~~((shall))~~) must provide for authentication
35 and certification by the agency head or the agency head's designee
36 that the services have been rendered or the materials have been
37 furnished; or, in the case of loans or grants, that the loans or
38 grants are authorized by law; or, in the case of payments for
39 periodic maintenance services to be performed on state owned
40 equipment, that a written contract for such periodic maintenance

1 services is currently in effect; and the treasurer (~~((shall not be))~~)
2 is not liable under the treasurer's surety bond for erroneous or
3 improper payments so made. When services are lawfully paid for in
4 advance of full performance by any private individual or business
5 entity other than equipment maintenance providers or as provided for
6 by RCW 42.24.035, (~~((such))~~) the individual or entity other than
7 central stores rendering such services (~~((shall))~~) must make a cash
8 deposit or furnish surety bond coverage to the state (~~((as shall be~~
9 ~~fixed))~~) in an amount fixed by law, or if not fixed by law, then in
10 (~~((such amounts as shall be))~~) an amount fixed by the director of the
11 department of enterprise services but in no case (~~((shall such))~~) may
12 the required cash deposit or surety bond be less than an amount
13 (~~((which))~~) that will fully indemnify the state against any and all
14 losses on account of breach of promise to fully perform such
15 services. No payments (~~((shall))~~) may be made in advance for any
16 equipment maintenance services to be performed more than twelve
17 months after such payment except that institutions of higher
18 education as defined in RCW 28B.10.016 and the consolidated
19 technology services agency created in RCW 43.105.006 may make
20 payments in advance for equipment maintenance services to be
21 performed up to sixty months after such payment. Any such bond so
22 furnished (~~((shall))~~) must be conditioned that the person, firm or
23 corporation receiving the advance payment will apply it toward
24 performance of the contract. The responsibility for recovery of
25 erroneous or improper payments made under this section (~~((shall))~~) lies
26 with the agency head or the agency head's designee in accordance with
27 rules issued pursuant to this chapter. Nothing in this section
28 (~~((shall))~~) may be construed to permit a public body to advance funds
29 to a private service provider pursuant to a grant or loan before
30 services have been rendered or material furnished.

31 (~~((+6))~~) (7)(a) The state auditor (~~((shall))~~) must:

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

1 agency may include a section on recommendations to the legislature as
2 provided in ~~((e))~~ (a)(iii) of this subsection.

3 ~~((b))~~ (ii) Give information to the legislature, whenever
4 required, upon any subject relating to the financial affairs of the
5 state.

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

36 ~~((d))~~ (iv) Be empowered to take exception to specific
37 expenditures that have been incurred by any agency or to take
38 exception to other practices related in any way to the agency's
39 financial transactions and to cause such exceptions to be made a
40 matter of public record, including disclosure to the agency concerned

1 and to the director of financial management. It (~~shall be~~) is the
2 duty of the director of financial management to cause corrective
3 action to be taken within six months, such action to include, as
4 appropriate, the withholding of funds as provided in RCW 43.88.110.
5 The director of financial management (~~shall~~) must annually report
6 by December 31st the status of audit resolution to the appropriate
7 committees of the legislature, the state auditor, and the attorney
8 general. The director of financial management (~~shall~~) must include
9 in the audit resolution report actions taken as a result of an audit
10 including, but not limited to, types of personnel actions, costs and
11 types of litigation, and value of recouped goods or services.

12 (~~(e)~~) (v) Promptly report any irregularities to the attorney
13 general.

14 (~~(f)~~) (vi) Investigate improper governmental activity under
15 chapter 42.40 RCW.

16 (b) In addition to the authority given to the state auditor in
17 this subsection (~~(6)~~) (7), the state auditor is authorized to
18 conduct performance audits identified in RCW 43.09.470. Nothing in
19 this subsection (~~(6) shall~~) (7) may limit, impede, or restrict the
20 state auditor from conducting performance audits identified in RCW
21 43.09.470.

22 (~~(7)~~) (8) The joint legislative audit and review committee may:

23 (a) Make post audits of the financial transactions of any agency
24 and management surveys and program reviews as provided for in chapter
25 44.28 RCW as well as performance audits and program evaluations. To
26 this end the joint committee may in its discretion examine the books,
27 accounts, and other records of any agency, official, or employee.

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

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

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

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

1 **Sec. 16.** RCW 43.88C.010 and 2015 c 128 s 2 are each amended to
2 read as follows:

3 (1) The caseload forecast council is hereby created. The council
4 (~~shall consist~~) consists of two individuals appointed by the
5 governor and four individuals, one of whom is appointed by the
6 chairperson of each of the two largest political caucuses in the
7 senate and house of representatives. The chair of the council
8 (~~shall~~) must be selected from among the four caucus appointees. The
9 council may select such other officers as the members deem necessary.

10 (2) The council (~~shall~~) must employ a caseload forecast
11 supervisor to supervise the preparation of all caseload forecasts. As
12 used in this chapter, "supervisor" means the caseload forecast
13 supervisor.

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

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

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

38 (6) Members of the caseload forecast council (~~shall~~) serve
39 without additional compensation but (~~shall~~) must be reimbursed for
40 travel expenses in accordance with RCW 44.04.120 while attending

1 sessions of the council or on official business authorized by the
2 council. Nonlegislative members of the council (~~shall~~) must be
3 reimbursed for travel expenses in accordance with RCW 43.03.050 and
4 43.03.060.

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

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

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

15 (c) The number of children who are eligible, as defined in RCW
16 (~~43.215.405~~) 43.216.505, to participate in, and the number of
17 children actually served by, the early childhood education and
18 assistance program.

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

22 (9) The caseload forecast council (~~shall~~) must forecast youth
23 participating in the extended foster care program pursuant to RCW
24 74.13.031 separately from other children who are residing in foster
25 care and who are under eighteen years of age.

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

28 **Sec. 17.** RCW 43.88C.020 and 1997 c 168 s 2 are each amended to
29 read as follows:

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

34 (a) An official state caseload forecast including estimated
35 savings in forecasted programs resulting from implementation of the
36 state performance management implementation plan and agency
37 performance management implementation plans adopted pursuant to
38 chapter 43.--- RCW (the new chapter created in section 29 of this
39 act); and

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

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

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

12 (a) The supervisor immediate access to all information relating
13 to caseload forecasts; and

14 (b) The supervisor, the office of financial management, and the
15 office of performance management immediate access to all estimated
16 savings from implementation of the state performance management
17 implementation plan and agency performance management implementation
18 plans adopted pursuant to chapter 43.--- RCW (the new chapter created
19 in section 29 of this act).

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

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

28 **Sec. 18.** RCW 43.09.440 and 2012 c 229 s 817 are each amended to
29 read as follows:

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

33 (~~(a)~~) (2) The board (~~shall~~) must establish criteria for
34 performance audits consistent with the criteria and standards
35 followed by the joint legislative audit and review committee. This
36 criteria (~~shall~~) must include, at a minimum, the auditing standards
37 of the United States government accountability office, as well as
38 legislative mandates and performance objectives established by state
39 agencies and the legislature. Mandates include, but are not limited

1 to, agency strategies, timelines, program objectives, and mission and
2 goals as required in ~~((RCW 43.88.090))~~ agency strategic plans adopted
3 pursuant to chapter 43.--- RCW (the new chapter created in section 29
4 of this act).

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

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

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

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

38 ~~((f))~~ (7) All audits must include consideration of reports
39 prepared by other government oversight entities. ~~((g))~~ The audits
40 may include:

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

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

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

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

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

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

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

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

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

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

33 ~~((xi))~~ (k) Evaluation of personnel systems operation and
34 management;

35 ~~((xii))~~ (l) Evaluation of state purchasing operations and
36 management policies and practices; and

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

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

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

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

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

28 **Sec. 19.** RCW 43.09.470 and 2006 c 1 s 2 are each amended to read
29 as follows:

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

33 (a) State government and each of its agencies, accounts, and
34 programs, including the state performance management implementation
35 plan and agency performance management implementation plans adopted
36 pursuant to chapter 43.--- RCW (the new chapter created in section 29
37 of this act);

38 (b) Local governments and each of their agencies, accounts, and
39 programs;

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

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

5 (e) Other governmental entities, agencies, accounts, and
6 programs. (~~The term~~)

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

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

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

27 (~~1~~) (a) Identification of cost savings;

28 (~~2~~) (b) Identification of services that can be reduced or
29 eliminated;

30 (~~3~~) (c) Identification of programs or services that can be
31 transferred to the private sector;

32 (~~4~~) (d) A analysis of gaps or overlaps in programs or
33 services and recommendations to correct gaps or overlaps;

34 (~~5~~) (e) Feasibility of pooling information technology systems
35 within the department;

36 (~~6~~) (f) Analysis of the roles and functions of the
37 department, and recommendations to change or eliminate departmental
38 roles or functions;

1 (~~(7)~~) (g) Recommendations for statutory or regulatory changes
2 that may be necessary for the department to properly carry out its
3 functions;

4 (~~(8)~~) (h) Analysis of departmental performance data,
5 performance measures, and (~~self-assessment~~) assessment systems in
6 the state performance management implementation plan and agency
7 performance management implementation plans adopted pursuant to
8 chapter 43.--- RCW (the new chapter created in section 29 of this
9 act); and

10 (~~(9)~~) (i) Identification of best practices.

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

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

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

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

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

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

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

35 (12) For performance audits of state government and its agencies,
36 programs, and accounts, the legislature must consider the state
37 auditor reports in connection with the legislative appropriations
38 process.

39 (13) An annual report (~~will~~) must be submitted by the joint
40 legislative audit and review committee by July 1st of each year

1 detailing the status of the legislative implementation of the state
2 auditor's recommendations. Justification must be provided for
3 recommendations not implemented. Details of other corrective action
4 must be provided as well.

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

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

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

23 **Sec. 20.** RCW 46.68.290 and 2017 c 313 s 709 are each amended to
24 read as follows:

25 (1) The transportation partnership account is hereby created in
26 the state treasury. All distributions to the account from RCW
27 46.68.090 must be deposited into the account. Money in the account
28 may be spent only after appropriation. Expenditures from the account
29 must be used only for projects or improvements identified as 2005
30 transportation partnership projects or improvements in the omnibus
31 transportation appropriations act, including any principal and
32 interest on bonds authorized for the projects or improvements.

33 (2) The legislature finds that:

34 (a) Citizens demand and deserve accountability of transportation-
35 related programs and expenditures. Transportation-related programs
36 must continuously improve in quality, efficiency, and effectiveness
37 in order to increase public trust;

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

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

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

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

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

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

35 (5) Within the authorities and duties under chapter 43.09 RCW,
36 the state auditor may conduct performance audits for transportation-
37 related agencies. The state auditor (~~((shall))~~) must contract with
38 private firms to conduct the performance audits. (~~((+6+))~~) The audits
39 may include:

- 1 (a) Identification of programs and services that can be
2 eliminated, reduced, consolidated, or enhanced;
- 3 (b) Identification of funding sources to the transportation-
4 related agency, to programs, and to services that can be eliminated,
5 reduced, consolidated, or enhanced;
- 6 (c) Analysis of gaps and overlaps in programs and services and
7 recommendations for improving, dropping, blending, or separating
8 functions to correct gaps or overlaps;
- 9 (d) Analysis and recommendations for pooling information
10 technology systems used within the transportation-related agency, and
11 evaluation of information processing and telecommunications policy,
12 organization, and management;
- 13 (e) Analysis of the roles and functions of the transportation-
14 related agency, its programs, and its services and their compliance
15 with statutory authority and recommendations for eliminating or
16 changing those roles and functions and ensuring compliance with
17 statutory authority;
- 18 (f) Recommendations for eliminating or changing statutes, rules,
19 and policy directives as may be necessary to ensure that the
20 transportation-related agency carry out reasonably and properly those
21 functions vested in the agency by statute;
- 22 (g) Verification of the reliability and validity of
23 transportation-related agency performance data, (~~self-assessments~~)
24 assessments, and performance measurement systems as required (~~under~~
25 RCW 43.88.090) in agency strategic plans and agency performance
26 management implementation plans adopted pursuant to chapter 43.---
27 RCW (the new chapter created in section 29 of this act);
- 28 (h) Identification of potential cost savings in the
29 transportation-related agency, its programs, and its services;
- 30 (i) Identification and recognition of best practices;
- 31 (j) Evaluation of planning, budgeting, and program evaluation
32 policies and practices;
- 33 (k) Evaluation of personnel systems operation and management;
- 34 (l) Evaluation of purchasing operations and management policies
35 and practices;
- 36 (m) Evaluation of organizational structure and staffing levels,
37 particularly in terms of the ratio of managers and supervisors to
38 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 ~~((During the 2015-2017 fiscal biennium, the legislature may
8 transfer from the transportation partnership account to the
9 connecting Washington account such amounts as reflect the excess fund
10 balance of the transportation partnership account.~~

11 ~~(+12))~~ During the 2017-2019 fiscal biennium, the legislature may
12 direct the state treasurer to make transfers of moneys in the
13 transportation partnership account to the connecting Washington
14 account.

15 **Sec. 21.** RCW 47.04.280 and 2016 c 35 s 3 are each amended to
16 read as follows:

17 (1) It is the intent of the legislature to establish policy goals
18 for the planning, operation, performance of, and investment in, the
19 state's transportation system. The policy goals established under
20 this section are deemed consistent with the benchmark categories
21 adopted by the state's blue ribbon commission on transportation on
22 November 30, 2000. Public investments in transportation should
23 support achievement of these policy goals:

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

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

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

31 (d) Mobility: To improve the predictable movement of goods and
32 people throughout Washington state, including congestion relief and
33 improved freight mobility;

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

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

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

4 (3) These policy goals are intended to be the basis for
5 establishing detailed and measurable objectives and related
6 performance measures.

7 ~~((It is the intent of the legislature that the office of
8 financial management, in consultation with the transportation
9 commission, establish objectives and performance measures for))~~ The
10 department and other state agencies with transportation-related
11 responsibilities must include policy goals in subsection (1) of this
12 section in agency strategic plans and agency performance management
13 implementation plans adopted pursuant to chapter 43.--- RCW (the new
14 chapter created in section 29 of this act) to ensure that
15 transportation system performance at local, regional, and state
16 government levels progresses toward the attainment of the policy
17 goals ((set forth in subsection (1) of this section. The office of
18 financial management shall submit objectives and performance measures
19 to the legislature for its review and shall provide copies of the
20 same to the commission during each regular session of the legislature
21 during an even-numbered year thereafter)).

22 (5) A local or regional agency engaging in transportation
23 planning may voluntarily establish objectives and performance
24 measures to demonstrate progress toward the attainment of the policy
25 goals set forth in subsection (1) of this section or any other
26 transportation policy goals established by the local or regional
27 agency. A local or regional agency engaging in transportation
28 planning is encouraged to provide local and regional objectives and
29 performance measures to be included ~~((with the objectives and
30 performance measures submitted to the legislature pursuant to
31 subsection (4) of this section))~~ in agency strategic plans and agency
32 performance management implementation plans adopted pursuant to
33 chapter 43.--- RCW (the new chapter created in section 29 of this
34 act).

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

36 **Sec. 22.** RCW 47.60.140 and 2003 c 374 s 2 are each amended to
37 read as follows:

38 (1) The department is empowered to operate such ferry system,
39 including all operations, whether intrastate or international, upon

1 any route or routes, and toll bridges as a revenue-producing and
2 self-liquidating undertaking. The department has full charge of the
3 construction, rehabilitation, rebuilding, enlarging, improving,
4 operation, and maintenance of the ferry system, including toll
5 bridges, approaches, and roadways incidental thereto that may be
6 authorized by the department, including the collection of tolls and
7 other charges for the services and facilities of the undertaking. The
8 department has the exclusive right to enter into leases and contracts
9 for use and occupancy by other parties of the concessions and space
10 located on the ferries, wharves, docks, approaches, parking lots, and
11 landings, including the selling of commercial advertising space and
12 licenses to use the Washington State Ferries trademarks, but, except
13 as provided in subsection (2) of this section, no such leases or
14 contracts may be entered into for more than ten years, nor without a
15 competitive contract process, except as otherwise provided in this
16 section. The competitive process (~~(shall)~~) must be (~~(either)~~) an
17 invitation for bids in accordance with the process established by
18 chapter 43.19 RCW(~~(, or a request for proposals in accordance with~~
19 ~~the process established by RCW 47.56.030)~~). All revenues from
20 commercial advertising, concessions, parking, leases, and contracts
21 must be deposited in the Puget Sound ferry operations account (~~(in~~
22 ~~accordance with RCW 47.60.150)~~).

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

38 (3) The department (~~(shall)~~) must include in the strategic
39 planning and performance assessment process, as required (~~(by RCW~~
40 ~~43.88.090)~~) in agency strategic plans and agency performance

1 management implementation plans adopted pursuant to chapter 43.---
2 RCW (the new chapter created in section 29 of this act), an analysis
3 of the compatibility of public and private partnerships with the
4 state ferry system's core business, and the department's efforts to
5 maximize nonfarebox revenues and provide benefit to the public users
6 of the ferry system facilities. The department (~~shall~~) must include
7 an assessment of the need for an open solicitation to identify and
8 select possible public or private partnerships in order to maximize
9 the value of projects and the state's investment in current and
10 future ferry system operations.

11 (a) When the department determines that an open solicitation is
12 necessary, a request for proposal (~~shall~~) must be released,
13 consisting of an open solicitation outlining functional
14 specifications to be used as the basis for selecting partnerships in
15 the project.

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

21 (c) If no responses are received, or those that are received are
22 incompatible with ferry system operations, or do not meet the
23 criteria stated in (b) of this subsection, the state ferry system may
24 proceed with state ferry system operating strategies designed to
25 achieve state ferry system objectives without established
26 partnerships.

27 **Sec. 23.** RCW 70.94.551 and 2015 c 225 s 105 are each amended to
28 read as follows:

29 (1) The secretary of the department of transportation may
30 coordinate an interagency board or other interested parties for the
31 purpose of developing policies or guidelines that promote consistency
32 among state agency commute trip reduction programs required by RCW
33 70.94.527 and 70.94.531 or developed under the joint comprehensive
34 commute trip reduction plan described in this section. The board
35 (~~shall~~) must include representatives of the departments of
36 transportation, enterprise services, ecology, and commerce and such
37 other departments and interested groups as the secretary of the
38 department of transportation determines to be necessary. Policies and
39 guidelines (~~shall be~~) are applicable to all state agencies

1 including but not limited to policies and guidelines regarding
2 parking and parking charges, employee incentives for commuting by
3 other than single-occupant automobiles, flexible and alternative work
4 schedules, alternative worksites, and the use of state-owned vehicles
5 for car and van pools and guaranteed rides home. The policies and
6 guidelines (~~shall~~) must also consider the costs and benefits to
7 state agencies of achieving commute trip reductions and consider
8 mechanisms for funding state agency commute trip reduction programs.

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

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

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

29 (b) The joint comprehensive commute trip reduction plan must
30 build on existing commute trip reduction programs and policies. At a
31 minimum, the joint comprehensive commute trip reduction plan must
32 include strategies for telework and flexible work schedules, parking
33 management, and consideration of the impacts of worksite location and
34 design on multimodal transportation options.

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

37 (d) The joint comprehensive commute trip reduction plan may
38 include strategies to accommodate differences in worksite size and
39 location.

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

5 (f) Not more than ninety days after the adoption of the joint
6 comprehensive commute trip reduction plan, state agencies within the
7 three urban growth areas must implement a commute trip reduction
8 program consistent with the objectives and strategies of the joint
9 comprehensive commute trip reduction plan.

10 (4) The department of transportation (~~shall~~) must review the
11 initial commute trip reduction program of each state agency subject
12 to the commute trip reduction plan for state agencies to determine if
13 the program is likely to meet the applicable commute trip reduction
14 goals and notify the agency of any deficiencies. If it is found that
15 the program is not likely to meet the applicable commute trip
16 reduction goals, the department of transportation will work with the
17 agency to modify the program as necessary.

18 (5) Each state agency implementing a commute trip reduction plan
19 (~~shall~~) must report at least once per year to its agency director
20 on the performance of the agency's commute trip reduction program as
21 part of the agency's (~~quality management, accountability, and~~
22 ~~performance system as defined by RCW 43.17.385~~) performance
23 management implementation plan adopted pursuant to chapter 43.--- RCW
24 (the new chapter created in section 29 of this act). The reports
25 (~~shall~~) must assess the performance of the program, progress toward
26 state goals established under RCW 70.94.537, and recommendations for
27 improving the program.

28 (6) The department of transportation (~~shall~~) must review the
29 agency performance reports defined in subsection (5) of this section
30 and submit a biennial report for state agencies subject to this
31 chapter to the governor and incorporate the report in the commute
32 trip reduction board report to the legislature as directed in RCW
33 70.94.537(6). The report (~~shall~~) must include, but is not limited
34 to, an evaluation of the most recent measurement results, progress
35 toward state goals established under RCW 70.94.537, and
36 recommendations for improving the performance of state agency commute
37 trip reduction programs. The information (~~shall~~) must be reported
38 in a form established by the commute trip reduction board.

1 **Sec. 24.** RCW 2.56.200 and 2005 c 385 s 10 are each amended to
2 read as follows:

3 The office of the administrator for the courts is encouraged to
4 conduct performance audits of courts under the authority of the
5 supreme court, in conformity with criteria and methods developed by
6 the board for judicial administration that have been approved by the
7 supreme court. In developing criteria and methods for conducting
8 performance audits, the board for judicial administration is
9 encouraged to consider quality improvement programs, audits, and
10 scoring. The judicial branch is encouraged to submit the results of
11 these efforts to the chief justice of the supreme court or his or her
12 designee, (~~and with~~) to any other applicable boards or committees
13 established under the authority of the supreme court to oversee
14 government accountability, and to the legislature.

15 **Sec. 25.** RCW 44.04.260 and 2012 c 229 s 204 and 2012 c 113 s 6
16 are each reenacted and amended to read as follows:

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

35 (2) The facilities and operations committee of the senate and the
36 executive rules committee of the house of representatives are
37 encouraged to cooperate with the office of performance management and
38 to adopt agency performance management implementation plans and

1 conduct excellence assessments of operations pursuant to chapter
2 43.--- RCW (the new chapter created in section 29 of this act).

3 NEW SECTION. Sec. 26. A new section is added to chapter 43.19
4 RCW to read as follows:

5 (1) The department must enter into a partnership with the
6 national institutes of standards and technology, United States
7 department of commerce, and performance excellence northwest and
8 Washington state quality award to develop a suite of web-based
9 classroom training modules for employees, middle managers,
10 supervisors, and senior agency leaders.

11 (2) The training modules must:

12 (a) Build fundamental knowledge and skills regarding agency
13 strategic plans, agency ethics plans, agency performance management
14 implementation plans, excellence assessments, and other requirements
15 in chapter 43.--- RCW (the new chapter created in section 29 of this
16 act), enabling state agencies and partner organizations to achieve
17 measurable results; and

18 (b) Be completed and approved by the office of performance
19 management by September 1, 2018.

20 NEW SECTION. Sec. 27. RCW 43.17.380 (Quality management,
21 accountability, and performance system—Definitions) and 2005 c 384 s
22 2 are each repealed.

23 NEW SECTION. Sec. 28. This act may be known and cited as the
24 performance management act.

25 NEW SECTION. Sec. 29. Sections 1 through 6 of this act
26 constitute a new chapter in Title 43 RCW.

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