
HOUSE BILL 2890

State of Washington

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1998 Regular Session

By Representatives Mitchell, Fisher, K. Schmidt, Radcliff, Cairnes, Zellinsky, Backlund, Skinner, Chandler, Robertson, DeBolt, Sterk, Romero, Gardner, Hankins, Constantine, Mielke, Wood, McCune, Sherstad, Ogden, O'Brien, Linville, Cooke, Cooper, Boldt, Lambert, Tokuda, Anderson, Dickerson, Thompson and Conway

Read first time 01/21/98. Referred to Committee on Transportation Policy & Budget.

1 AN ACT Relating to performance budgeting for transportation
2 agencies; reenacting and amending 43.88.030 RCW; adding a new chapter
3 to Title 47 RCW; and creating new sections.

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

5 NEW SECTION. **Sec. 1.** INTENT. It is the intent of the legislature
6 and the governor to ensure efficiency and accountability for
7 transportation agencies' programs and activities. Performance
8 budgeting requires that agencies make investment choices based on
9 anticipated results and outcomes. The use of performance budgeting
10 provides agencies the opportunity to prioritize and focus
11 transportation revenues on programs that maximize the value of the
12 public's transportation resources and revenues.

13 The objective of this chapter is to require that the major
14 transportation agencies submit performance-based budgets for the 2001-
15 2003 biennium to the governor and the legislature. The major
16 transportation agencies are the department of transportation, the
17 Washington state patrol, and the department of licensing.

18 This chapter provides the framework for the legislature, the
19 governor, major transportation agencies, and the citizens of the state

1 to more fully benefit the transportation programs and their goals,
2 objectives, and effectiveness.

3 This chapter capitalizes upon activities currently being performed
4 by the major transportation agencies: Strategic planning, cost
5 accounting, performance measure establishment, quality initiatives,
6 performance reporting, and participation in the transportation
7 executive information system.

8 NEW SECTION. **Sec. 2.** PERFORMANCE BUDGET DEVELOPMENT. The major
9 transportation agencies shall develop and implement a performance-based
10 budgeting process that provides a measurable link between program
11 objectives, activities, service levels, budget, and a method to
12 evaluate accomplishment. The agencies' decision packages must be
13 linked to their strategic plan through connections between the agency
14 mission, vision, and its assorted goals and activities, measured by
15 related indicators of performance and stated in terms of expected
16 results and outcomes.

17 NEW SECTION. **Sec. 3.** INCREASED PERFORMANCE REPORTING. A major
18 transportation agency shall submit a strategic plan with its agency
19 request budget. The strategic plan must at a minimum include a six-
20 year outlook and define and clarify the agency mission. The strategic
21 plan shall also outline the agency's goals and strategies and serve as
22 the focus for agency operations. It will also serve as the basis for
23 the agency to request and account for, the governor to recommend, the
24 legislature to appropriate money and approve programs, and the citizens
25 to understand transportation agencies' programs.

26 NEW SECTION. **Sec. 4.** AGENCY BUSINESS PLAN. The major
27 transportation agencies shall develop and implement an agency business
28 plan that will be updated annually and provide the basis for future
29 budget development and policy direction. The plan will include a
30 mission, program description, program goals, and performance measures.

31 NEW SECTION. **Sec. 5.** PROGRAM LEVEL BUDGET REQUESTS. The major
32 transportation agencies shall develop agency biennial budget requests
33 at the agency budget program level, rather than the object level, and
34 submit their biennial and supplemental budget requests to the office of

1 financial management via the WINSUM budget system beginning July 1,
2 1998.

3 NEW SECTION. **Sec. 6.** AGENCY ORGANIZATIONAL STRUCTURE. Agencies
4 shall revise their program budget to reflect any organizational changes
5 to ensure the agency's budget is aligned with the current
6 organizational structure.

7 NEW SECTION. **Sec. 7.** COST ACCOUNTING. The agencies shall use
8 their cost accounting systems in preparing detailed information in
9 support of agency programs during the budget submittal process and the
10 monitoring process. Where practical, cost accounting information must
11 be used to measure the unit costs of agency activities.

12 NEW SECTION. **Sec. 8.** PERFORMANCE MEASURE ESTABLISHMENT. The
13 agencies shall establish performance measures that measure activities
14 identified to achieve the goals and strategies in the strategic plan
15 and shall project them for six years. In addition, they shall provide
16 historical information on those performance measures. The agencies
17 shall establish performance measures for the major activities of each
18 subprogram. Data gathered from conducting performance measures shall
19 be used in agency decision-making.

20 NEW SECTION. **Sec. 9.** MASTER PROGRAM LIST. Each transportation
21 agency shall submit a master program list to the legislative
22 transportation committee at the end of each fiscal year. The list must
23 describe the functions of the program and related funding by fund and
24 number of full-time equivalents.

25 The list must include performance measures for each program. Each
26 agency shall consider the name of each program, subprogram, and major
27 activity to ensure that the name is clear and understandable to a
28 layperson.

29 NEW SECTION. **Sec. 10.** PROGRAM AUTHORIZATION REVIEW. (1) The
30 legislative transportation committee, the office of financial
31 management, the major transportation agencies, an outside consultant,
32 or any combination of these parties shall establish the means of
33 conducting program authorization reviews of all transportation
34 programs. The reviews shall include:

1 (a) An agency self-assessment in which the agency:
2 (i) Identifies the agency's long-term strategic program goals;
3 (ii) Identifies program priorities and objectives;
4 (iii) Identifies activities necessary to achieve program priorities
5 and objectives;
6 (iv) Establishes service level criteria for the necessary
7 activities;
8 (v) Uses an approach that researches and utilizes best practices by
9 other states to benchmark the performance of their programs; and
10 (vi) Identifies how different funding levels, by using service
11 level criteria, could affect future performance;
12 (b) An advisory committee review of the agency self-assessment and
13 a report to the legislature regarding the committee's findings;
14 (c) An advisory committee report which determines whether to
15 retain, eliminate, or modify funding and related statutory references
16 for the agency. The advisory committee shall consider: (i) Whether
17 the agency performance measurements adequately measure the agency
18 goals; (ii) whether the program performs efficiently and effectively,
19 including comparisons with other jurisdictions; and (iii) whether there
20 are other cost-effective alternative methods of accomplishing the
21 program's mission.
22 (2) The legislature will implement a six-year program evaluation
23 schedule within the transportation budget document.

24 NEW SECTION. **Sec. 11.** TRANSPORTATION EXECUTIVE INFORMATION
25 SYSTEM. The agencies shall input monthly their financial information
26 and program performance measurements into the transportation executive
27 information system. There is no requirement to submit a monthly hard
28 copy report to the legislature.

29 NEW SECTION. **Sec. 12.** PILOT PROJECT. The major transportation
30 agencies shall develop a pilot project for each designated program to
31 test the effectiveness of performance-based budgeting for the 1999-2001
32 budget submittal period and biennium.

33 NEW SECTION. **Sec. 13.** CAPITALIZATION ON CURRENT ACTIVITIES. This
34 act does not require an agency to develop a new strategic plan, cost
35 accounting system, performance measures, or management quality

1 initiatives in place of current activities that substantively meet the
2 intent of this act.

3 NEW SECTION. **Sec. 14.** Section captions used in this act are not
4 part of the law.

5 NEW SECTION. **Sec. 15.** Sections 1 through 11 and 14 of this act
6 constitute a new chapter in Title 47 RCW.

7 **Sec. 16.** RCW 43.88.030 and 1997 c 168 s 5 and 1997 c 96 s 4 are
8 each reenacted and amended to read as follows:

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

1 six-year programs and financial plans under RCW 44.40.070. In
2 estimating revenues to support financial plans under RCW 44.40.070, the
3 office of financial management shall rely on information and advice
4 from the interagency revenue task force. Revenues shall be estimated
5 for such fiscal period from the source and at the rates existing by law
6 at the time of submission of the budget document, including the
7 supplemental budgets submitted in the even-numbered years of a
8 biennium. However, the estimated revenues and caseloads for use in the
9 governor's budget document may be adjusted to reflect budgetary revenue
10 transfers and revenue and caseload estimates dependent upon budgetary
11 assumptions of enrollments, workloads, and caseloads. All adjustments
12 to the approved estimated revenues and caseloads must be set forth in
13 the budget document. The governor may additionally submit, as an
14 appendix to each supplemental, biennial, or six-year agency budget or
15 to the budget document or documents, a proposal for expenditures in the
16 ensuing fiscal period from revenue sources derived from proposed
17 changes in existing statutes.

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

25 The budget document or documents shall also contain:

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

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

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

35 (d) Such additional information dealing with revenues and
36 expenditures as the governor shall deem pertinent and useful to the
37 legislature;

38 (e) Tabulations showing expenditures classified by fund, function,
39 activity, and ((object)) agency;

1 (f) A delineation of each agency's activities, including those
2 activities funded from nonbudgeted, nonappropriated sources, including
3 funds maintained outside the state treasury;

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

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

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

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

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

22 (c) Other statutory expenditures;

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

24 (e) Revenues derived from agency operations;

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

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

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

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

37 (j) A showing and explanation of anticipated amounts of general
38 fund and other funds required to amortize the unfunded actuarial
39 accrued liability of the retirement system specified under chapter

1 41.45 RCW, and the contributions to meet such amortization, stated in
2 total dollars and as a level percentage of total compensation.

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

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

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

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

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

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

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

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

30 (h) Estimated total project cost;

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

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

39 (k) Estimated ensuing biennium costs;

- 1 (l) Estimated costs beyond the ensuing biennium;
- 2 (m) Estimated construction start and completion dates;
- 3 (n) Source and type of funds proposed;
- 4 (o) Estimated ongoing operating budget costs or savings resulting
- 5 from the project, including staffing and maintenance costs;
- 6 (p) For any capital appropriation requested for a state agency for
- 7 the acquisition of land or the capital improvement of land in which the
- 8 primary purpose of the acquisition or improvement is recreation or
- 9 wildlife habitat conservation, the capital budget document, or an
- 10 omnibus list of recreation and habitat acquisitions provided with the
- 11 governor's budget document, shall identify the projected costs of
- 12 operation and maintenance for at least the two biennia succeeding the
- 13 next biennium. Omnibus lists of habitat and recreation land
- 14 acquisitions shall include individual project cost estimates for
- 15 operation and maintenance as well as a total for all state projects
- 16 included in the list. The document shall identify the source of funds
- 17 from which the operation and maintenance costs are proposed to be
- 18 funded;
- 19 (q) Such other information bearing upon capital projects as the
- 20 governor deems to be useful;
- 21 (r) Standard terms, including a standard and uniform definition of
- 22 normal maintenance, for all capital projects;
- 23 (s) Such other information as the legislature may direct by law or
- 24 concurrent resolution.

25 For purposes of this subsection (3), the term "capital project"

26 shall be defined subsequent to the analysis, findings, and

27 recommendations of a joint committee comprised of representatives from

28 the house capital appropriations committee, senate ways and means

29 committee, legislative transportation committee, legislative evaluation

30 and accountability program committee, and office of financial

31 management.

32 (4) No change affecting the comparability of agency or program

33 information relating to expenditures, revenues, workload, performance

34 and personnel shall be made in the format of any budget document or

35 report presented to the legislature under this section or RCW

36 43.88.160(1) relative to the format of the budget document or report

37 which was presented to the previous regular session of the legislature

38 during an odd-numbered year without prior legislative concurrence.

39 Prior legislative concurrence shall consist of (a) a favorable majority

1 vote on the proposal by the standing committees on ways and means of
2 both houses if the legislature is in session or (b) a favorable
3 majority vote on the proposal by members of the legislative evaluation
4 and accountability program committee if the legislature is not in
5 session.

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