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**SENATE BILL 5737**

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**State of Washington 64th Legislature 2015 Regular Session**

**By** Senators Miloscia and Chase

AN ACT Relating to government performance and accountability; amending RCW 43.17.385, 43.41.100, 43.41.270, 43.88.005, 43.88.030, 43.88.090, 43.88.160, 43.09.440, 43.09.470, 46.68.290, 47.04.280, 47.60.140, 70.94.551, and 2.56.200; adding a new section to chapter 43.88 RCW; adding a new chapter to Title 43 RCW; creating a new section; and repealing RCW 43.17.380 and 43.17.390.

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

NEW SECTION. **Sec.**  (1) The legislature finds that Washington and several other states have established centralized performance management offices. Washington's office, results Washington, was created in a 2013 executive order. Like similar offices in other states, results Washington promotes lean performance management principles and programs that seek to increase efficiency and eliminate waste and inefficiency in agency operations, including delivery of services to the public, based upon continuous assessment and improvement.

(2) The legislature intends that Washington's office of performance management should:

(a) Be established in statute, ensuring that the office will remain in existence;

(b) Be headed by a director appointed by the governor and confirmed by the senate, thus providing greater accountability to the legislature;

(c) Be granted administrative authority over state performance management programs, ensuring that all executive branch agencies properly implement world-class lean performance management systems to achieve operational excellence;

(d) Coordinate performance assessments of state agencies by independent examiners; and

(e) Report agency performance data and assessment results to the office of financial management and the legislature.

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

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

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

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

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

(2) "Agency performance management plan" means a detailed plan to implement a lean performance management system that:

(a) Includes the agency's mission and goals, consistent with statutory duties, and a performance strategy and timeline;

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

(c) Allocates resources to improve performance; and

(d) Conforms to an internationally recognized quality management system, such as ISO 9001 or ISO 9004, or its equivalent.

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

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

(5) "Lean performance management system" means a system that:

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

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

(6) "State performance management plan" means a detailed plan to implement a statewide lean performance management system involving all agencies, agency partners, and major private vendors.

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

(1) Adopt and implement a state performance management plan;

(2) Assist agencies in developing agency performance management plans and review and approve or disapprove agency performance management plans;

(3) Coordinate biannual Baldrige assessments of all agencies, partners, and major private vendors, in cooperation with organizations of persons conducting Baldrige assessments;

(4) Annually certify whether agencies have made adequate progress in implementing agency performance management plans, pursuant to section 12 of this act;

(5) Annually report to the legislature regarding:

(a) Implementation of the state performance management plan and agency performance management plans;

(b) Baldrige assessments of all state agencies, agency partners, and major private vendors; and

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

(6) Solicit input from the legislature and public regarding the state performance management plan and agency performance management plans; and

(7) Adopt rules necessary to administer this chapter.

NEW SECTION. **Sec.**  (1) Each agency must:

(a) Provide quarterly reports to the office of performance management regarding implementation of its agency performance management plan;

(b) Provide annual reports to pertinent legislative committees regarding implementation of its agency performance management plan, including the number and type of lean management projects conducted during the reporting period, fiscal savings attributable to the projects, performance goals for the upcoming reporting period, and a summary of all previous Baldrige assessments;

(c) Provide for biannual Baldrige assessments of its operations, and of local governments, local government partners, and major private vendors;

(d) Transmit completed Baldrige assessments to the office of performance management; and

(e) Strive to reduce agency costs by one percent annually within two years of adoption of its agency performance management plan and two percent annually within four years of adoption of its agency performance management plan.

(2) An agency's Baldrige assessment score is its measure of achievement. Each agency's goal is to achieve a sixty percent improvement in its Baldrige assessment score within six years of the first Baldrige assessment. An agency that fails to achieve that goal must achieve certification under an internationally recognized quality management system, such as ISO 9001, or its equivalent, within seven years of the first Baldrige assessment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

~~(7) Each state agency shall integrate efforts made under this section with other management, accountability, and performance systems~~))must adopt an agency performance management plan pursuant to chapter 43.--- RCW (the new chapter created in section 23 of this act).

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) Performance measures required by this section must be included in agency performance plans adopted pursuant to chapter 43.--- RCW (the new chapter created in section 23 of this act).

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

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

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

The legislature finds that agency missions, goals, and objectives should focus on statewide results, driven by agency performance management plans adopted pursuant to sections 1 through 5 of this act. It is the intent of the legislature to focus the biennial budget on how state agencies produce real results ((~~that reflect~~)), reflecting the goals of statutory programs and agency performance management plans. Specifically, budget managers and the legislature must have the data to move toward better statewide results that produce the intended public benefit. This data must be supplied in an impartial, quantifiable form, and demonstrate progress ((~~toward statewide results~~))in implementing agency performance management plans. With a renewed focus on achieving true results, state agencies, the office of financial management, and the legislature will be able to prioritize state resources.

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

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

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

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

(b) Performance indicators that demonstrate measurable progress ((~~towards priority results. The message shall set forth~~))in implementing agency performance management plans adopted pursuant to chapter 43.--- RCW (the new chapter created in section 23 of this act);

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

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

(3) The budget document or documents ((~~shall~~))must set forth a proposal for expenditures in the ensuing fiscal period, or six-year period where applicable, based upon the estimated revenues and caseloads as approved by the economic and revenue forecast council and caseload forecast council or upon the estimated revenues and caseloads of the office of financial management for those funds, accounts, sources, and programs for which the forecast councils do not prepare an official forecast. Revenues ((~~shall~~))must be estimated for such fiscal period from the source and at the rates existing by law at the time of submission of the budget document, including the supplemental budgets submitted in the even-numbered years of a biennium. However, the estimated revenues and caseloads for use in the governor's budget document may be adjusted to reflect budgetary revenue transfers and revenue and caseload estimates dependent upon budgetary assumptions of enrollments, workloads, and caseloads. All adjustments to the approved estimated revenues and caseloads must be set forth in the budget document. The governor may additionally submit, as an appendix to each supplemental, biennial, or six-year agency budget or to the budget document or documents, a proposal for expenditures in the ensuing fiscal period from revenue sources derived from proposed changes in existing statutes.

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) Other statutory expenditures;

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

(e) Revenues derived from agency operations;

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

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

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

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

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

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

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

~~(5)~~))must reflect the goals of statutory programs and performance management plans adopted pursuant to sections 1 through 5 of this act.

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

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

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

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

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

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

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

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

(h) Estimated total project cost;

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

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

(k) Estimated ensuing biennium costs;

(l) Estimated costs beyond the ensuing biennium;

(m) Estimated construction start and completion dates;

(n) Source and type of funds proposed;

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

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

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

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

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

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

((~~(6)~~))(10) No change affecting the comparability of agency or program information relating to expenditures, revenues, workload, performance and personnel ((~~shall~~))may be made in the format of any budget document or report presented to the legislature under this section or RCW 43.88.160((~~(1)~~))(2) relative to the format of the budget document or report which was presented to the previous regular session of the legislature during an odd-numbered year without prior legislative concurrence. Prior legislative concurrence ((~~shall~~))must consist of (a) a favorable majority vote on the proposal by the standing committees on ways and means of both houses if the legislature is in session or (b) a favorable majority vote on the proposal by members of the legislative evaluation and accountability program committee if the legislature is not in session.

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

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

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

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

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

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

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

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

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

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

~~(5) It is the policy of the legislature that~~))must define its mission and adopt an agency performance management plan pursuant to chapter 43.--- RCW (the new chapter created in section 23 of this act). Each agency's budget recommendations must be directly linked to the agency's stated mission and ((~~program, quality, and productivity goals and objectives~~))agency performance management plan. Consistent with this policy, agency budget proposals must include integration of performance measures that allow objective determination of an activity's success in ((~~achieving its goals. When a review under subsection (4) of this section or other analysis determines that the agency's objectives demonstrate~~))implementing its agency performance management plan. When a Baldrige assessment conducted pursuant to section 5 of this act indicates that the agency is making insufficient progress toward the goals of any particular program or is otherwise underachieving or inefficient, the agency's budget request ((~~shall~~))must contain proposals to remedy or improve the selected programs. ((~~The office of financial management shall develop a plan to merge the budget development process with agency performance assessment procedures. The plan must include a schedule to integrate agency strategic plans and performance measures into agency budget requests and the governor's budget proposal over three fiscal biennia. The plan must identify those agencies that will implement the revised budget process in the 1997-1999 biennium, the 1999-2001 biennium, and the 2001-2003 biennium. In consultation with the legislative fiscal committees, the office of financial management shall recommend statutory and procedural modifications to the state's budget, accounting, and reporting systems to facilitate the performance assessment procedures and the merger of those procedures with the state budget process. The plan and recommended statutory and procedural modifications must be submitted to the legislative fiscal committees by September 30, 1996.~~

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

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

~~(7)~~))implementing its agency performance management plan; and

(b) Comply with section 12 of this act.

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

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

In a proposed operating budget or supplemental operating budget, the director must redirect cost savings realized from implementation of an agency performance management plan adopted pursuant to chapter 43.--- RCW (the new chapter created in section 23 of this act) as follows:

(1) Ten percent of cost savings must be redirected to the agency's other critical operations if the office of performance management certifies that the agency is making adequate progress in implementing its agency performance management plan;

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

(3) Ten percent of cost savings must be redirected to the office of performance management to improve performance under the state performance management plan adopted pursuant to chapter 43.--- RCW (the new chapter created in section 23 of this act); and

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

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

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

((~~(1)~~))(2) Governor; director of financial management. The governor, through the director of financial management, ((~~shall~~))must devise and supervise a modern and complete accounting system for each agency to the end that all revenues, expenditures, receipts, disbursements, resources, and obligations of the state ((~~shall~~))must be properly and systematically accounted for. The accounting system ((~~shall~~))must include the development of accurate, timely records and reports of all financial affairs of the state. The system ((~~shall~~))must also provide for central accounts in the office of financial management at the level of detail deemed necessary by the director to perform central financial management. The director of financial management ((~~shall~~))must adopt and periodically update an accounting procedures manual. Any agency maintaining its own accounting and reporting system ((~~shall~~))must comply with the updated accounting procedures manual and the rules of the director adopted under this chapter. An agency may receive a waiver from complying with this requirement if the waiver is approved by the director. Waivers expire at the end of the fiscal biennium for which they are granted. The director ((~~shall~~))must forward notice of waivers granted to the appropriate legislative fiscal committees. The director of financial management may require such financial, statistical, and other reports as the director deems necessary from all agencies covering any period.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) It ((~~shall be~~))is unlawful for the treasurer to disburse public funds in the treasury except upon forms or by alternative means duly prescribed by the director of financial management. These forms or alternative means ((~~shall~~))must provide for authentication and certification by the agency head or the agency head's designee that the services have been rendered or the materials have been furnished; or, in the case of loans or grants, that the loans or grants are authorized by law; or, in the case of payments for periodic maintenance services to be performed on state owned equipment, that a written contract for such periodic maintenance services is currently in effect; and the treasurer ((~~shall not be~~))is not liable under the treasurer's surety bond for erroneous or improper payments so made. When services are lawfully paid for in advance of full performance by any private individual or business entity other than equipment maintenance providers or as provided for by RCW 42.24.035, ((~~such~~))the individual or entity other than central stores rendering such services ((~~shall~~))must make a cash deposit or furnish surety bond coverage to the state ((~~as shall be fixed~~)) in an amount fixed by law, or if not fixed by law, then in ((~~such amounts as shall be~~))the amount fixed by the director of the department of enterprise services but in no case ((~~shall such~~))may the required cash deposit or surety bond be less than an amount ((~~which~~))that will fully indemnify the state against any and all losses on account of breach of promise to fully perform such services. No payments ((~~shall~~))may be made in advance for any equipment maintenance services to be performed more than twelve months after such payment except that institutions of higher education as defined in RCW 28B.10.016 may make payments in advance for equipment maintenance services to be performed up to sixty months after such payment. Any such bond so furnished ((~~shall~~))must be conditioned that the person, firm or corporation receiving the advance payment will apply it toward performance of the contract. The responsibility for recovery of erroneous or improper payments made under this section ((~~shall~~)) lies with the agency head or the agency head's designee in accordance with rules issued pursuant to this chapter. Nothing in this section ((~~shall~~))may be construed to permit a public body to advance funds to a private service provider pursuant to a grant or loan before services have been rendered or material furnished.

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

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

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

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

((~~(d)~~))(iv) Be empowered to take exception to specific expenditures that have been incurred by any agency or to take exception to other practices related in any way to the agency's financial transactions and to cause such exceptions to be made a matter of public record, including disclosure to the agency concerned and to the director of financial management. It ((~~shall be~~))is the duty of the director of financial management to cause corrective action to be taken within six months, such action to include, as appropriate, the withholding of funds as provided in RCW 43.88.110. The director of financial management ((~~shall~~))must annually report by December 31st the status of audit resolution to the appropriate committees of the legislature, the state auditor, and the attorney general. The director of financial management ((~~shall~~))must include in the audit resolution report actions taken as a result of an audit including, but not limited to, types of personnel actions, costs and types of litigation, and value of recouped goods or services.

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

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

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

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

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

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

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

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

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

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

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

((~~(a)~~))(2) The board ((~~shall~~))must establish criteria for performance audits consistent with the criteria and standards followed by the joint legislative audit and review committee. This criteria ((~~shall~~))must include, at a minimum, the auditing standards of the United States government accountability office, as well as legislative mandates and performance objectives established by state agencies and the legislature. Mandates include, but are not limited to, agency strategies, timelines, program objectives, and mission and goals as required in ((~~RCW 43.88.090~~))agency performance management plans adopted pursuant to chapter 43.--- RCW (the new chapter created in section 23 of this act).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) State government and each of its agencies, accounts, and programs, including the state performance management plan adopted pursuant to chapter 43.--- RCW (the new chapter created in section 23 of this act);

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

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

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

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

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

(3) The state auditor ((~~shall~~))must review and analyze the economy, efficiency, and effectiveness of the policies, management, fiscal affairs, and operations of state and local governments, agencies, programs, and accounts. These performance audits ((~~shall~~))must be conducted in accordance with the United States general accounting office government auditing standards.

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

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

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

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

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

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

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

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

((~~(8)~~))(h) Analysis of departmental performance data, performance measures, and ((~~self-assessment~~))assessment systems in performance management plans adopted pursuant to chapter 43.--- RCW (the new chapter created in section 23 of this act); and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) The legislature finds that:

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

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

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

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

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

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

(4) Within the authorities and duties under chapter 43.09 RCW, the state auditor ((~~shall~~))must establish criteria and protocols for performance audits. Transportation-related agencies ((~~shall~~))must be audited using criteria that include generally accepted government auditing standards as well as legislative mandates and performance objectives established by state agencies. Mandates include, but are not limited to, agency strategies, timelines, program objectives, and mission and goals as required in ((~~RCW 43.88.090~~))agency performance management plans adopted pursuant to chapter 43.--- RCW (the new chapter created in section 23 of this act).

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

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

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

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

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

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

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

(g) Verification of the reliability and validity of transportation-related agency performance data, self-assessments, and performance measurement systems as required ((~~under RCW 43.88.090~~))in agency performance management plans adopted pursuant to chapter 43.--- RCW (the new chapter created in section 23 of this act);

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

(i) Identification and recognition of best practices;

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

(k) Evaluation of personnel systems operation and management;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) ((~~It is the intent of the legislature that the office of financial management establish objectives and performance measures for~~))The department of transportation and other state agencies with transportation‑related responsibilities must include policy goals in subsection (1) of this section in agency performance management plans adopted pursuant to chapter 43.--- RCW (the new chapter created in section 23 of this act) to ensure that transportation system performance at local, regional, and state government levels progresses toward the attainment of the policy goals ((~~set forth in subsection (1) of this section. The office of financial management shall submit initial objectives and performance measures to the legislature for its review and shall provide copies of the same to the commission during the 2008 legislative session. The office of financial management shall submit objectives and performance measures to the legislature for its review and shall provide copies of the same to the commission during each regular session of the legislature during an even-numbered year thereafter~~)).

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

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

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

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

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

(3) The department ((~~shall~~))must include in the strategic planning and performance assessment process, as required ((~~by RCW 43.88.090~~))in agency performance management plans adopted pursuant to chapter 43.--- RCW (the new chapter created in section 23 of this act), an analysis of the compatibility of public and private partnerships with the state ferry system's core business, and the department's efforts to maximize nonfarebox revenues and provide benefit to the public users of the ferry system facilities. The department ((~~shall~~))must include an assessment of the need for an open solicitation to identify and select possible public or private partnerships in order to maximize the value of projects and the state's investment in current and future ferry system operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The office of the administrator for the courts is encouraged to conduct performance audits of courts under the authority of the supreme court, in conformity with criteria and methods developed by the board for judicial administration that have been approved by the supreme court. In developing criteria and methods for conducting performance audits, the board for judicial administration is encouraged to consider ((~~quality improvement programs, audits, and scoring~~))performance management plans adopted pursuant to chapter 43.--- RCW (the new chapter created in section 23 of this act). The judicial branch is encouraged to submit the results of these efforts to the chief justice of the supreme court or his or her designee, and with any other applicable boards or committees established under the authority of the supreme court to oversee government accountability.

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

(1)RCW 43.17.380 (Quality management, accountability, and performance system—Definitions) and 2005 c 384 s 2; and

(2)RCW 43.17.390 (Quality management, accountability, and performance system—Independent assessment) and 2009 c 564 s 931 & 2005 c 384 s 4.

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

NEW SECTION. **Sec.**  Sections 1 through 5 of this act constitute a new chapter in Title 43 RCW.

**--- END ---**