

2 **ESSB 6680** - H COMM AMD **NOT ADOPTED 3-1-96**  
3 By Committee on Government Operations

4

5 Strike everything after the enacting clause and insert the  
6 following:

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

14 The legislature must become more effective in its role of directing  
15 public policy and ensuring the public accountability of state programs,  
16 managers, and employees. With the support of the legislature, the  
17 executive branch must implement practices and processes that will  
18 improve performance, accountability, and public confidence in state  
19 government. The governor and the legislature shall use results from  
20 the performance assessment processes established by this chapter in  
21 establishing state budget policy and priorities. The budget process  
22 must become an effective means of ensuring compliance with performance  
23 improvement requirements.

24 The purpose of this chapter is to ensure that all state agencies  
25 and programs have a valid and necessary mission and that the agencies  
26 have clearly defined performance objectives, quality objectives, and  
27 cost objectives that are appropriately balanced. Each agency and  
28 program should operate within a strategic plan that includes the  
29 mission of the agency or program, measurable goals, strategies, and  
30 performance measurement systems that are vital tools used for agency  
31 management, legislative budget and policy deliberations, and public  
32 accountability. State agencies should engage customers, taxpayers,  
33 employees, and the legislature in the development and redevelopment of  
34 these plans. The strategic plans should be the framework within which  
35 agencies continuously assess the value and relative priority of their  
36 various functions. In order to streamline state government and

1 redirect resources more effectively, the legislature intends to begin  
2 a systematic, fundamental review of the functions of state programs.

3 In developing future legislation to create new programs and  
4 activities in state government, or redirect existing programs and  
5 activities, the legislature shall include in such legislation the  
6 specific purpose and measurable goals of the program or activity.

7 NEW SECTION. **Sec. 2.** The legislative committee on performance  
8 review is established.

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

10 (a) The majority leader of the senate;

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

12 (c) The minority leader of the senate;

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

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

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

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

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

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

26 (3) An executive committee is established, consisting of the  
27 majority leader and minority leader of the senate and the majority  
28 leader and minority leader of the house of representatives. The  
29 function of the executive committee is to appoint the director of the  
30 legislative office of performance review. Approval by an affirmative  
31 vote of at least three members of the committee is required for  
32 decisions regarding employment of the director. Employment of the  
33 director terminates after each term of three years. At the end of the  
34 first year of each three-year term, the committee shall consider  
35 extension of the term by one year. However, at any time during the  
36 term of office, the employment of the director may be terminated by a  
37 unanimous vote of the executive committee. The executive committee  
38 shall set the salary of the director.

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

4        (2) In consultation with the executive committee, the director may  
5 select and employ personnel necessary to carry out the purposes of this  
6 chapter. Salaries for employees of the legislative office of  
7 performance review, other than the director, shall be set with the  
8 approval of the executive committee, the secretary of the senate, and  
9 the chief clerk of the house of representatives.

10       (3) The director has primary responsibility for performance reviews  
11 of state agencies, programs, and activities. The director shall  
12 consult with the state auditor, the legislative auditor of the  
13 legislative budget committee, and the director of financial management  
14 in the conduct of performance reviews. The director shall also consult  
15 with the chairs and staff of the appropriate legislative standing  
16 committees.

17       NEW SECTION.    **Sec. 4.** (1) Performance reviews under this chapter  
18 shall include a rethinking of the programs and functions of state  
19 agencies to assess whether or not they have a vital purpose or valid  
20 mission. The director shall work to involve frontline employees,  
21 agency and program managers, customers of the program or service, other  
22 taxpayers, legislators, legislative staff, office of financial  
23 management staff, and other external public and private sector experts  
24 as deemed appropriate in conducting performance reviews. The director  
25 shall, as necessary, contract with experts from either the private or  
26 public sector to assist in performance reviews.

27       (2) In preparation for a performance review, a state agency shall  
28 identify each of its discrete functions or activities, along with  
29 associated costs and full-time equivalent staff, as requested by the  
30 director. In reviewing the agency or program, the director shall  
31 identify those activities and programs that should be strengthened,  
32 those that should be abandoned, and those that need to be redirected or  
33 other alternatives explored. The review should consider: (a) Whether  
34 or not the purpose for which the agency or program was created is still  
35 valid based on the circumstances under which the program was created  
36 versus those that exist at the time of the review; (b) the extent to  
37 which the particular activity or function is specifically authorized in  
38 statute or is consistent with statutory direction and intent; (c)

1 whether or not the agency or program is achieving the results for which  
2 it was established; (d) alternatives for delivering the program or  
3 service, either in the public or private sector; (e) duplication of  
4 services with other government programs or private enterprises or gaps  
5 in services; (f) the relative priority of the program among the  
6 agency's functions; (g) costs or implications of not performing the  
7 function; (h) citizen's individual responsibilities and freedoms; (i)  
8 whether or not the mission of the agency or program is attainable  
9 considering the effect of factors and circumstances beyond the control  
10 of the agency; (j) the frequency with which other states perform  
11 similar functions, as well as their relative funding levels and  
12 performance; and (k) in the event of inadequate performance by the  
13 program, the potential for a workable, affordable plan to improve  
14 performance.

15 (3) Performance reviews must also determine the existence and  
16 utility of an agency or program strategic plan that includes a concise  
17 statement of the agency's or program's mission, a vision for future  
18 direction, measurable goals and objectives, and clear strategies and  
19 specific timelines to achieve them. The director shall determine the  
20 extent to which the plan: (a) Forms the basis of agency management  
21 practices and continuous process reevaluation and improvement; (b) can  
22 be used to clearly identify and prioritize agency functions; (c)  
23 provides a valuable basis for legislative policy and budget  
24 deliberations; (d) is used to ensure accountability of employees,  
25 particularly managers, for achieving program goals, and is a primary  
26 consideration in retention and promotion of staff; (e) is used to  
27 assess the quality and effectiveness of the agency's programs and  
28 activities; (f) appropriately balances cost objectives, quality  
29 objectives, and performance objectives; and (g) is useful in  
30 demonstrating public accountability. The agency strategic plan shall  
31 provide for periodic self-assessment by the agency to determine whether  
32 the agency is achieving the goals and objectives of its programs.  
33 Where self-assessments have been completed by an agency, the  
34 assessments must be incorporated into a performance review conducted  
35 under this chapter.

36 (4) If the state agency or program being reviewed has not  
37 identified acceptable organizations or programs in the public or  
38 private sector to be used as benchmarks against which to measure its  
39 performance, the director shall conduct a review sufficient to

1 recommend such benchmarks to the agency, the governor, and the  
2 legislature.

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

9 (6) Based on the information and conclusions compiled from the work  
10 required in subsections (1) through (5) of this section, the director  
11 shall develop an advisory recommendation for the governor and the  
12 legislature regarding whether an agency, programs of an agency, or  
13 activities within an agency should be continued, abandoned, or  
14 restructured.

15 NEW SECTION. **Sec. 5.** Before the completion of each legislative  
16 session and in conjunction with development of the final omnibus  
17 appropriations act, the legislative committee on performance review  
18 shall approve a performance review plan for the next twelve to fifteen  
19 months. The performance review plan must include a schedule of  
20 agencies, programs, or activities for which performance reviews will be  
21 initiated during that period. The plan must also include anticipated  
22 performance review revolving fund charges to each individual agency  
23 scheduled for review. Appropriations for scheduled agencies shall be  
24 adjusted in the omnibus appropriations act to reflect the anticipated  
25 charges. For each performance review included, the plan must identify  
26 the role of the legislative office of performance review and the state  
27 auditor, as well as the need to contract for additional public or  
28 private sector expertise. In preparing a draft plan for consideration  
29 by the committee, the director shall consult with the state auditor,  
30 the chair and staff of the legislative budget committee, the director  
31 of financial management, and the chairs and staff of appropriate  
32 legislative standing committees. The committee shall meet quarterly to  
33 review progress on the plan and, if necessary, revise the plan.

34 NEW SECTION. **Sec. 6.** When the director has completed a  
35 performance review and before public release of the findings, the  
36 affected agency and the office of financial management may respond to  
37 the review. The director shall incorporate the agency's and the office

1 of financial management's response into the final report. The  
2 legislative committee on performance review may also review and comment  
3 on the director's findings. The director shall include the comments of  
4 the committee in the final report as a separate addendum. Final  
5 reports of findings of the director from agency and program performance  
6 reviews must be transmitted to the agency, the director of financial  
7 management, and appropriate legislative committees and must be made  
8 available for public review.

9 NEW SECTION. **Sec. 7.** The performance review revolving fund is  
10 established in the state treasury. Expenditures from the fund may be  
11 spent only by appropriation. The fund is established to assist in  
12 recovering the costs of performance reviews from the audited agency or  
13 program. Subject to appropriation, the director shall assess agencies  
14 all or a portion of the cost of performance reviews.

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

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

20 NEW SECTION. **Sec. 8.** To ensure the accuracy and timeliness of  
21 information used as the basis for performance reviews and other  
22 responsibilities of the legislature, the director shall be provided  
23 direct and unrestricted access to information held by any state agency.  
24 Agencies shall submit directly to the legislative office of performance  
25 review, on a confidential basis, all data and other information  
26 requested, including tax records and client data.

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

29 (1) The director of financial management shall provide all agencies  
30 with a complete set of instructions for submitting biennial budget  
31 requests to the director at least three months before agency budget  
32 documents are due into the office of financial management. The  
33 director shall provide agencies that are required under RCW 44.40.070  
34 to develop comprehensive six-year program and financial plans with a  
35 complete set of instructions for submitting these program and financial  
36 plans at the same time that instructions for submitting other budget

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

37 Supplemental and biennial documents shall reflect a six-year  
38 expenditure plan consistent with estimated revenues from existing  
39 sources and at existing rates for those agencies required to submit

1 six-year program and financial plans under RCW 44.40.070. Any  
2 additional revenue resulting from proposed changes to existing statutes  
3 shall be separately identified within the document as well as related  
4 expenditures for the six-year period.

5 The budget document or documents shall also contain:

6 (a) Revenues classified by fund and source for the immediately past  
7 fiscal period, those received or anticipated for the current fiscal  
8 period, those anticipated for the ensuing biennium, and those  
9 anticipated for the ensuing six-year period to support the six-year  
10 programs and financial plans required under RCW 44.40.070;

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

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

15 (d) Such additional information dealing with revenues and  
16 expenditures as the governor shall deem pertinent and useful to the  
17 legislature;

18 (e) Tabulations showing expenditures classified by fund, function,  
19 activity and object;

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

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

26 (h) Tabulations showing each postretirement adjustment by  
27 retirement system established after fiscal year 1991, to include, but  
28 not be limited to, estimated total payments made to the end of the  
29 previous biennial period, estimated payments for the present biennium,  
30 and estimated payments for the ensuing biennium.

31 (2) The budget document or documents shall include detailed  
32 estimates of all anticipated revenues applicable to proposed operating  
33 or capital expenditures and shall also include all proposed operating  
34 or capital expenditures. The total of beginning undesignated fund  
35 balance and estimated revenues less working capital and other reserves  
36 shall equal or exceed the total of proposed applicable expenditures.  
37 The budget document or documents shall further include:

38 (a) Interest, amortization and redemption charges on the state  
39 debt;



1 (b) Payments of all reliefs, judgments and claims;  
2 (c) Other statutory expenditures;  
3 (d) Expenditures incident to the operation for each agency;  
4 (e) Revenues derived from agency operations;  
5 (f) Expenditures and revenues shall be given in comparative form  
6 showing those incurred or received for the immediately past fiscal  
7 period and those anticipated for the current biennium and next ensuing  
8 biennium, as well as those required to support the six-year programs  
9 and financial plans required under RCW 44.40.070;  
10 (g) A showing and explanation of amounts of general fund and other  
11 funds obligations for debt service and any transfers of moneys that  
12 otherwise would have been available for appropriation;  
13 (h) Common school expenditures on a fiscal-year basis;  
14 (i) A showing, by agency, of the value and purpose of financing  
15 contracts for the lease/purchase or acquisition of personal or real  
16 property for the current and ensuing fiscal periods; ((and))  
17 (j) A showing and explanation of anticipated amounts of general  
18 fund and other funds required to amortize the unfunded actuarial  
19 accrued liability of the retirement system specified under chapter  
20 41.45 RCW, and the contributions to meet such amortization, stated in  
21 total dollars and as a level percentage of total compensation; and  
22 (k) For each agency, a description of the findings and  
23 recommendations of any applicable review by the legislative office of  
24 performance review conducted during the prior fiscal period. The  
25 budget document must describe the potential costs and savings  
26 associated with implementing the findings and recommendations,  
27 including any recommendations for program eliminations.  
28 (3) A separate capital budget document or schedule shall be  
29 submitted that will contain the following:  
30 (a) A statement setting forth a long-range facilities plan for the  
31 state that identifies and includes the highest priority needs within  
32 affordable spending levels;  
33 (b) A capital program consisting of proposed capital projects for  
34 the next biennium and the two biennia succeeding the next biennium  
35 consistent with the long-range facilities plan. Inasmuch as is  
36 practical, and recognizing emergent needs, the capital program shall  
37 reflect the priorities, projects, and spending levels proposed in  
38 previously submitted capital budget documents in order to provide a

1 reliable long-range planning tool for the legislature and state  
2 agencies;

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

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

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

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

10 (g) Estimated total project cost;

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

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

19 (j) Estimated ensuing biennium costs;

20 (k) Estimated costs beyond the ensuing biennium;

21 (l) Estimated construction start and completion dates;

22 (m) Source and type of funds proposed;

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

25 (o) For any capital appropriation requested for a state agency for  
26 the acquisition of land or the capital improvement of land in which the  
27 primary purpose of the acquisition or improvement is recreation or  
28 wildlife habitat conservation, the capital budget document, or an  
29 omnibus list of recreation and habitat acquisitions provided with the  
30 governor's budget document, shall identify the projected costs of  
31 operation and maintenance for at least the two biennia succeeding the  
32 next biennium. Omnibus lists of habitat and recreation land  
33 acquisitions shall include individual project cost estimates for  
34 operation and maintenance as well as a total for all state projects  
35 included in the list. The document shall identify the source of funds  
36 from which the operation and maintenance costs are proposed to be  
37 funded;

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

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

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

5 For purposes of this subsection (3), the term "capital project"  
6 shall be defined subsequent to the analysis, findings, and  
7 recommendations of a joint committee comprised of representatives from  
8 the house capital appropriations committee, senate ways and means  
9 committee, legislative transportation committee, legislative evaluation  
10 and accountability program committee, and office of financial  
11 management.

12 (4) No change affecting the comparability of agency or program  
13 information relating to expenditures, revenues, workload, performance  
14 and personnel shall be made in the format of any budget document or  
15 report presented to the legislature under this section or RCW  
16 43.88.160(1) relative to the format of the budget document or report  
17 which was presented to the previous regular session of the legislature  
18 during an odd-numbered year without prior legislative concurrence.  
19 Prior legislative concurrence shall consist of (a) a favorable majority  
20 vote on the proposal by the standing committees on ways and means of  
21 both houses if the legislature is in session or (b) a favorable  
22 majority vote on the proposal by members of the legislative evaluation  
23 and accountability program committee if the legislature is not in  
24 session.

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

27 (1) For purposes of developing budget proposals to the legislature,  
28 the governor shall have the power, and it shall be the governor's duty,  
29 to require from proper agency officials such detailed estimates and  
30 other information in such form and at such times as the governor shall  
31 direct. The estimates for the legislature and the judiciary shall be  
32 transmitted to the governor and shall be included in the budget without  
33 revision. The estimates for state pension contributions shall be based  
34 on the rates provided in chapter 41.45 RCW. Copies of all such  
35 estimates shall be transmitted to the standing committees on ways and  
36 means of the house and senate at the same time as they are filed with  
37 the governor and the office of financial management.

1       The estimates shall include statements or tables which indicate, by  
2 agency, the state funds which are required for the receipt of federal  
3 matching revenues. The estimates shall be revised as necessary to  
4 reflect legislative enactments and adopted appropriations and shall be  
5 included with the initial biennial allotment submitted under RCW  
6 43.88.110.

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

15       (3) For the purpose of assessing program performance, each state  
16 agency shall establish program objectives for each major program in its  
17 budget. The objectives must be consistent with the missions and goals  
18 developed under this section. The objectives must be expressed to the  
19 extent practicable in outcome-based, objective, and measurable form  
20 unless an exception to adopt a different standard is granted by the  
21 office of financial management and approved by the legislative  
22 committee on performance review. The office of financial management  
23 shall provide necessary professional and technical assistance to assist  
24 state agencies in the development of strategic plans that include the  
25 mission of the agency and its programs, measurable goals, strategies,  
26 and performance measurement systems.

27       (4) Each state agency shall adopt procedures for continuous self-  
28 assessment of each program and activity, using the mission, goals,  
29 objectives, and measurements required under subsections (2) and (3) of  
30 this section.

31       (5) It is the policy of the legislature that each agency's budget  
32 proposals must be directly linked to the agency's stated mission and  
33 program goals and objectives. Consistent with this policy, agency  
34 budget proposals must include integration of performance measures that  
35 allow objective determination of a program's success in achieving its  
36 goals. The office of financial management shall develop a plan to  
37 merge the budget development process with agency performance assessment  
38 procedures. The plan must include a schedule to integrate agency  
39 strategic plans and performance measures into agency budget requests

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

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

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

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

36 (1) Governor; director of financial management. The governor,  
37 through the director of financial management, shall devise and  
38 supervise a modern and complete accounting system for each agency to

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

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

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

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

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

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

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

21 (c) Establish policies for allowing the contracting of child care  
22 services;

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

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

38 (f) Fix the number and classes of positions or authorized man years  
39 of employment for each agency and during the fiscal period amend the

1 determinations previously fixed by the director except that the  
2 director shall not be empowered to fix said number or said classes for  
3 the following: Agencies headed by elective officials;

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

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

9 (5) The treasurer shall:

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

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

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

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

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

24 It shall be unlawful for the treasurer to disburse public funds in  
25 the treasury except upon forms or by alternative means duly prescribed  
26 by the director of financial management. These forms or alternative  
27 means shall provide for authentication and certification by the agency  
28 head or the agency head's designee that the services have been rendered  
29 or the materials have been furnished; or, in the case of loans or  
30 grants, that the loans or grants are authorized by law; or, in the case  
31 of payments for periodic maintenance services to be performed on state  
32 owned equipment, that a written contract for such periodic maintenance  
33 services is currently in effect and copies thereof are on file with the  
34 office of financial management; and the treasurer shall not be liable  
35 under the treasurer's surety bond for erroneous or improper payments so  
36 made. When services are lawfully paid for in advance of full  
37 performance by any private individual or business entity other than as  
38 provided for by RCW 42.24.035, such individual or entity other than  
39 central stores rendering such services shall make a cash deposit or



1 furnish surety bond coverage to the state as shall be fixed in an  
2 amount by law, or if not fixed by law, then in such amounts as shall be  
3 fixed by the director of the department of general administration but  
4 in no case shall such required cash deposit or surety bond be less than  
5 an amount which will fully indemnify the state against any and all  
6 losses on account of breach of promise to fully perform such services.  
7 No payments shall be made in advance for any equipment maintenance  
8 services to be performed more than three months after such payment.  
9 Any such bond so furnished shall be conditioned that the person, firm  
10 or corporation receiving the advance payment will apply it toward  
11 performance of the contract. The responsibility for recovery of  
12 erroneous or improper payments made under this section shall lie with  
13 the agency head or the agency head's designee in accordance with  
14 regulations issued pursuant to this chapter. Nothing in this section  
15 shall be construed to permit a public body to advance funds to a  
16 private service provider pursuant to a grant or loan before services  
17 have been rendered or material furnished.

18 (6) The state auditor shall:

19 (a) Report to the legislature the results of current post audits  
20 that have been made of the financial transactions of each agency; to  
21 this end the auditor may, in the auditor's discretion, examine the  
22 books and accounts of any agency, official, or employee charged with  
23 the receipt, custody, or safekeeping of public funds. Where feasible  
24 in conducting examinations, the auditor shall utilize data and findings  
25 from the internal control system prescribed by the office of financial  
26 management. The current post audit of each agency may include a  
27 section on recommendations to the legislature as provided in (c) of  
28 this subsection.

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

31 (c) Make the auditor's official report on or before the thirty-  
32 first of December which precedes the meeting of the legislature. The  
33 report shall be for the last complete fiscal period and shall include  
34 determinations as to whether agencies, in making expenditures, complied  
35 with the laws of this state. The state auditor (~~(is authorized to)~~)  
36 may perform or participate in performance verifications ((only as)) and  
37 performance reviews under chapter 44.--- RCW (sections 1 through 8 of  
38 this act) if expressly authorized by the performance review plan  
39 adopted by the legislative committee on performance review or if

1 expressly authorized by the legislature in the omnibus biennial  
2 appropriations acts. The state auditor, upon completing an audit for  
3 legal and financial compliance under chapter 43.09 RCW or a performance  
4 verification or performance review, may report to the legislative  
5 budget committee, legislative committee on performance review, or other  
6 appropriate committees of the legislature, in a manner prescribed by  
7 the legislative budget committee or the director of the legislative  
8 office of performance review, on facts relating to the management or  
9 performance of governmental programs where such facts are discovered  
10 incidental to the legal and financial audit ~~((or))~~, performance  
11 verification, or performance review. The auditor may make such a  
12 report to a legislative committee only if the auditor has determined  
13 that the agency has been given an opportunity and has failed to resolve  
14 the management or performance issues raised by the auditor. If the  
15 auditor makes a report to a legislative committee, the agency may  
16 submit to the committee a response to the report. This subsection (6)  
17 shall not be construed to authorize the auditor to allocate other than  
18 de minimis resources to performance audits except as expressly  
19 authorized in the appropriations acts or the performance review plan.

20 (d) Be empowered to take exception to specific expenditures that  
21 have been incurred by any agency or to take exception to other  
22 practices related in any way to the agency's financial transactions and  
23 to cause such exceptions to be made a matter of public record,  
24 including disclosure to the agency concerned and to the director of  
25 financial management. It shall be the duty of the director of  
26 financial management to cause corrective action to be taken promptly,  
27 such action to include, as appropriate, the withholding of funds as  
28 provided in RCW 43.88.110.

29 (e) Promptly report any irregularities to the attorney general.

30 (f) Investigate improper governmental activity under chapter 42.40  
31 RCW.

32 (7) The legislative budget committee may:

33 (a) Make post audits of the financial transactions of any agency  
34 and management surveys and program reviews as provided for in RCW  
35 44.28.085 as well as performance audits and program evaluations. To  
36 this end the committee may in its discretion examine the books,  
37 accounts, and other records of any agency, official, or employee.

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

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

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

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

14 NEW SECTION. **Sec. 12.** The following acts or parts of acts are  
15 each repealed:

- 16 (1) RCW 43.88B.005 and 1994 c 184 s 1;
- 17 (2) RCW 43.88B.007 and 1994 c 184 s 2;
- 18 (3) RCW 43.88B.010 and 1994 c 184 s 3;
- 19 (4) RCW 43.88B.020 and 1994 c 184 s 4;
- 20 (5) RCW 43.88B.030 and 1994 c 184 s 5;
- 21 (6) RCW 43.88B.031 and 1994 c 184 s 6;
- 22 (7) RCW 43.88B.040 and 1994 c 184 s 7;
- 23 (8) RCW 43.88B.050 and 1994 c 184 s 8;
- 24 (9) RCW 43.88B.900 and 1994 c 184 s 13; and
- 25 (10) RCW 43.88B.901 and 1994 c 184 s 15.

26 NEW SECTION. **Sec. 13.** Sections 1 through 8 of this act constitute  
27 a new chapter in Title 44 RCW."

28 **ESSB 6680** - H COMM AMD  
29 By Committee on Government Operations

30

31 In line 1 of the title, after "government;" strike the remainder of  
32 the title and insert "amending RCW 43.88.090 and 43.88.160; reenacting  
33 and amending RCW 43.88.030; adding a new chapter to Title 44 RCW; and  
34 repealing RCW 43.88B.005, 43.88B.007, 43.88B.010, 43.88B.020,

1 43.88B.030, 43.88B.031, 43.88B.040, 43.88B.050, 43.88B.900, and  
2 43.88B.901."

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