# HOUSE BILL REPORT

# SHB 2140

*As Passed House*
*March 19, 1991*

**Title:** An act relating to budgeting.

**Brief Description:** Assisting transportation agencies in budgeting and planning.

**Sponsor(s):** By House Committee on Transportation (originally sponsored by Representatives Schmidt, R. Fisher, H. Sommers, Holland, Franklin, Wilson and Betrozoff).

**Brief History:**
Reported by House Committee on:
Transportation, March 9, 1991, DPS;
Passed House, March 19, 1991, 98-0.

**HOUSE COMMITTEE ON TRANSPORTATION**

***Majority Report:*** *That Substitute House Bill No. 2140 be substituted therefor, and the substitute bill do pass.* Signed by 27 members: Representatives R. Fisher, Chair; R. Meyers, Vice Chair; Betrozoff, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Basich; Brough; Cantwell; Cooper; Day; G. Fisher; Forner; Haugen; Heavey; Horn; P. Johnson; R. Johnson; Jones; Kremen; Mitchell; Nelson; Orr; Prentice; Prince; Schmidt; Wilson; Wood; and Zellinsky.

***Staff:*** Robin Rettew (786-7306).

***Background:*** The governor, through the Office of Financial Management (OFM), has responsibility for developing biennial budget recommendations for all agencies. Transportation agencies develop six-year programs and financial plans from which their two-year budgets are derived. Transportation agencies submit their biennial budget requests to OFM and follow the same biennial budget procedures as all other state agencies.

The budget document contains a budget message, an outline of proposed financial policies for the ensuing biennium, a proposal for expenditures based upon estimated available revenues, and other information. The Economic and Revenue Forecast Council has responsibility for forecasting state revenues; however, if they do not prepare an official forecast for any particular fund, account, or revenue source, OFM assumes that responsibility.

If new laws affecting available estimated revenues are considered by the governor, a separate budget proposal is submitted to the Legislature. This is commonly referred to as a new law budget.

The governor may require submittal of a separate capital budget covering a six-year period.

Subsequent to passage of the budget bills, OFM directs agencies to develop a statement of proposed expenditures which conform to the terms of the appropriation. These expenditure plans are called allotments.

***Summary of Bill:*** The Office of Financial Management (OFM) is required to develop budget instructions which include directions to transportation agencies for submittal of their six-year programs and financial plans.

In developing the budget, OFM is required to include a six-year expenditure proposal based upon six-year revenue forecasts for those agencies required to submit six-year programs and financial plans, i.e. all transportation agencies.

Revenue estimates are to be made by OFM in consultation with the Interagency Revenue Task Force (IRTF). When there are variances, OFM must explain these to the Legislative Transportation Committee (LTC).

The requirement that OFM submit a balanced biennial budget is expanded to include supplemental budgets.

The requirement that OFM develop a new law budget for the biennial budget when new revenue sources are proposed is expanded to include budget proposals for supplemental and six-year budget periods for transportation agencies.

Some provisions regarding the capital budgets are changed. Although a six-year capital <u>program</u> is still required, a 10-year capital <u>plan</u> must also be developed. OFM and the appropriate legislative committees will define what constitutes a capital project.

Certain provisions to be included in the capital budget are defined, including: a statement of the reason or purpose for the project; verification that the project conforms to the provisions of the Growth Management Act; a statement about the proposed site, size, and life of the project;

estimated total cost; estimated cost for each phase of the project; estimated ensuing biennium costs; estimated costs beyond the ensuing biennium; estimated construction start and completion dates; source and type of funds proposed; and other information as required by either OFM or the Legislature.

OFM is required to develop a method to monitor capital appropriations and expenditures that captures at least the following:  estimates of past, current, and future costs; comparisons of actual costs to estimates; comparisons of estimated construction start and completion dates with actuals; and documentation of fund shifts between projects.

OFM is also required to report to the Legislature at least annually on the status of all appropriated capital projects, including transportation projects, showing significant cost over or underruns.  Once a project is complete, the report shall provide a final summary showing estimated start and completion dates by phase compared to actuals; estimated costs by phase compared to actuals; and whether or not there are any outstanding liabilities at the time of completion.

The requirement that the governor eliminate estimated cash deficits by imposing across-the-board reductions is clarified to pertain only to the fund or account with the cash deficit.

***Fiscal Note:*** Not requested.

***Effective Date:*** The bill takes effect April 1, 1992.

***Testimony For:*** This bill will provide for consistency in the development and execution of both the capital and operating budgets for all agencies.

***Testimony Against:*** None.

***Witnesses:*** Carole Cheatle, Office of Financial Management (pro); and Jerry Fay, Transportation Improvement Board (expressed concern with fiscal impact on small agencies).