
SECOND SUBSTITUTE SENATE BILL 5737

State of Washington

64th Legislature

2015 Regular Session

By Senate Ways & Means (originally sponsored by Senators Miloscia and Chase)

1 AN ACT Relating to government performance and accountability;
2 amending RCW 43.17.385, 43.17.390, 43.41.100, 43.41.270, 43.88.005,
3 43.88.030, 43.88.090, 43.88.160, 43.88C.010, 43.88C.020, 43.09.440,
4 43.09.470, 46.68.290, 47.04.280, 47.60.140, 70.94.551, and 2.56.200;
5 reenacting and amending RCW 44.04.260; adding a new section to
6 chapter 43.88 RCW; adding a new section to chapter 43.19 RCW; adding
7 a new chapter to Title 43 RCW; creating a new section; and repealing
8 RCW 43.17.380.

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

10 NEW SECTION. **Sec. 1.** (1) The legislature intends that an office
11 of performance management should:
12 (a) Be established in statute;
13 (b) Be headed by a director appointed by the governor and
14 confirmed by the senate;
15 (c) Be granted administrative authority over state performance
16 management programs, ensuring that all executive branch agencies
17 properly implement world-class lean performance management systems to
18 achieve operational excellence;
19 (d) Coordinate performance assessments of state agencies by
20 independent examiners; and

1 (e) Analyze and report agency performance systems, data, and
2 assessment results to the public, appropriate agencies, and the
3 legislature.

4 (2) The office's goal is to develop and implement documented
5 world-class lean performance management systems that can be
6 duplicated in all other states.

7 NEW SECTION. **Sec. 2.** (1) There is created in the office of the
8 governor the office of performance management.

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

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

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

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

22 (a) "Large agency" means an agency with five hundred or more
23 full-time equivalent staff.

24 (b) "Medium size agency" means an agency with more than one
25 hundred but fewer than five hundred full-time equivalent staff.

26 (c) "Small agency" means an agency with fewer than one hundred
27 full-time equivalent staff.

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

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

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

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

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

4 (d) Allocates resources to improve performance; and

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

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

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

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

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

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

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

25 (8) "State performance management implementation plan" means a
26 detailed plan to implement a statewide lean performance management
27 system involving all agencies that:

28 (a) Includes performance measures and targets, with segmented
29 data regarding operations of all agencies and operations of each
30 agency;

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

33 (c) Measures validated cost reductions and other performance
34 improvements for all agencies; and

35 (d) Monitors implementation by all agencies.

36 NEW SECTION. **Sec. 4.** The office of performance management must:

37 (1) Adopt, by January 1, 2016, and implement a state strategic
38 plan and a state performance management implementation plan, and
39 delegate authority, as necessary, to agencies best suited to

1 implement elements of the state performance management implementation
2 plan;

3 (2) Assist agencies in developing agency strategic plans, agency
4 ethics plans, workforce learning and training development and
5 workforce performance management systems, and agency performance
6 management implementation plans, and review and approve or disapprove
7 the foregoing plans based on predetermined criteria;

8 (3) Enter into a partnership with the Baldrige performance
9 excellence program, national institutes of standards and technology,
10 United States department of commerce, and performance excellence
11 northwest and Washington state quality award to:

12 (a) Ensure that a sufficient number of trained examiners are
13 available to conduct Baldrige assessments of all agencies;

14 (b) Coordinate and schedule Baldrige assessments of all agencies;

15 (c) Develop criteria, as needed, for a modified Baldrige
16 assessment for very small agencies with fewer than twenty full-time
17 equivalent employees;

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

20 (e) Develop a plan to encourage and phase in adoption of
21 equivalent lean performance management systems by and Baldrige
22 assessments of local government entities and major private partners
23 of agencies. Quality of the assessments and systems must be a
24 consideration for awarding contracts and grants;

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

27 (a) Implementing agency performance management implementation
28 plans; and

29 (b) Responding to performance audits conducted by the state
30 auditor and the joint legislative audit and review committee,
31 Baldrige assessments, and other appropriate audits;

32 (5) Annually report to the legislature regarding:

33 (a) Implementation status, including quality and percentage of
34 implementation, of the state performance management implementation
35 plan and agency performance management implementation plans;

36 (b) Status of Baldrige assessments of all agencies; and

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

39 (6) Solicit input from the legislature and public regarding the
40 state performance management implementation plan and agency

1 performance management implementation plans, and reports regarding
2 the plans;

3 (7) Collaborate with:

4 (a) The office of financial management, the department of
5 enterprise services, and other agencies to develop a financial data
6 system necessary to implement a fully developed lean performance
7 management system; and

8 (b) The department of enterprise services to develop a workforce
9 learning and training development and workforce performance
10 management system necessary for employees, middle managers,
11 supervisors, and senior agency leaders to implement a fully developed
12 lean performance management system, with Baldrige assessments; and

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

14 NEW SECTION. **Sec. 5.** (1) Within fiscal resources currently
15 allocated to performance management efforts, each agency must:

16 (a) Adopt an agency strategic plan pursuant to section 6 of this
17 act, an agency ethics plan, a workforce learning and training
18 development and workforce performance management system, and an
19 agency performance management implementation plan;

20 (b) Provide periodic reports to the office of performance
21 management regarding implementation of its agency performance
22 management implementation plan. Large agencies must report quarterly,
23 medium size agencies must report annually, and small agencies must
24 report biennially;

25 (c) Provide periodic reports to pertinent legislative committees
26 regarding implementation of its agency performance management
27 implementation plan, including the number and type of lean management
28 projects conducted during the reporting period, fiscal savings
29 attributable to the projects, performance goals for the upcoming
30 reporting period, and a summary of all previous performance audits
31 conducted by the state auditor and the joint legislative audit and
32 review committee, and previous Baldrige assessments. Large agencies
33 must report annually and medium size and small agencies must report
34 biennially;

35 (d) Coordinate with the office of performance management to
36 provide for Baldrige assessments of its operations every three years
37 for large agencies and, beginning in 2019, every three years for
38 medium size and small agencies, and transmit completed Baldrige

1 assessments and feedback reports to the office of performance
2 management; and

3 (e) Strive to implement real-time web-based tracking and
4 reporting of agency performance and lean performance management
5 system activities.

6 (2) An agency's Baldrige assessment score measures the agency's
7 progress toward achieving world-class performance. Each agency's goal
8 is to achieve a sixty percent score within seven years of its first
9 Baldrige assessment. When an agency achieves a sixty percent score,
10 it must apply for a Malcolm Baldrige national quality award, pursuant
11 to 15 U.S.C. Sec. 3711a.

12 (3) A large agency that:

13 (a) Achieves the goal in subsection (2) of this section is not
14 required to conduct a Baldrige assessment every three years, but must
15 conduct a Baldrige assessment at least every six years; and

16 (b) Fails to achieve the goal in subsection (2) of this section
17 must achieve certification under an internationally recognized
18 quality management system, such as ISO 9001, or its equivalent,
19 within seven years of the first Baldrige assessment.

20 NEW SECTION. **Sec. 6.** (1) Within fiscal resources currently
21 allocated to performance management efforts, each agency must adopt
22 an agency strategic plan that:

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

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

30 (c) To assess activity performance, sets quality and productivity
31 objectives for each major activity in its budget. These objectives
32 must:

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

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

1 (iii) Specifically address the statutory purpose or intent of the
2 program or activity and focus on data that measures whether the
3 agency is achieving or making progress toward the purpose of the
4 activity and toward statewide priorities.

5 (2) Each agency must also adopt an agency ethics plan and an
6 agency performance management implementation plan pursuant to section
7 5 of this act.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16 ~~(7) Each state agency shall integrate efforts made under this~~
17 ~~section with other management, accountability, and performance~~
18 ~~systems)) must adopt an agency strategic plan, agency ethics plan,~~
19 ~~and agency performance management implementation plan pursuant to~~
20 ~~chapter 43.--- RCW (the new chapter created in section 29 of this~~
21 ~~act).~~

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

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

30 **Sec. 8.** RCW 43.17.390 and 2009 c 564 s 931 are each amended to
31 read as follows:

32 ~~((Starting in 2012, and at least once every three years~~
33 ~~thereafter, each agency shall apply to the Washington state quality~~
34 ~~award, or similar organization, for an independent assessment of its~~
35 ~~quality management, accountability, and performance system. The~~
36 ~~assessment shall evaluate the effectiveness of all elements of its~~
37 ~~management, accountability, and performance system, including:~~
38 ~~Leadership, strategic planning, customer focus, analysis and~~
39 ~~information, employee performance management, and process~~

1 ~~improvement. The purpose of the assessment is to recognize best~~
2 ~~practice and identify improvement opportunities.)) Pursuant to~~
3 section 4 of this act, the office of performance management must
4 enter into a partnership with the Baldrige performance excellence
5 program, national institutes of standards and technology, United
6 States department of commerce, and performance excellence northwest
7 and Washington state quality award regarding Baldrige assessments of
8 state agencies and other matters.

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

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

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

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

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

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

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

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

36 (1) The office of (~~financial~~) performance management (~~(shall)~~)
37 must assist natural resource-related agencies in developing outcome-
38 focused performance measures for administering natural resource-

1 related and environmentally based grant and loan programs. These
2 performance measures are to be used in determining grant eligibility,
3 for program management and performance assessment.

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

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

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

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

27 (~~(5)~~) (6) For purposes of this section, "natural resource-
28 related environmentally based grant and loan programs" includes the
29 conservation reserve enhancement program; dairy nutrient management
30 grants under chapter 90.64 RCW; state conservation commission water
31 quality grants under chapter 89.08 RCW; coordinated prevention
32 grants, public participation grants, and remedial action grants under
33 RCW 70.105D.070; water pollution control facilities financing under
34 chapter 70.146 RCW; aquatic lands enhancement grants under RCW
35 79.105.150; habitat grants under the Washington wildlife and
36 recreation program under RCW 79A.15.040; salmon recovery grants under
37 chapter 77.85 RCW; and the public works trust fund program under
38 chapter 43.155 RCW. The term also includes programs administered by
39 the department of fish and wildlife related to protection or recovery
40 of fish stocks which are funded with moneys from the capital budget.

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

3 The legislature finds that agency missions, goals, and objectives
4 should focus on statewide results, driven by agency strategic plans
5 and agency performance management implementation plans adopted
6 pursuant to chapter 43.--- RCW (the new chapter created in section 29
7 of this act). It is the intent of the legislature to focus the
8 biennial budget on how state agencies produce real results (~~that~~
9 ~~reflect the goals of statutory programs~~), reflecting goals in agency
10 strategic plans and agency performance management implementation
11 plans. Specifically, budget managers and the legislature must have
12 the data to move toward better statewide results that produce the
13 intended public benefit. This data must be supplied in an impartial,
14 quantifiable form, and demonstrate progress (~~toward statewide~~
15 ~~results~~) in implementing agency strategic plans and agency
16 performance management implementation plans. With a renewed focus on
17 achieving true results, state agencies, the office of financial
18 management, and the legislature will be able to prioritize state
19 resources.

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

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

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

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

36 (b) Performance indicators that demonstrate measurable progress
37 (~~towards priority results. The message shall set forth~~) in
38 implementing agency strategic plans and agency performance management

1 implementation plans adopted pursuant to chapter 43.--- RCW (the new
2 chapter created in section 29 of this act);

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

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

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

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

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

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

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

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

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

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

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

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

20 (~~(+2)~~) (5) The budget document or documents (~~shall~~) must
21 include detailed estimates of all anticipated revenues applicable to
22 proposed operating or capital expenditures and (~~shall~~) must also
23 include all proposed operating or capital expenditures. The total of
24 beginning undesignated fund balance and estimated revenues less
25 working capital and other reserves (~~shall~~) must equal or exceed the
26 total of proposed applicable expenditures.

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

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

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

32 (c) Other statutory expenditures;

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

34 (e) Revenues derived from agency operations;

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

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

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

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

8 (j) A showing and explanation of anticipated amounts of general
9 fund and other funds required to amortize the unfunded actuarial
10 accrued liability of the retirement system specified under chapter
11 41.45 RCW, and the contributions to meet such amortization, stated in
12 total dollars and as a level percentage of total compensation.

13 ~~((3))~~ (7) The governor's operating budget document or documents
14 ~~((shall reflect the statewide priorities as required by RCW~~
15 ~~43.88.090.~~

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

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

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

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

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

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

36 (d) A strategic plan for reducing backlogs of maintenance and
37 repair projects. The plan ~~((shall))~~ must include a prioritized list
38 of specific facility deficiencies and capital projects to address the
39 deficiencies for each agency, cost estimates for each project, a
40 schedule for completing projects over a reasonable period of time,

1 and identification of normal maintenance activities to reduce future
2 backlogs;

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

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

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

8 (h) Estimated total project cost;

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

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

17 (k) Estimated ensuing biennium costs;

18 (l) Estimated costs beyond the ensuing biennium;

19 (m) Estimated construction start and completion dates;

20 (n) Source and type of funds proposed;

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

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

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

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

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

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

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

23 **Sec. 13.** RCW 43.88.090 and 2012 c 229 s 587 are each amended to
24 read as follows:

25 (1)(a) For purposes of developing budget proposals to the
26 legislature, the governor (~~shall have the power, and it shall be the~~
27 ~~governor's duty, to~~) must require from proper agency officials such
28 detailed estimates and other information (~~in such form and at such~~
29 ~~times~~) as the governor (~~shall~~) directs. The governor (~~shall~~)
30 must communicate statewide priorities to agencies in the state
31 performance management implementation plan adopted pursuant to
32 chapter 43.--- RCW (the new chapter created in section 29 of this
33 act) for use in developing biennial budget recommendations for their
34 agency, and (~~shall~~) must seek public involvement and input on these
35 priorities. The estimates for the legislature and the judiciary
36 (~~shall~~) must be transmitted to the governor and (~~shall~~) must be
37 included in the budget without revision. The estimates for state
38 pension contributions (~~shall~~) must be based on the rates provided
39 in chapter 41.45 RCW. Copies of all such estimates (~~shall~~) must be

1 transmitted to the standing committees on ways and means of the house
2 and senate at the same time as they are filed with the governor and
3 the office of financial management.

4 (b) The estimates (~~shall~~) must include statements or tables
5 (~~which indicate~~) indicating, by agency, the state funds (~~which~~)
6 that are required for the receipt of federal matching revenues. The
7 estimates (~~shall~~) must be revised as necessary to reflect
8 legislative enactments and adopted appropriations and (~~shall~~) must
9 be included with the initial biennial allotment submitted under RCW
10 43.88.110. The estimates must reflect that the agency considered any
11 alternatives to reduce costs or improve service delivery identified
12 in the findings of a performance audit of the agency by the joint
13 legislative audit and review committee. Nothing in this subsection
14 requires performance audit findings to be published as part of the
15 budget.

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

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

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

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

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

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

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

30 ~~(5) It is the policy of the legislature that)) must adopt an~~
31 ~~agency strategic plan pursuant to chapter 43.--- RCW (the new chapter~~
32 ~~created in section 29 of this act). Each agency's budget~~
33 ~~recommendations must be directly linked to the agency's stated~~
34 ~~mission and ((program, quality, and productivity goals and~~
35 ~~objectives)) goals in agency strategic plans. Consistent with this~~
36 ~~policy, agency budget proposals must include integration of~~
37 ~~performance measures that allow objective determination of an~~
38 ~~activity's success in ((achieving its goals. When a review under~~
39 ~~subsection (4) of this section or other analysis determines that the~~
40 ~~agency's objectives demonstrate)) implementing the agency's strategic~~

1 plan and agency performance management implementation plan. When a
2 Baldrige assessment conducted pursuant to section 5 of this act
3 indicates that the agency is making insufficient progress toward the
4 goals of any particular program or is otherwise underachieving or
5 inefficient, the agency's budget request (~~(shall)~~) must contain
6 proposals to remedy or improve the selected programs. (~~The office of~~
7 ~~financial management shall develop a plan to merge the budget~~
8 ~~development process with agency performance assessment procedures.~~
9 ~~The plan must include a schedule to integrate agency strategic plans~~
10 ~~and performance measures into agency budget requests and the~~
11 ~~governor's budget proposal over three fiscal biennia. The plan must~~
12 ~~identify those agencies that will implement the revised budget~~
13 ~~process in the 1997-1999 biennium, the 1999-2001 biennium, and the~~
14 ~~2001-2003 biennium. In consultation with the legislative fiscal~~
15 ~~committees, the office of financial management shall recommend~~
16 ~~statutory and procedural modifications to the state's budget,~~
17 ~~accounting, and reporting systems to facilitate the performance~~
18 ~~assessment procedures and the merger of those procedures with the~~
19 ~~state budget process. The plan and recommended statutory and~~
20 ~~procedural modifications must be submitted to the legislative fiscal~~
21 ~~committees by September 30, 1996.~~

22 ~~(6))~~ (3) In reviewing agency budget requests in order to prepare
23 the governor's biennial budget request or supplemental budget
24 request, the office of financial management (~~(shall)~~) must:

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

29 ~~(7))~~ implementing its agency strategic plan and agency
30 performance management implementation plan; and

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

32 (4) In the year of the gubernatorial election, the governor
33 (~~(shall)~~) must invite the governor-elect or the governor-elect's
34 designee to attend all hearings provided in RCW 43.88.100; and the
35 governor (~~(shall)~~) must furnish the governor-elect or the governor-
36 elect's designee with such information as will enable the governor-
37 elect or the governor-elect's designee to gain an understanding of
38 the state's budget requirements. The governor-elect or the governor-
39 elect's designee may ask (~~(such)~~) questions during the hearings and
40 require (~~(such)~~) information as the governor-elect or the governor-

1 elect's designee deems necessary and may make recommendations in
2 connection with any item of the budget which, with the governor-
3 elect's reasons therefor, (~~shall~~) must be presented to the
4 legislature in writing with the budget document. Copies of all such
5 estimates and other required information (~~shall~~) must also be
6 submitted to the standing committees on ways and means of the house
7 and senate.

8 NEW SECTION. **Sec. 14.** A new section is added to chapter 43.88
9 RCW to read as follows:

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

15 (1) Ten percent of cost savings must be redirected to the
16 agency's other critical operations if the office of performance
17 management certifies that the agency is making adequate progress in
18 implementing its agency performance management implementation plan,
19 and in responding to performance audits conducted by the state
20 auditor and the joint legislative audit and review committee,
21 Baldrige assessments conducted pursuant to section 5 of this act, and
22 other appropriate audits;

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

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

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

34 **Sec. 15.** RCW 43.88.160 and 2012 c 230 s 1 are each amended to
35 read as follows:

36 (1) This section sets forth the major fiscal duties and
37 responsibilities of officers and agencies of the executive branch.
38 The regulations issued by the governor pursuant to this chapter

1 (~~shall~~) must provide for a comprehensive, orderly basis for fiscal
2 management and control, including efficient accounting and reporting
3 therefor, for the executive branch of the state government and may
4 include, in addition, such requirements as will generally promote
5 more efficient public management in the state.

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

29 (~~(2)~~) (3) Except as provided in chapter 43.88C RCW, the
30 director of financial management is responsible for quarterly
31 reporting of primary operating budget drivers such as applicable
32 workloads, caseload estimates, and appropriate unit cost data. These
33 reports (~~shall~~) must be transmitted to the legislative fiscal
34 committees or by electronic means to the legislative evaluation and
35 accountability program committee. Quarterly reports (~~shall~~) must
36 include actual monthly data and the variance between actual and
37 estimated data to date. The reports (~~shall~~) must also include
38 estimates of these items for the remainder of the budget period.

39 (~~(3)~~) (4) The director of financial management (~~shall~~) must
40 report at least annually to the appropriate legislative committees

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

11 (~~(4)~~) (5) In addition, the director of financial management, as
12 agent of the governor, (~~shall~~) must:

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

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

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

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

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

37 (e) Review any pay and classification plans, and changes
38 thereunder, developed by any agency for their fiscal impact(~~(-
39 PROVIDED, That~~)). However, none of the provisions of this subsection
40 (~~shall~~) may affect merit systems of personnel management now

1 existing or hereafter established by statute relating to the fixing
2 of qualifications requirements for recruitment, appointment, or
3 promotion of employees of any agency. The director (~~shall~~) must
4 advise and confer with agencies including appropriate standing
5 committees of the legislature as may be designated by the speaker of
6 the house and the president of the senate regarding the fiscal impact
7 of such plans and may amend or alter the plans, except that for the
8 following agencies no amendment or alteration of the plans may be
9 made without the approval of the agency concerned: Agencies headed by
10 elective officials;

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

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

19 (~~(5)~~) (6)(a) The treasurer (~~shall~~) must:

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

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

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

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

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

36 (b) It (~~shall be~~) is unlawful for the treasurer to disburse
37 public funds in the treasury except upon forms or by alternative
38 means duly prescribed by the director of financial management. These
39 forms or alternative means (~~shall~~) must provide for authentication
40 and certification by the agency head or the agency head's designee

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

35 (~~(6)~~) (7)(a) The state auditor (~~shall~~) must:

36 (~~(a)~~) (i) Report to the legislature the results of current post
37 audits that have been made of the financial transactions of each
38 agency; to this end the auditor may, in the auditor's discretion,
39 examine the books and accounts of any agency, official, or employee
40 charged with the receipt, custody, or safekeeping of public funds.

1 Where feasible in conducting examinations, the auditor (~~(shall)~~) must
2 utilize data and findings from the internal control system prescribed
3 by the office of financial management. The current post audit of each
4 agency may include a section on recommendations to the legislature as
5 provided in (~~(e)~~) (a)(iii) of this subsection.

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

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

39 (~~(d)~~) (iv) Be empowered to take exception to specific
40 expenditures that have been incurred by any agency or to take

1 exception to other practices related in any way to the agency's
2 financial transactions and to cause such exceptions to be made a
3 matter of public record, including disclosure to the agency concerned
4 and to the director of financial management. It (~~shall be~~) is the
5 duty of the director of financial management to cause corrective
6 action to be taken within six months, such action to include, as
7 appropriate, the withholding of funds as provided in RCW 43.88.110.
8 The director of financial management (~~shall~~) must annually report
9 by December 31st the status of audit resolution to the appropriate
10 committees of the legislature, the state auditor, and the attorney
11 general. The director of financial management (~~shall~~) must include
12 in the audit resolution report actions taken as a result of an audit
13 including, but not limited to, types of personnel actions, costs and
14 types of litigation, and value of recouped goods or services.

15 ((+e)) (v) Promptly report any irregularities to the attorney
16 general.

17 ((+f)) (vi) Investigate improper governmental activity under
18 chapter 42.40 RCW.

19 (b) In addition to the authority given to the state auditor in
20 this subsection (~~(+6)~~) (7), the state auditor is authorized to
21 conduct performance audits identified in RCW 43.09.470. Nothing in
22 this subsection (~~(+6) shall~~) (7) must limit, impede, or restrict the
23 state auditor from conducting performance audits identified in RCW
24 43.09.470.

25 ((+7)) (8) The joint legislative audit and review committee may:

26 (a) Make post audits of the financial transactions of any agency
27 and management surveys and program reviews as provided for in chapter
28 44.28 RCW as well as performance audits and program evaluations. To
29 this end the joint committee may in its discretion examine the books,
30 accounts, and other records of any agency, official, or employee.

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

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

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

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

5 **Sec. 16.** RCW 43.88C.010 and 2013 c 332 s 11 are each amended to
6 read as follows:

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

14 (2) The council (~~shall~~) must employ a caseload forecast
15 supervisor to supervise the preparation of all caseload forecasts. As
16 used in this chapter, "supervisor" means the caseload forecast
17 supervisor.

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

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

38 (5) A councilmember who does not cast an affirmative vote for
39 approval of the official caseload forecast may request, and the

1 supervisor (~~shall~~) must provide, an alternative forecast based on
2 assumptions specified by the member.

3 (6) Members of the caseload forecast council (~~shall~~) must serve
4 without additional compensation but (~~shall~~) must be reimbursed for
5 travel expenses in accordance with RCW 44.04.120 while attending
6 sessions of the council or on official business authorized by the
7 council. Nonlegislative members of the council (~~shall~~) must be
8 reimbursed for travel expenses in accordance with RCW 43.03.050 and
9 43.03.060.

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

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

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

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

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

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

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

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

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

1 act). For nonforecasted programs, the office of performance
2 management must submit an annual report to the caseload forecast
3 council detailing the estimated savings achieved under chapter 43.---
4 RCW (the new chapter created in section 29 of this act). The caseload
5 forecast council must submit an annual report to the governor and the
6 legislature on the savings achieved and the future projected savings;
7 and

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

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

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

19 (a) The supervisor immediate access to all information relating
20 to caseload forecasts; and

21 (b) The supervisor, the office of financial management, and the
22 office of performance management immediate access to all estimated
23 savings from implementation of the state performance management
24 implementation plan and agency performance management implementation
25 plans adopted pursuant to chapter 43.--- RCW (the new chapter created
26 in section 29 of this act).

27 (4) The administrator of the legislative evaluation and
28 accountability program committee may request, and the supervisor
29 (~~shall~~) must provide, alternative caseload forecasts based on
30 assumptions specified by the administrator.

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

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

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

1 ~~((a))~~ (2) The board ~~((shall))~~ must establish criteria for
2 performance audits consistent with the criteria and standards
3 followed by the joint legislative audit and review committee. This
4 criteria ~~((shall))~~ must include, at a minimum, the auditing standards
5 of the United States government accountability office, as well as
6 legislative mandates and performance objectives established by state
7 agencies and the legislature. Mandates include, but are not limited
8 to, agency strategies, timelines, program objectives, and mission and
9 goals as required in ~~((RCW 43.88.090))~~ agency strategic plans adopted
10 pursuant to chapter 43.--- RCW (the new chapter created in section 29
11 of this act).

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

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

35 ~~((d))~~ (5) Before adopting the final work plan, the board
36 ~~((shall))~~ must consult with the legislative auditor and other
37 appropriate oversight and audit entities to coordinate work plans and
38 avoid duplication of effort in their planned performance audits of
39 state government agencies. The board ~~((shall))~~ must defer to the

1 joint legislative audit and review committee work plan if a similar
2 audit is included on both work plans for auditing.

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

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

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

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

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

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

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

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

30 ~~((vii))~~ (g) Verification of the reliability and validity of
31 agency performance data, ~~((self-assessments))~~ assessments, and
32 performance measurement systems ~~((as required under RCW 43.88.090))~~
33 in agency strategic plans and agency performance management
34 implementation plans adopted pursuant to chapter 43.--- RCW (the new
35 chapter created in section 29 of this act);

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

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

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

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

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

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

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

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

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

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

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

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

1 (a) State government and each of its agencies, accounts, and
2 programs, including the state performance management implementation
3 plan and agency performance management implementation plans adopted
4 pursuant to chapter 43.--- RCW (the new chapter created in section 29
5 of this act);

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

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

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

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

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

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

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

34 ((+1)) (a) Identification of cost savings;

35 ((+2)) (b) Identification of services that can be reduced or
36 eliminated;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

29 **Sec. 20.** RCW 46.68.290 and 2006 c 337 s 5 are each amended to
30 read as follows:

31 (1) The transportation partnership account is hereby created in
32 the state treasury. All distributions to the account from RCW
33 46.68.090 must be deposited into the account. Money in the account
34 may be spent only after appropriation. Expenditures from the account
35 must be used only for projects or improvements identified as 2005
36 transportation partnership projects or improvements in the omnibus
37 transportation appropriations act, including any principal and
38 interest on bonds authorized for the projects or improvements.

39 (2) The legislature finds that:

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

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

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

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

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

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

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

39 (5) Within the authorities and duties under chapter 43.09 RCW,
40 the state auditor may conduct performance audits for transportation-

1 related agencies. The state auditor (~~shall~~) must contract with
2 private firms to conduct the performance audits. (~~(+6)~~) The audits
3 may include:

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

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

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

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

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

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

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

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

33 (i) Identification and recognition of best practices;

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

36 (k) Evaluation of personnel systems operation and management;

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

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

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

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

18 ~~((+8))~~ (7) The state auditor ~~((shall))~~ must provide final
19 performance audit reports to the citizens of Washington, the
20 governor, the joint legislative audit and review committee, the
21 appropriate legislative committees, and other appropriate officials.
22 Final performance audit reports ~~((shall))~~ must be posted on the
23 internet.

24 ~~((+9))~~ (8) The audited transportation-related agency is
25 responsible for follow-up and corrective action on all performance
26 audit findings and recommendations. The audited agency's plan for
27 addressing each audit finding and recommendation ~~((shall))~~ must be
28 included in the final audit report. The plan ~~((shall))~~ must provide
29 the name of the contact person responsible for each action, the
30 action planned, and the anticipated completion date. If the audited
31 agency does not agree with the audit findings and recommendations or
32 believes action is not required, then the action plan ~~((shall))~~ must
33 include an explanation and specific reasons.

34 (9)(a) The office of financial management ~~((shall))~~ must require
35 periodic progress reports from the audited agency until all
36 resolution has occurred. The office of financial management is
37 responsible for achieving audit resolution. The office of financial
38 management ~~((shall))~~ must annually report by December 31st the status
39 of performance audit resolution to the appropriate legislative
40 committees and the state auditor. The legislature ~~((shall))~~ must

1 consider the performance audit results in connection with the state
2 budget process.

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

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

9 **Sec. 21.** RCW 47.04.280 and 2013 c 199 s 1 are each amended to
10 read as follows:

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

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

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

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

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

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

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

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

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

38 ~~(4) ((It is the intent of the legislature that the office of
39 financial management establish objectives and performance measures~~

1 ~~for~~) The department of transportation and other state agencies with
2 transportation-related responsibilities must include policy goals in
3 subsection (1) of this section in agency strategic plans and agency
4 performance management implementation plans adopted pursuant to
5 chapter 43.--- RCW (the new chapter created in section 29 of this
6 act) to ensure that transportation system performance at local,
7 regional, and state government levels progresses toward the
8 attainment of the policy goals (~~set forth in subsection (1) of this~~
9 ~~section. The office of financial management shall submit initial~~
10 ~~objectives and performance measures to the legislature for its review~~
11 ~~and shall provide copies of the same to the commission during the~~
12 ~~2008 legislative session. The office of financial management shall~~
13 ~~submit objectives and performance measures to the legislature for its~~
14 ~~review and shall provide copies of the same to the commission during~~
15 ~~each regular session of the legislature during an even-numbered year~~
16 ~~thereafter)).~~

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

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

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

33 (1) The department is empowered to operate such ferry system,
34 including all operations, whether intrastate or international, upon
35 any route or routes, and toll bridges as a revenue-producing and
36 self-liquidating undertaking. The department has full charge of the
37 construction, rehabilitation, rebuilding, enlarging, improving,
38 operation, and maintenance of the ferry system, including toll
39 bridges, approaches, and roadways incidental thereto that may be

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

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

33 (3) The department (~~shall~~) must include in the strategic
34 planning and performance assessment process, as required (~~by RCW~~
35 ~~43.88.090~~) in agency strategic plans and agency performance
36 management implementation plans adopted pursuant to chapter 43.---
37 RCW (the new chapter created in section 29 of this act), an analysis
38 of the compatibility of public and private partnerships with the
39 state ferry system's core business, and the department's efforts to
40 maximize nonfarebox revenues and provide benefit to the public users

1 of the ferry system facilities. The department (~~shall~~) must include
2 an assessment of the need for an open solicitation to identify and
3 select possible public or private partnerships in order to maximize
4 the value of projects and the state's investment in current and
5 future ferry system operations.

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

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

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

22 **Sec. 23.** RCW 70.94.551 and 2009 c 427 s 3 are each amended to
23 read as follows:

24 (1) The secretary of the department of transportation may
25 coordinate an interagency board or other interested parties for the
26 purpose of developing policies or guidelines that promote consistency
27 among state agency commute trip reduction programs required by RCW
28 70.94.527 and 70.94.531 or developed under the joint comprehensive
29 commute trip reduction plan described in this section. The board
30 (~~shall~~) must include representatives of the departments of
31 transportation, (~~general administration~~) enterprise services,
32 ecology, and (~~community, trade, and economic development~~) commerce
33 and such other departments and interested groups as the secretary of
34 the department of transportation determines to be necessary. Policies
35 and guidelines (~~shall be~~) are applicable to all state agencies
36 including but not limited to policies and guidelines regarding
37 parking and parking charges, employee incentives for commuting by
38 other than single-occupant automobiles, flexible and alternative work
39 schedules, alternative worksites, and the use of state-owned vehicles

1 for car and van pools and guaranteed rides home. The policies and
2 guidelines shall also consider the costs and benefits to state
3 agencies of achieving commute trip reductions and consider mechanisms
4 for funding state agency commute trip reduction programs.

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

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

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

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

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

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

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

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

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

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

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

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

37 The office of the administrator for the courts is encouraged to
38 conduct performance audits of courts under the authority of the
39 supreme court, in conformity with criteria and methods developed by

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

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

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

30 (2) The facilities and operations committee of the senate and the
31 executive rules committee of the house of representatives are
32 encouraged to cooperate with the office of performance management and
33 to adopt agency performance management implementation plans and
34 conduct Baldrige assessments of operations pursuant to chapter 43.---
35 RCW (the new chapter created in section 29 of this act).

36 NEW SECTION. **Sec. 26.** A new section is added to chapter 43.19
37 RCW to read as follows:

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

7 (2) The training modules must:

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

14 (b) Be completed and approved by the office of performance
15 management by September 1, 2015.

16 NEW SECTION. **Sec. 27.** RCW 43.17.380 (Quality management,
17 accountability, and performance system—Definitions) and 2005 c 384 s
18 2 are each repealed.

19 NEW SECTION. **Sec. 28.** This act may be known and cited as the
20 performance management act.

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

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