

# HOUSE BILL REPORT

## HB 3080

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**As Reported by House Committee On:**  
Appropriations

**Title:** An act relating to focusing the state budgeting process on outcomes and priorities.

**Brief Description:** Focusing the state budgeting process on outcomes and priorities.

**Sponsors:** Representatives Linville and Rockefeller.

**Brief History:**

**Committee Activity:**

Appropriations: 2/9/04, 2/10/04 [DPS].

**Brief Summary of Substitute Bill**

- In developing priority functions of government, the Governor must utilize a process which provides for public input.
- Agency objectives must focus on data that measure whether the agency is achieving or making progress toward the purpose of the program.
- For agencies headed by gubernatorial appointees, Office of Financial Management (OFM) will conduct quarterly performance reviews of selected agencies. For agencies headed by commissions or separately elected officials, the commission or official will conduct quarterly performance reviews of selected programs within that agency.
- The OFM, in consultation with the Higher Education Coordinating Board and the State Board for Community and Technical Colleges, will conduct annual reviews of the higher education institutions.
- The Governor's operating budget document must contain proposals to remedy or improve programs that are determined to be underachieving or inefficient as determined by the analysis of agency goals, objectives, and outcomes.

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 27 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Sehlin, Ranking Minority Member; Pearson, Assistant Ranking Minority Member;

Alexander, Anderson, Boldt, Buck, Chandler, Clements, Cody, Conway, Cox, Dunshee, Grant, Hunter, Kagi, Kenney, Kessler, Linville, McDonald, McIntire, Miloscia, Ruderman, Schual-Berke, Sump and Talcott.

**Staff:** Dave Johnson (786-7154).

**Background:**

The Budget and Accounting Act establishes the framework for the development, implementation and monitoring of the state budget.

Agency Objectives

For the purpose of assessing program performance, each state agency is required to establish program objectives for each major program in its budget. The objectives must be expressed to the extent practicable in outcome-based, objective, and measurable form.

Performance Monitoring

Each state agency is also required to adopt procedures for continuous self-assessment of each program and activity, using the mission, goals, objectives, and measurements of the agency.

Agency Budget Requests

Budget proposals made by agencies must be directly linked to the agency's stated mission, program goals and objectives. Consistent with this policy, agency budget proposals must include integration of performance measures that allow objective determination of a program's success in achieving its goals.

Governor's Budget Proposal

The Budget and Accounting Act establishes various requirements for the budget documents that the Governor must submit to the Legislature before each regular session. The required documents include the Governor's budget message, which explains the budget and outlines proposed fiscal policies for the period covered by the budget; the budget bill and other supporting information.

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**Summary of Substitute Bill:**

Findings & Intent

The Legislature finds that the incorporation of agency missions, goals, and objectives into the state budgeting process has not produced a sufficient focus on outcomes, as opposed to mere outputs. The intent of the Legislature is to refocus the state budgeting process on how state agencies are producing real results that reflect the goals of statutory programs.

### Agency Objectives

Objectives must specifically address the substantive purpose of the program and focus on data that measure whether the agency is achieving or making progress toward the purpose of the program. Objectives that merely list output or similar statistics are presumptively insufficient.

Agencies are required to develop quality and performance measures in addition to the program measures already required.

### Performance Monitoring

For agencies headed by gubernatorial appointees, the Office of Financial Management (OFM) must conduct quarterly reviews of selected agencies to analyze whether the objectives and measurements submitted by agencies demonstrate progress toward the agencies' mission and goals.

For agencies headed by commissions or separately elected officials, the commission or official must conduct quarterly reviews of selected programs to analyze whether the objectives and measurements submitted by the agency demonstrate progress toward the agencies' mission and goals. The goal is for all programs to receive at least one review annually.

For four-year institutions of higher education, the OFM, in consultation with the Higher Education Coordinating Board, will conduct annual performance reviews. For randomly selected community and technical colleges, the OFM, in consultation with the State Board for Community and Technical Colleges, will conduct annual performance reviews.

### Agency Budget Requests

When the quarterly performance review or other analysis determines that an agency is making insufficient progress toward the goals of any particular program or is otherwise underachieving or inefficient, the agency's budget request must contain proposals to remedy or improve the program.

In reviewing agency budget requests to prepare the Governor's budget request, the OFM will consider the extent to which the agency's programs demonstrate progress toward the priorities and functions identified by the Governor and the Legislature. If the agency's objectives demonstrate that the agency is making insufficient progress toward the goals of any particular program or is otherwise underachieving or inefficient, the OFM shall propose remedies or improvements.

### Governor's Budget Proposal

It is the Governor's responsibility to communicate priority government functions to agencies for use in developing budget recommendations for their agency. In developing these priority functions, the Governor must utilize a process which provides for public involvement and input.

The Governor's operating budget document or documents must reflect agency goals, objectives, and outcomes. The budget document must delineate each agency's program performance including performance goals and performance data. The budget document must also describe, in detail, the accountability measures used to demonstrate measurable improvement towards priority policy functions.

The Governor's operating budget document or documents must contain proposals to remedy or improve programs that are determined to be underachieving or inefficient as determined by the analysis of agency goals, objectives, and outcomes.

**Substitute Bill Compared to Original Bill:**

The substitute bill requires the Governor to communicate priority government functions to agencies for use in developing budget recommendations for their agency. The substitute bill requires the Governor's process for developing those priority functions to include public involvement and input. The Governor's budget document is also required to describe the accountability measures to demonstrate measurable improvement towards priority policy functions. The substitute bill also makes various other changes in the area of performance measurement and budget prioritization.

The substitute bill requires agencies to develop quality and productivity measures in addition to program measures. Program measures are required under current law. The current law requirement for agencies to adopt procedures for continuous self assessments using mission, goals and objectives is retained. The original bill removed that requirement. In addition, the substitute bill requires agencies to perform continuous self assessments.

The substitute bill sets a goal of conducting a performance review for every program at least once per year. The OFM, in consultation with the Higher Education Coordinating Board and the State Board for Community and Technical Colleges, will conduct annual reviews of the higher education institutions. Under the original bill, those reviews would have been conducted by the governing board of each higher education institution. A requirement to delineate each agency's activities is changed to require a delineation of performance.

The substitute bill also included a provision making the bill null and void unless specific funding for the implementation of the bill is provided by June 30, 2004.

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**Appropriation:** None.

**Fiscal Note:** Available on original bill. Requested on the substitute bill on February 11, 2004.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of session in which bill is passed. However, the bill is null and void if not funded in the budget.

**Testimony For:** This is a good government bill. Agencies need this type of information on a quarterly basis to guide and redirect their internal efforts. When desired results are not being accomplished, management needs to step in and make some adjustments. This information would also be helpful for members in deciding what items get funded. These performance measures are common now in human services and can be used in many areas. It has worked well in a prosecutor's office and if it can work in that environment, it can be applied almost anywhere. This feedback loop about how agencies spend their money and whether those programs are successful would be useful for the Legislature. The concepts in this bill are already being used successfully at Western Washington University.

**Testimony Against:** None.

**Persons Testifying:** Nina Carter, National Audubon Society; Judy McNickle, Western Washington University; and Seth Dawson, Washington State Association for Community Action.

**Persons Signed In To Testify But Not Testifying:** None.