

CHRISTINE O. GREGOIRE
Governor



STATE OF WASHINGTON
OFFICE OF THE GOVERNOR

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EXECUTIVE ORDER 10-07

PERFORMANCE-BASED CONTRACTING

WHEREAS, our current economic climate and budget challenges require government to be more diligent than ever in ensuring public funds are used appropriately and effectively; and

WHEREAS, government must demand performance results for every taxpayer dollar spent; and

WHEREAS, proper stewardship of funds includes holding not only government agencies accountable, but also those individuals and businesses we contract with to provide a product or service; and

WHEREAS, the Office of Financial Management has already provided guidelines on using performance-based contracts for personal and client services contracts; and

WHEREAS, Washington State is seen as a model for contracting practices that encourage innovative and responsible ways of providing goods and services; and

WHEREAS, it is necessary for state agencies to take additional steps to strengthen their contract monitoring and management practices by increasing the use of performance-based contracts;

NOW, THEREFORE, I, Christine O. Gregoire, Governor of the state of Washington, by virtue of the power vested in me by the state Constitution and statutes do hereby order and direct:

- (1) The Office of Financial Management (OFM) shall issue minimum performance contracting standards for client and personal services contracts. Performance-based contracts identify expected deliverables, performance measures or outcomes; and payment is contingent on their successful delivery. Performance-based contracts also use appropriate techniques, which may include but are not limited to, consequences and/or incentives to ensure that agreed upon value to the state is received.

Other contract oversight agencies, including the Departments of General Administration, Information Services, and Printing, will revise their policies and procedures as necessary to include standards consistent with those developed by OFM.

- (2) All state cabinet agencies shall:
 - a. Require that new contracts for products and services meet performance-based contracting standards.
 - b. Review existing contracts prior to renewal and update as necessary to reflect performance-based contracting standards.
 - c. Ensure performance-based contracts are actively managed to meet performance-based standards.
- (3) In those cases where it would not be cost-effective for the state to use a performance-based contract, agencies may exempt a contract from the requirements outlined in subsections (2)(a) and (2)(b) of this order. All exemptions must be approved in writing by the agency director before the agency enters into the contract.
- (4) Accountability for ongoing implementation progress and results shall be reported through the Government Management, Accountability and Performance (GMAP) process. The Governor's Accountability and Performance staff will work with agencies to develop measures related to performance-based contracting.
- (5) OFM, working with the Departments of Health, Social and Health Services, Commerce, the Employment Security Department, the Health Care Authority, and other key state agencies, shall evaluate ways to apply performance-based standards to federal and state pass-through funding and other grants. The evaluation will address at a minimum: state and federal statutory limitations, incentives to encourage innovation, and consequences for non-performance. OFM and agencies shall coordinate efforts to consult with interested stakeholders, including but not limited to: local governments, tribes, the business community and current vendors.
- (6) No later than December 1, 2011, OFM and the GMAP office shall report to the Governor on:
 - a. Progress made by state agencies in implementing the provisions of this order.
 - b. Results of the evaluation required in section (5) of this order and recommendations for applying performance-based standards to other funding sources. The report shall include all statutory and budgetary modifications necessary to implement such recommendations.

This executive order takes effect immediately.

Signed and sealed with the official seal of the state of Washington on this 29th day of November 2010 at Olympia, Washington.

By:

/s/

Christine O. Gregoire
Governor

BY THE GOVERNOR:

/s/

Secretary of State