

CERTIFICATION OF ENROLLMENT  
**ENGROSSED SUBSTITUTE SENATE BILL 6680**

Chapter 317, Laws of 1996  
(partial veto)

54th Legislature  
1996 Regular Session

PERFORMANCE ASSESSMENT OF STATE GOVERNMENT

EFFECTIVE DATE: 6/6/96

Passed by the Senate March 5, 1996  
YEAS 45 NAYS 0

JOEL PRITCHARD

**President of the Senate**

Passed by the House March 1, 1996  
YEAS 97 NAYS 0

CLYDE BALLARD

**Speaker of the  
House of Representatives**

Approved March 30, 1996, with the  
exception of sections 1, 2, 3, 4, 5, 6,  
7, 8, 9, 11, 13, and 14, which are  
vetoed.

MIKE LOWRY

**Governor of the State of Washington**

CERTIFICATE

I, Marty Brown, Secretary of the  
Senate of the State of Washington, do  
hereby certify that the attached is  
**ENGROSSED SUBSTITUTE SENATE BILL 6680**  
as passed by the Senate and the House  
of Representatives on the dates hereon  
set forth.

MARTY BROWN

**Secretary**

FILED

March 30, 1996 - 4:51 p.m.

**Secretary of State  
State of Washington**

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ENGROSSED SUBSTITUTE SENATE BILL 6680

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AS AMENDED BY THE HOUSE

Passed Legislature - 1996 Regular Session

State of Washington                      54th Legislature                      1996 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senators Snyder, McDonald, Loveland, Sellar, Rinehart, West, Strannigan, Quigley, Cantu, Oke, Winsley, Kohl, Long and Roach)

Read first time 01/26/96.

1            AN ACT Relating to the performance assessment of state government;  
2 amending RCW 43.88.090 and 43.88.160; reenacting and amending RCW  
3 43.88.030; adding a new chapter to Title 44 RCW; creating a new  
4 section; and repealing RCW 43.88B.005, 43.88B.007, 43.88B.010,  
5 43.88B.020, 43.88B.030, 43.88B.031, 43.88B.040, 43.88B.050, 43.88B.900,  
6 and 43.88B.901.

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

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

15            *The legislature must become more effective in its role of directing*  
16 *public policy and ensuring the public accountability of state programs,*  
17 *managers, and employees. With the support of the legislature, the*  
18 *executive branch must implement practices and processes that will*  
19 *improve performance, accountability, and public confidence in state*

1 government. The governor and the legislature shall use results from  
2 the performance assessment processes established by this chapter in  
3 establishing state budget policy and priorities. The budget process  
4 must become an effective means of ensuring compliance with performance  
5 improvement requirements.

6 The purpose of this chapter is to ensure that all state agencies  
7 and programs have a valid and necessary mission and that the agencies  
8 have clearly defined performance objectives, quality objectives, and  
9 cost objectives that are appropriately balanced. Each agency and  
10 program should operate within a strategic plan that includes the  
11 mission of the agency or program, measurable goals, strategies, and  
12 performance measurement systems that are vital tools used for agency  
13 management, legislative budget and policy deliberations, and public  
14 accountability. State agencies should engage customers, taxpayers,  
15 employees, and the legislature in the development and redevelopment of  
16 these plans. The strategic plans should be the framework within which  
17 agencies continuously assess the value and relative priority of their  
18 various functions. In order to streamline state government and  
19 redirect resources more effectively, the legislature intends to begin  
20 a systematic, fundamental review of the functions of state programs.

21 In developing future legislation to create new programs and  
22 activities in state government, or redirect existing programs and  
23 activities, the legislature shall include in such legislation the  
24 specific purpose and measurable goals of the program or activity.

25 \*Sec. 1 was vetoed. See message at end of chapter.

26 \*NEW SECTION. Sec. 2. The legislative committee on performance  
27 review is established.

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

29 (a) The majority leader of the senate;

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

31 (c) The minority leader of the senate;

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

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

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

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

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

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

7       (3) An executive committee is established, consisting of the  
8 majority leader and minority leader of the senate and the majority  
9 leader and minority leader of the house of representatives. The  
10 function of the executive committee is to appoint the director of the  
11 legislative office of performance review. Approval by an affirmative  
12 vote of at least three members of the committee is required for  
13 decisions regarding employment of the director. Employment of the  
14 director terminates after each term of three years. At the end of the  
15 first year of each three-year term, the committee shall consider  
16 extension of the term by one year. However, at any time during the  
17 term of office, the employment of the director may be terminated by a  
18 unanimous vote of the executive committee. The executive committee  
19 shall set the salary of the director.

20 \*Sec. 2 was vetoed. See message at end of chapter.

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

24       (2) In consultation with the executive committee, the director may  
25 select and employ personnel necessary to carry out the purposes of this  
26 chapter. Salaries for employees of the legislative office of  
27 performance review, other than the director, shall be set with the  
28 approval of the executive committee, the secretary of the senate, and  
29 the chief clerk of the house of representatives.

30       (3) The director has primary responsibility for performance reviews  
31 of state agencies, programs, and activities. The director shall  
32 consult with the state auditor, the legislative auditor of the  
33 legislative budget committee, and the director of financial management  
34 in the conduct of performance reviews. The director shall also consult  
35 with the chairs and staff of the appropriate legislative standing  
36 committees.

37 \*Sec. 3 was vetoed. See message at end of chapter.

1        \*NEW SECTION.    Sec. 4.    (1) Performance reviews under this chapter  
2 shall include a rethinking of the programs and functions of state  
3 agencies to assess whether or not they have a vital purpose or valid  
4 mission.    The director shall work to involve frontline employees,  
5 agency and program managers, customers of the program or service, other  
6 taxpayers, legislators, legislative staff, office of financial  
7 management staff, and other external public and private sector experts  
8 as deemed appropriate in conducting performance reviews.    The director  
9 shall, as necessary, contract with experts from either the private or  
10 public sector to assist in performance reviews.

11        (2) In preparation for a performance review, a state agency shall  
12 identify each of its discrete functions or activities, along with  
13 associated costs and full-time equivalent staff, as requested by the  
14 director.    In reviewing the agency or program, the director shall  
15 identify those activities and programs that should be strengthened,  
16 those that should be abandoned, and those that need to be redirected or  
17 other alternatives explored.    The review should consider: (a) Whether  
18 or not the purpose for which the agency or program was created is still  
19 valid based on the circumstances under which the program was created  
20 versus those that exist at the time of the review; (b) the relative  
21 priority of the program among the agency's functions; (c) costs or  
22 implications of not performing the function; (d) citizen's individual  
23 responsibilities and freedoms; (e) whether or not the mission of the  
24 agency or program is attainable considering the effect of factors and  
25 circumstances beyond the control of the agency; and (f) in the event of  
26 inadequate performance by the program, the potential for a workable,  
27 affordable plan to improve performance.

28        (3) Performance reviews must also determine the existence and  
29 utility of an agency or program strategic plan that includes a concise  
30 statement of the agency's or program's mission, a vision for future  
31 direction, measurable goals and objectives, and clear strategies and  
32 specific timelines to achieve them.    The director shall determine the  
33 extent to which the plan: (a) Forms the basis of agency management  
34 practices and continuous process reevaluation and improvement; (b) can  
35 be used to clearly identify and prioritize agency functions; (c)  
36 provides a valuable basis for legislative policy and budget  
37 deliberations; (d) is used to ensure accountability of employees,  
38 particularly managers, for achieving program goals, and is a primary  
39 consideration in retention and promotion of staff; (e) is used to

1 assess the quality and effectiveness of the agency's programs and  
2 activities; (f) appropriately balances cost objectives, quality  
3 objectives, and performance objectives; and (g) is useful in  
4 demonstrating public accountability. The agency strategic plan shall  
5 provide for periodic self-assessment by the agency to determine whether  
6 the agency is achieving the goals and objectives of its programs.  
7 Where self-assessments have been completed by an agency, the  
8 assessments must be incorporated into a performance review conducted  
9 under this chapter.

10 (4) If the state agency or program being reviewed has not  
11 identified acceptable organizations or programs in the public or  
12 private sector to be used as benchmarks against which to measure its  
13 performance, the director shall conduct a review sufficient to  
14 recommend such benchmarks to the agency, the governor, and the  
15 legislature.

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

22 (6) Based on the information and conclusions compiled from the work  
23 required in subsections (1) through (5) of this section, the director  
24 shall develop an advisory recommendation for the governor and the  
25 legislature regarding whether an agency, programs of an agency, or  
26 activities within an agency should be continued, abandoned, or  
27 restructured.

28 \*Sec. 4 was vetoed. See message at end of chapter.

29 \*NEW SECTION. Sec. 5. Before the completion of each legislative  
30 session and in conjunction with development of the final omnibus  
31 appropriations act, the legislative committee on performance review  
32 shall approve a performance review plan for the next twelve to fifteen  
33 months. The performance review plan must include a schedule of  
34 agencies, programs, or activities for which performance reviews will be  
35 initiated during that period. The plan must also include anticipated  
36 performance review revolving fund charges to each individual agency  
37 scheduled for review. Appropriations for scheduled agencies shall be  
38 adjusted in the omnibus appropriations act to reflect the anticipated

1 charges. For each performance review included, the plan must identify  
2 the role of the legislative office of performance review and the state  
3 auditor, as well as the need to contract for additional public or  
4 private sector expertise. In preparing a draft plan for consideration  
5 by the committee, the director shall consult with the state auditor,  
6 the chair and staff of the legislative budget committee, the director  
7 of financial management, and the chairs and staff of appropriate  
8 legislative standing committees. The committee shall meet quarterly to  
9 review progress on the plan and, if necessary, revise the plan.

10 \*Sec. 5 was vetoed. See message at end of chapter.

11 \*NEW SECTION. Sec. 6. When the director has completed a  
12 performance review and before public release of the findings, the  
13 affected agency and the office of financial management may respond to  
14 the review. The director shall incorporate the agency's and the office  
15 of financial management's response into the final report. The  
16 legislative committee on performance review may also review and comment  
17 on the director's findings. The director shall include the comments of  
18 the committee in the final report as a separate addendum. Final  
19 reports of findings of the director from agency and program performance  
20 reviews must be transmitted to the agency, the director of financial  
21 management, and appropriate legislative committees and must be made  
22 available for public review.

23 \*Sec. 6 was vetoed. See message at end of chapter.

24 \*NEW SECTION. Sec. 7. The performance review revolving fund is  
25 established in the state treasury. Expenditures from the fund may be  
26 spent only by appropriation. The fund is established to assist in  
27 recovering the costs of performance reviews from the audited agency or  
28 program. Subject to appropriation, the director shall assess agencies  
29 all or a portion of the cost of performance reviews.

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

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

35 \*Sec. 7 was vetoed. See message at end of chapter.

36 \*NEW SECTION. Sec. 8. To ensure the accuracy and timeliness of  
37 information used as the basis for performance reviews and other

1 responsibilities of the legislature, the director shall be provided  
2 direct and unrestricted access to information held by any state agency.  
3 Agencies shall submit directly to the legislative office of performance  
4 review, on a confidential basis, all data and other information  
5 requested, including tax records and client data.

6 \*Sec. 8 was vetoed. See message at end of chapter.

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

9 (1) The director of financial management shall provide all agencies  
10 with a complete set of instructions for submitting biennial budget  
11 requests to the director at least three months before agency budget  
12 documents are due into the office of financial management. The  
13 director shall provide agencies that are required under RCW 44.40.070  
14 to develop comprehensive six-year program and financial plans with a  
15 complete set of instructions for submitting these program and financial  
16 plans at the same time that instructions for submitting other budget  
17 requests are provided. The budget document or documents shall consist  
18 of the governor's budget message which shall be explanatory of the  
19 budget and shall contain an outline of the proposed financial policies  
20 of the state for the ensuing fiscal period, as well as an outline of  
21 the proposed six-year financial policies where applicable, and shall  
22 describe in connection therewith the important features of the budget.  
23 The message shall set forth the reasons for salient changes from the  
24 previous fiscal period in expenditure and revenue items and shall  
25 explain any major changes in financial policy. Attached to the budget  
26 message shall be such supporting schedules, exhibits and other  
27 explanatory material in respect to both current operations and capital  
28 improvements as the governor shall deem to be useful to the  
29 legislature. The budget document or documents shall set forth a  
30 proposal for expenditures in the ensuing fiscal period, or six-year  
31 period where applicable, based upon the estimated revenues as approved  
32 by the economic and revenue forecast council or upon the estimated  
33 revenues of the office of financial management for those funds,  
34 accounts, and sources for which the office of the economic and revenue  
35 forecast council does not prepare an official forecast, including those  
36 revenues anticipated to support the six-year programs and financial  
37 plans under RCW 44.40.070. In estimating revenues to support financial  
38 plans under RCW 44.40.070, the office of financial management shall



1 *rely on information and advice from the interagency revenue task force.*  
2 *Revenues shall be estimated for such fiscal period from the source and*  
3 *at the rates existing by law at the time of submission of the budget*  
4 *document, including the supplemental budgets submitted in the even-*  
5 *numbered years of a biennium. However, the estimated revenues for use*  
6 *in the governor's budget document may be adjusted to reflect budgetary*  
7 *revenue transfers and revenue estimates dependent upon budgetary*  
8 *assumptions of enrollments, workloads, and caseloads. All adjustments*  
9 *to the approved estimated revenues must be set forth in the budget*  
10 *document. The governor may additionally submit, as an appendix to each*  
11 *supplemental, biennial, or six-year agency budget or to the budget*  
12 *document or documents, a proposal for expenditures in the ensuing*  
13 *fiscal period from revenue sources derived from proposed changes in*  
14 *existing statutes.*

15 *Supplemental and biennial documents shall reflect a six-year*  
16 *expenditure plan consistent with estimated revenues from existing*  
17 *sources and at existing rates for those agencies required to submit*  
18 *six-year program and financial plans under RCW 44.40.070. Any*  
19 *additional revenue resulting from proposed changes to existing statutes*  
20 *shall be separately identified within the document as well as related*  
21 *expenditures for the six-year period.*

22 *The budget document or documents shall also contain:*

23 *(a) Revenues classified by fund and source for the immediately past*  
24 *fiscal period, those received or anticipated for the current fiscal*  
25 *period, those anticipated for the ensuing biennium, and those*  
26 *anticipated for the ensuing six-year period to support the six-year*  
27 *programs and financial plans required under RCW 44.40.070;*

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

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

32 *(d) Such additional information dealing with revenues and*  
33 *expenditures as the governor shall deem pertinent and useful to the*  
34 *legislature;*

35 *(e) Tabulations showing expenditures classified by fund, function,*  
36 *activity and object;*

37 *(f) A delineation of each agency's activities, including those*  
38 *activities funded from nonbudgeted, nonappropriated sources, including*  
39 *funds maintained outside the state treasury;*

1       (g) Identification of all proposed direct expenditures to implement  
2 the Puget Sound water quality plan under chapter 90.70 RCW, shown by  
3 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 biennium,  
8 and estimated payments for the ensuing biennium.

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

16       (a) Interest, amortization and redemption charges on the state  
17 debt;

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

19       (c) Other statutory expenditures;

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

21       (e) Revenues derived from agency operations;

22       (f) Expenditures and revenues shall be given in comparative form  
23 showing those incurred or received for the immediately past fiscal  
24 period and those anticipated for the current biennium and next ensuing  
25 biennium, as well as those required to support the six-year programs  
26 and financial plans required under RCW 44.40.070;

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

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

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

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

1       (k) For each agency, a description of the findings and  
2 recommendations of any applicable review by the legislative office of  
3 performance review conducted during the prior fiscal period. The  
4 budget document must describe the potential costs and savings  
5 associated with implementing the findings and recommendations,  
6 including any recommendations for program eliminations.

7       (3) A separate capital budget document or schedule shall be  
8 submitted that will contain the following:

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

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

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

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

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

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

27       (g) Estimated total project cost;

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

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

36       (j) Estimated ensuing biennium costs;

37       (k) Estimated costs beyond the ensuing biennium;

38       (l) Estimated construction start and completion dates;

39       (m) Source and type of funds proposed;

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

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

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

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

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

22       For purposes of this subsection (3), the term "capital project"  
23 shall be defined subsequent to the analysis, findings, and  
24 recommendations of a joint committee comprised of representatives from  
25 the house capital appropriations committee, senate ways and means  
26 committee, legislative transportation committee, legislative evaluation  
27 and accountability program committee, and office of financial  
28 management.

29       (4) No change affecting the comparability of agency or program  
30 information relating to expenditures, revenues, workload, performance  
31 and personnel shall be made in the format of any budget document or  
32 report presented to the legislature under this section or RCW  
33 43.88.160(1) relative to the format of the budget document or report  
34 which was presented to the previous regular session of the legislature  
35 during an odd-numbered year without prior legislative concurrence.  
36 Prior legislative concurrence shall consist of (a) a favorable majority  
37 vote on the proposal by the standing committees on ways and means of  
38 both houses if the legislature is in session or (b) a favorable  
39 majority vote on the proposal by members of the legislative evaluation

1 *and accountability program committee if the legislature is not in*  
2 *session.*

3 *\*Sec. 9 was vetoed. See message at end of chapter.*

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

6 (1) For purposes of developing budget proposals to the legislature,  
7 the governor shall have the power, and it shall be the governor's duty,  
8 to require from proper agency officials such detailed estimates and  
9 other information in such form and at such times as the governor shall  
10 direct. The estimates for the legislature and the judiciary shall be  
11 transmitted to the governor and shall be included in the budget without  
12 revision. The estimates for state pension contributions shall be based  
13 on the rates provided in chapter 41.45 RCW. Copies of all such  
14 estimates shall be transmitted to the standing committees on ways and  
15 means of the house and senate at the same time as they are filed with  
16 the governor and the office of financial management.

17 The estimates shall include statements or tables which indicate, by  
18 agency, the state funds which are required for the receipt of federal  
19 matching revenues. The estimates shall be revised as necessary to  
20 reflect legislative enactments and adopted appropriations and shall be  
21 included with the initial biennial allotment submitted under RCW  
22 43.88.110.

23 (2) Each state agency shall define its mission and establish  
24 measurable goals for achieving desirable results for those who receive  
25 its services and the taxpayers who pay for those services. Each agency  
26 shall also develop clear strategies and timelines to achieve its goals.  
27 This section does not require an agency to develop a new mission or  
28 goals in place of identifiable missions or goals that meet the intent  
29 of this section. The mission and goals of each agency must conform to  
30 statutory direction and limitations.

31 (3) For the purpose of assessing program performance, each state  
32 agency shall establish program objectives for each major program in its  
33 budget. The objectives must be consistent with the missions and goals  
34 developed under this section. The objectives must be expressed to the  
35 extent practicable in outcome-based, objective, and measurable form  
36 unless an exception to adopt a different standard is granted by the  
37 office of financial management and approved by the legislative  
38 committee on performance review. The office of financial management

1 shall provide necessary professional and technical assistance to assist  
2 state agencies in the development of strategic plans that include the  
3 mission of the agency and its programs, measurable goals, strategies,  
4 and performance measurement systems.

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

9 (5) It is the policy of the legislature that each agency's budget  
10 proposals must be directly linked to the agency's stated mission and  
11 program goals and objectives. Consistent with this policy, agency  
12 budget proposals must include integration of performance measures that  
13 allow objective determination of a program's success in achieving its  
14 goals. The office of financial management shall develop a plan to  
15 merge the budget development process with agency performance assessment  
16 procedures. The plan must include a schedule to integrate agency  
17 strategic plans and performance measures into agency budget requests  
18 and the governor's budget proposal over three fiscal biennia. The plan  
19 must identify those agencies that will implement the revised budget  
20 process in the 1997-1999 biennium, the 1999-2001 biennium, and the  
21 2001-2003 biennium. In consultation with the legislative fiscal  
22 committees, the office of financial management shall recommend  
23 statutory and procedural modifications to the state's budget,  
24 accounting, and reporting systems to facilitate the performance  
25 assessment procedures and the merger of those procedures with the state  
26 budget process. The plan and recommended statutory and procedural  
27 modifications must be submitted to the legislative fiscal committees by  
28 September 30, 1996.

29 (6) In the year of the gubernatorial election, the governor shall  
30 invite the governor-elect or the governor-elect's designee to attend  
31 all hearings provided in RCW 43.88.100; and the governor shall furnish  
32 the governor-elect or the governor-elect's designee with such  
33 information as will enable the governor-elect or the governor-elect's  
34 designee to gain an understanding of the state's budget requirements.  
35 The governor-elect or the governor-elect's designee may ask such  
36 questions during the hearings and require such information as the  
37 governor-elect or the governor-elect's designee deems necessary and may  
38 make recommendations in connection with any item of the budget which,  
39 with the governor-elect's reasons therefor, shall be presented to the

1 legislature in writing with the budget document. Copies of all such  
2 estimates and other required information shall also be submitted to the  
3 standing committees on ways and means of the house and senate.

4 *\*Sec. 11. RCW 43.88.160 and 1994 c 184 s 11 are each amended to*  
5 *read as follows:*

6 *This section sets forth the major fiscal duties and*  
7 *responsibilities of officers and agencies of the executive branch. The*  
8 *regulations issued by the governor pursuant to this chapter shall*  
9 *provide for a comprehensive, orderly basis for fiscal management and*  
10 *control, including efficient accounting and reporting therefor, for the*  
11 *executive branch of the state government and may include, in addition,*  
12 *such requirements as will generally promote more efficient public*  
13 *management in the state.*

14 *(1) Governor; director of financial management. The governor,*  
15 *through the director of financial management, shall devise and*  
16 *supervise a modern and complete accounting system for each agency to*  
17 *the end that all revenues, expenditures, receipts, disbursements,*  
18 *resources, and obligations of the state shall be properly and*  
19 *systematically accounted for. The accounting system shall include the*  
20 *development of accurate, timely records and reports of all financial*  
21 *affairs of the state. The system shall also provide for central*  
22 *accounts in the office of financial management at the level of detail*  
23 *deemed necessary by the director to perform central financial*  
24 *management. The director of financial management shall adopt and*  
25 *periodically update an accounting procedures manual. Any agency*  
26 *maintaining its own accounting and reporting system shall comply with*  
27 *the updated accounting procedures manual and the rules of the director*  
28 *adopted under this chapter. An agency may receive a waiver from*  
29 *complying with this requirement if the waiver is approved by the*  
30 *director. Waivers expire at the end of the fiscal biennium for which*  
31 *they are granted. The director shall forward notice of waivers granted*  
32 *to the appropriate legislative fiscal committees. The director of*  
33 *financial management may require such financial, statistical, and other*  
34 *reports as the director deems necessary from all agencies covering any*  
35 *period.*

36 *(2) The director of financial management is responsible for*  
37 *quarterly reporting of primary operating budget drivers such as*  
38 *applicable workloads, caseload estimates, and appropriate unit cost*

1 data. These reports shall be transmitted to the legislative fiscal  
2 committees or by electronic means to the legislative evaluation and  
3 accountability program committee. Quarterly reports shall include  
4 actual monthly data and the variance between actual and estimated data  
5 to date. The reports shall also include estimates of these items for  
6 the remainder of the budget period.

7 (3) The director of financial management shall report at least  
8 annually to the appropriate legislative committees regarding the status  
9 of all appropriated capital projects, including transportation  
10 projects, showing significant cost overruns or underruns. If funds are  
11 shifted from one project to another, the office of financial management  
12 shall also reflect this in the annual variance report. Once a project  
13 is complete, the report shall provide a final summary showing estimated  
14 start and completion dates of each project phase compared to actual  
15 dates, estimated costs of each project phase compared to actual costs,  
16 and whether or not there are any outstanding liabilities or unsettled  
17 claims at the time of completion.

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

20 (a) Develop and maintain a system of internal controls and internal  
21 audits comprising methods and procedures to be adopted by each agency  
22 that will safeguard its assets, check the accuracy and reliability of  
23 its accounting data, promote operational efficiency, and encourage  
24 adherence to prescribed managerial policies for accounting and  
25 financial controls. The system developed by the director shall include  
26 criteria for determining the scope and comprehensiveness of internal  
27 controls required by classes of agencies, depending on the level of  
28 resources at risk.

29 Each agency head or authorized designee shall be assigned the  
30 responsibility and authority for establishing and maintaining internal  
31 audits following the standards of internal auditing of the institute of  
32 internal auditors;

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

38 (c) Establish policies for allowing the contracting of child care  
39 services;



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

3 (e) Review any pay and classification plans, and changes  
4 thereunder, developed by any agency for their fiscal impact: PROVIDED,  
5 That none of the provisions of this subsection shall affect merit  
6 systems of personnel management now existing or hereafter established  
7 by statute relating to the fixing of qualifications requirements for  
8 recruitment, appointment, or promotion of employees of any agency. The  
9 director shall advise and confer with agencies including appropriate  
10 standing committees of the legislature as may be designated by the  
11 speaker of the house and the president of the senate regarding the  
12 fiscal impact of such plans and may amend or alter said plans, except  
13 that for the following agencies no amendment or alteration of said  
14 plans may be made without the approval of the agency concerned:  
15 Agencies headed by elective officials;

16 (f) Fix the number and classes of positions or authorized man years  
17 of employment for each agency and during the fiscal period amend the  
18 determinations previously fixed by the director except that the  
19 director shall not be empowered to fix said number or said classes for  
20 the following: Agencies headed by elective officials;

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

24 ~~(h))~~ Adopt rules to effectuate provisions contained in (a) through  
25 ~~((g))~~ (f) of this subsection.

26 (5) The treasurer shall:

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

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

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

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

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

3       It shall be unlawful for the treasurer to disburse public funds in  
4 the treasury except upon forms or by alternative means duly prescribed  
5 by the director of financial management. These forms or alternative  
6 means shall provide for authentication and certification by the agency  
7 head or the agency head's designee that the services have been rendered  
8 or the materials have been furnished; or, in the case of loans or  
9 grants, that the loans or grants are authorized by law; or, in the case  
10 of payments for periodic maintenance services to be performed on state  
11 owned equipment, that a written contract for such periodic maintenance  
12 services is currently in effect and copies thereof are on file with the  
13 office of financial management; and the treasurer shall not be liable  
14 under the treasurer's surety bond for erroneous or improper payments so  
15 made. When services are lawfully paid for in advance of full  
16 performance by any private individual or business entity other than as  
17 provided for by RCW 42.24.035, such individual or entity other than  
18 central stores rendering such services shall make a cash deposit or  
19 furnish surety bond coverage to the state as shall be fixed in an  
20 amount by law, or if not fixed by law, then in such amounts as shall be  
21 fixed by the director of the department of general administration but  
22 in no case shall such required cash deposit or surety bond be less than  
23 an amount which will fully indemnify the state against any and all  
24 losses on account of breach of promise to fully perform such services.  
25 No payments shall be made in advance for any equipment maintenance  
26 services to be performed more than three months after such payment.  
27 Any such bond so furnished shall be conditioned that the person, firm  
28 or corporation receiving the advance payment will apply it toward  
29 performance of the contract. The responsibility for recovery of  
30 erroneous or improper payments made under this section shall lie with  
31 the agency head or the agency head's designee in accordance with  
32 regulations issued pursuant to this chapter. Nothing in this section  
33 shall be construed to permit a public body to advance funds to a  
34 private service provider pursuant to a grant or loan before services  
35 have been rendered or material furnished.

36       (6) The state auditor shall:

37       (a) Report to the legislature the results of current post audits  
38 that have been made of the financial transactions of each agency; to  
39 this end the auditor may, in the auditor's discretion, examine the

1 books and accounts of any agency, official, or employee charged with  
2 the receipt, custody, or safekeeping of public funds. Where feasible  
3 in conducting examinations, the auditor shall utilize data and findings  
4 from the internal control system prescribed by the office of financial  
5 management. The current post audit of each agency may include a  
6 section on recommendations to the legislature as provided in (c) of  
7 this subsection.

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

10 (c) Make the auditor's official report on or before the thirty-  
11 first of December which precedes the meeting of the legislature. The  
12 report shall be for the last complete fiscal period and shall include  
13 determinations as to whether agencies, in making expenditures, complied  
14 with the laws of this state. The state auditor (~~is authorized to~~)  
15 may perform or participate in performance verifications ((only as)) and  
16 performance reviews under chapter 44.--- RCW (sections 1 through 8 of  
17 this act) if expressly authorized by the performance review plan  
18 adopted by the legislative committee on performance review or if  
19 expressly authorized by the legislature in the omnibus biennial  
20 appropriations acts. The state auditor, upon completing an audit for  
21 legal and financial compliance under chapter 43.09 RCW or a performance  
22 verification or performance review, may report to the legislative  
23 budget committee, legislative committee on performance review, or other  
24 appropriate committees of the legislature, in a manner prescribed by  
25 the legislative budget committee or the director of the legislative  
26 office of performance review, on facts relating to the management or  
27 performance of governmental programs where such facts are discovered  
28 incidental to the legal and financial audit ((or)), performance  
29 verification, or performance review. The auditor may make such a  
30 report to a legislative committee only if the auditor has determined  
31 that the agency has been given an opportunity and has failed to resolve  
32 the management or performance issues raised by the auditor. If the  
33 auditor makes a report to a legislative committee, the agency may  
34 submit to the committee a response to the report. This subsection (6)  
35 shall not be construed to authorize the auditor to allocate other than  
36 de minimis resources to performance audits except as expressly  
37 authorized in the appropriations acts or the performance review plan.

38 (d) Be empowered to take exception to specific expenditures that  
39 have been incurred by any agency or to take exception to other

1 practices related in any way to the agency's financial transactions and  
2 to cause such exceptions to be made a matter of public record,  
3 including disclosure to the agency concerned and to the director of  
4 financial management. It shall be the duty of the director of  
5 financial management to cause corrective action to be taken promptly,  
6 such action to include, as appropriate, the withholding of funds as  
7 provided in RCW 43.88.110.

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

9 (f) Investigate improper governmental activity under chapter 42.40  
10 RCW.

11 (7) The legislative budget committee may:

12 (a) Make post audits of the financial transactions of any agency  
13 and management surveys and program reviews as provided for in RCW  
14 44.28.085 as well as performance audits and program evaluations. To  
15 this end the committee may in its discretion examine the books,  
16 accounts, and other records of any agency, official, or employee.

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

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

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

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

30 \*Sec. 11 was vetoed. See message at end of chapter.

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

33 (1) RCW 43.88B.005 and 1994 c 184 s 1;

34 (2) RCW 43.88B.007 and 1994 c 184 s 2;

35 (3) RCW 43.88B.010 and 1994 c 184 s 3;

36 (4) RCW 43.88B.020 and 1994 c 184 s 4;

37 (5) RCW 43.88B.030 and 1994 c 184 s 5;

38 (6) RCW 43.88B.031 and 1994 c 184 s 6;

- 1 (7) RCW 43.88B.040 and 1994 c 184 s 7;  
2 (8) RCW 43.88B.050 and 1994 c 184 s 8;  
3 (9) RCW 43.88B.900 and 1994 c 184 s 13; and  
4 (10) RCW 43.88B.901 and 1994 c 184 s 15.

5 **\*NEW SECTION.** *Sec. 13. Sections 1 through 8 of this act*  
6 *constitute a new chapter in Title 44 RCW.*

7 *\*Sec. 13 was vetoed. See message at end of chapter.*

8 **\*NEW SECTION.** *Sec. 14. If specific funding for purposes of this*  
9 *act, referencing this act by bill or chapter number, is not provided by*  
10 *June 30, 1996, in the supplemental omnibus appropriations act, this act*  
11 *is null and void.*

12 *\*Sec. 14 was vetoed. See message at end of chapter.*

Passed the Senate March 5, 1996.

Passed the House March 1, 1996.

Approved by the Governor March 30, 1996, with the exception of  
certain items that were vetoed.

Filed in Office of Secretary of State March 30, 1996.

1 Note: Governor's explanation of partial veto is as follows:

2 "I am returning herewith, without my approval as to sections 1, 2,  
3 3, 4, 5, 6, 7, 8, 9, 11, 13, and 14, Engrossed Substitute Senate Bill  
4 No. 6680 entitled:

5 "AN ACT Relating to the performance assessment of state  
6 government;"

7 Engrossed Substitute Senate Bill No. 6680, for the most part,  
8 creates a new legislative committee and office to conduct performance  
9 reviews of state agencies and programs. These reviews would determine  
10 whether agencies and programs should be strengthened, abandoned, or  
11 redirected and would evaluate whether there is still a valid purpose  
12 for them. They would also look at program costs, priorities,  
13 performance improvements, and strategic plans. These kinds of  
14 inquiries are valid and usually provide useful direction to state  
15 agencies. They also identify where state government programs should be  
16 cut back because of changing circumstances or should be expanded to  
17 meet new needs. I support these efforts and believe they should be  
18 strengthened.

19 However, the powers and duties given to the new Legislative  
20 Committee on Performance Review and to its staff office are unfunded  
21 and seriously overlap current responsibilities of the Legislative  
22 Budget Committee and its successor agency, the Joint Legislative Audit  
23 and Review Committee. This committee was created by Engrossed Second  
24 Substitute House Bill No. 2222.

25 While I strongly support any coordinated, well-planned, and  
26 properly funded effort to evaluate state agency performance, I am  
27 concerned that two legislative agencies with overlapping directives in

1 this area would not be beneficial. Indeed, they could result in  
2 conflicting demands and directives on executive branch agencies that  
3 would be difficult and costly to fulfill. I cannot approve those  
4 sections of the bill relating to the powers and duties of the  
5 Legislative Committee on Performance Review and the Legislative Office  
6 of Performance Review.

7 On the other hand, section 10 of Engrossed Substitute Senate Bill  
8 No. 6680 provides reasonable and timely direction to state agencies and  
9 the Office of Financial Management (OFM) in a number of critical areas.  
10 It directs agencies to define their missions, goals, and objectives; to  
11 establish performance measures; and to adopt processes for continuous  
12 self-assessment and improvement. Section 10 also directs OFM to  
13 institute performance-based budgeting and to assist agencies in  
14 developing performance measurement systems. The supplemental  
15 appropriations act provides OFM with additional resources to accomplish  
16 these goals. These are useful steps that should be taken, and they  
17 build on work already done by agencies, OFM, and the Washington  
18 Performance Partnership Council. Section 10 should, therefore, be  
19 approved.

20 Section 12 of Engrossed Substitute Senate Bill No. 6680 repeals the  
21 enabling act for the Washington Performance Partnership Council. That  
22 organization and its staff contributed significantly to developing a  
23 workable Washington State management model, defined the role of state  
24 executives in strategically managing change, and began the process of  
25 incorporating continuous process improvement and performance  
26 measurement into our management culture. Since their work is done and  
27 they are no longer funded, the repealers in section 12 are appropriate.

28 For these reasons, I have vetoed sections 1, 2, 3, 4, 5, 6, 7, 8,  
29 9, 11, 13, and 14 of Engrossed Substitute Senate Bill No. 6680.

30 With the exception of sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 11, 13,  
31 and 14, Engrossed Substitute Senate Bill No. 6680 is approved."