
ENGROSSED SUBSTITUTE HOUSE BILL 1242

State of Washington

59th Legislature

2005 Regular Session

By House Committee on Appropriations (originally sponsored by Representatives Linville, Jarrett, Miloscia, Tom, Haigh, Sommers, Pettigrew, Pearson, Clibborn, Kristiansen, O'Brien, Orcutt, Quall, Morris, Lantz, Wallace, Kagi, Grant, Morrell, Chase, Springer, Lovick, Kessler, Dunshee, Appleton, P. Sullivan, Kilmer, Hunter, Upthegrove, Williams, Roberts, Dickerson, Sells, Eickmeyer, Nixon, Kenney and Ormsby)

READ FIRST TIME 02/11/05.

1 AN ACT Relating to focusing the state budgeting process on outcomes
2 and priorities; amending RCW 43.88.090 and 43.88.030; adding a new
3 section to chapter 43.88 RCW; and creating a new section.

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

5 NEW SECTION. **Sec. 1.** A new section is added to chapter 43.88 RCW
6 to read as follows:

7 The legislature finds that agency missions, goals, and objectives
8 should focus on statewide results. It is the intent of the legislature
9 to focus the biennial budget on how state agencies produce real results
10 that reflect the goals of statutory programs. Specifically, budget
11 managers and the legislature must have the data to move toward better
12 statewide results that produce the intended public benefit. This data
13 must be supplied in an impartial, quantifiable form, and demonstrate
14 progress toward statewide results. With a renewed focus on achieving
15 true results, state agencies, the office of financial management, and
16 the legislature will be able to prioritize state resources.

17 **Sec. 2.** RCW 43.88.090 and 1997 c 372 s 1 are each amended to read
18 as follows:

1 (1) For purposes of developing budget proposals to the legislature,
2 the governor shall have the power, and it shall be the governor's duty,
3 to require from proper agency officials such detailed estimates and
4 other information in such form and at such times as the governor shall
5 direct. The governor shall communicate statewide priorities to
6 agencies for use in developing biennial budget recommendations for
7 their agency and shall seek public involvement and input on these
8 priorities. The estimates for the legislature and the judiciary shall
9 be transmitted to the governor and shall be included in the budget
10 without revision. The estimates for state pension contributions shall
11 be based on the rates provided in chapter 41.45 RCW. Copies of all
12 such estimates shall be transmitted to the standing committees on ways
13 and means of the house and senate at the same time as they are filed
14 with the governor and the office of financial management.

15 The estimates shall include statements or tables which indicate, by
16 agency, the state funds which are required for the receipt of federal
17 matching revenues. The estimates shall be revised as necessary to
18 reflect legislative enactments and adopted appropriations and shall be
19 included with the initial biennial allotment submitted under RCW
20 43.88.110. The estimates must reflect that the agency considered any
21 alternatives to reduce costs or improve service delivery identified in
22 the findings of a performance audit of the agency by the joint
23 legislative audit and review committee. Nothing in this subsection
24 requires performance audit findings to be published as part of the
25 budget.

26 (2) Each state agency shall define its mission and establish
27 measurable goals for achieving desirable results for those who receive
28 its services and the taxpayers who pay for those services. Each agency
29 shall also develop clear strategies and timelines to achieve its goals.
30 This section does not require an agency to develop a new mission or
31 goals in place of identifiable missions or goals that meet the intent
32 of this section. The mission and goals of each agency must conform to
33 statutory direction and limitations.

34 (3) For the purpose of assessing ((program)) activity performance,
35 each state agency shall establish ((program)) quality and productivity
36 objectives for each major ((program)) activity in its budget. The
37 objectives must be consistent with the missions and goals developed
38 under this section. The objectives must be expressed to the extent

1 practicable in outcome-based, objective, and measurable form unless an
2 exception to adopt a different standard is granted by the office of
3 financial management and approved by the legislative committee on
4 performance review. Objectives must specifically address the statutory
5 purpose or intent of the program or activity and focus on data that
6 measure whether the agency is achieving or making progress toward the
7 purpose of the activity and toward statewide priorities. The office of
8 financial management shall provide necessary professional and technical
9 assistance to assist state agencies in the development of strategic
10 plans that include the mission of the agency and its programs,
11 measurable goals, strategies, and performance measurement systems.

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

24 (a) The office of financial management shall regularly conduct
25 reviews of selected activities to analyze whether the objectives and
26 measurements submitted by agencies demonstrate progress toward
27 statewide results.

28 (b) The office of financial management shall consult with the
29 higher education coordinating board and the state board for community
30 and technical colleges in those reviews that involve institutions of
31 higher education.

32 (c) The goal is for all major activities to receive at least one
33 review each year.

34 (d) The office of financial management shall consult with the
35 information services board when conducting reviews of major information
36 technology systems in use by state agencies. The goal is that reviews
37 of these information technology systems occur periodically.

1 (5) It is the policy of the legislature that each agency's budget
2 (~~proposals~~) recommendations must be directly linked to the agency's
3 stated mission and program, quality, and productivity goals and
4 objectives. Consistent with this policy, agency budget proposals must
5 include integration of performance measures that allow objective
6 determination of (~~a program's~~) an activity's success in achieving its
7 goals. When a review under subsection (4) of this section or other
8 analysis determines that the agency's objectives demonstrate that the
9 agency is making insufficient progress toward the goals of any
10 particular program or is otherwise underachieving or inefficient, the
11 agency's budget request shall contain proposals to remedy or improve
12 the selected programs. The office of financial management shall
13 develop a plan to merge the budget development process with agency
14 performance assessment procedures. The plan must include a schedule to
15 integrate agency strategic plans and performance measures into agency
16 budget requests and the governor's budget proposal over three fiscal
17 biennia. The plan must identify those agencies that will implement the
18 revised budget process in the 1997-1999 biennium, the 1999-2001
19 biennium, and the 2001-2003 biennium. In consultation with the
20 legislative fiscal committees, the office of financial management shall
21 recommend statutory and procedural modifications to the state's budget,
22 accounting, and reporting systems to facilitate the performance
23 assessment procedures and the merger of those procedures with the state
24 budget process. The plan and recommended statutory and procedural
25 modifications must be submitted to the legislative fiscal committees by
26 September 30, 1996.

27 (6) In reviewing agency budget requests in order to prepare the
28 governor's biennial budget request, the office of financial management
29 shall consider the extent to which the agency's activities demonstrate
30 progress toward the statewide budgeting priorities, along with any
31 specific review conducted under subsection (4) of this section.

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

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

8 **Sec. 3.** RCW 43.88.030 and 2004 c 276 s 908 are each amended to
9 read as follows:

10 (1) The director of financial management shall provide all agencies
11 with a complete set of instructions for submitting biennial budget
12 requests to the director at least three months before agency budget
13 documents are due into the office of financial management. The
14 director shall provide agencies and committees that are required under
15 RCW 44.40.070 to develop comprehensive six-year program and financial
16 plans with a complete set of instructions for submitting these program
17 and financial plans at the same time that instructions for submitting
18 other budget requests are provided. The budget document or documents
19 shall consist of the governor's budget message which shall be
20 explanatory of the budget and shall contain an outline of the proposed
21 financial policies of the state for the ensuing fiscal period, as well
22 as an outline of the proposed six-year financial policies where
23 applicable, and shall describe in connection therewith the important
24 features of the budget. The biennial budget document or documents
25 shall also describe performance indicators that demonstrate measurable
26 progress towards priority results. The message shall set forth the
27 reasons for salient changes from the previous fiscal period in
28 expenditure and revenue items and shall explain any major changes in
29 financial policy. Attached to the budget message shall be such
30 supporting schedules, exhibits and other explanatory material in
31 respect to both current operations and capital improvements as the
32 governor shall deem to be useful to the legislature. The budget
33 document or documents shall set forth a proposal for expenditures in
34 the ensuing fiscal period, or six-year period where applicable, based
35 upon the estimated revenues and caseloads as approved by the economic
36 and revenue forecast council and caseload forecast council or upon the
37 estimated revenues and caseloads of the office of financial management

1 for those funds, accounts, sources, and programs for which the forecast
2 councils do not prepare an official forecast, including those revenues
3 anticipated to support the six-year programs and financial plans under
4 RCW 44.40.070. In estimating revenues to support financial plans under
5 RCW 44.40.070, the office of financial management shall rely on
6 information and advice from the transportation revenue forecast
7 council. Revenues shall be estimated for such fiscal period from the
8 source and at the rates existing by law at the time of submission of
9 the budget document, including the supplemental budgets submitted in
10 the even-numbered years of a biennium. However, the estimated revenues
11 and caseloads for use in the governor's budget document may be adjusted
12 to reflect budgetary revenue transfers and revenue and caseload
13 estimates dependent upon budgetary assumptions of enrollments,
14 workloads, and caseloads. All adjustments to the approved estimated
15 revenues and caseloads must be set forth in the budget document. The
16 governor may additionally submit, as an appendix to each supplemental,
17 biennial, or six-year agency budget or to the budget document or
18 documents, a proposal for expenditures in the ensuing fiscal period
19 from revenue sources derived from proposed changes in existing
20 statutes.

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

28 The budget document or documents shall also contain:

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

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

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

1 (d) Such additional information dealing with revenues and
2 expenditures as the governor shall deem pertinent and useful to the
3 legislature;

4 (e) Tabulations showing expenditures classified by fund, function,
5 ((activity,)) and agency((. However, documents submitted for the 2005-
6 07 biennial budget request need not show expenditures by activity));

7 ((A delineation of each agency's activities, including those
8 activities funded from nonbudgeted, nonappropriated sources, including
9 funds maintained)) The expenditures that include nonbudgeted,
10 nonappropriated accounts outside the state treasury;

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

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

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

26 (a) Interest, amortization and redemption charges on the state
27 debt;

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

29 (c) Other statutory expenditures;

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

31 (e) Revenues derived from agency operations;

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

37 (g) A showing and explanation of amounts of general fund and other

1 funds obligations for debt service and any transfers of moneys that
2 otherwise would have been available for appropriation;

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

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

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

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

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

16 (5) A separate capital budget document or schedule shall be
17 submitted that will contain the following:

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

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

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

31 (d) A strategic plan for reducing backlogs of maintenance and
32 repair projects. The plan shall include a prioritized list of specific
33 facility deficiencies and capital projects to address the deficiencies
34 for each agency, cost estimates for each project, a schedule for
35 completing projects over a reasonable period of time, and
36 identification of normal maintenance activities to reduce future
37 backlogs;

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

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

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

5 (h) Estimated total project cost;

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

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

14 (k) Estimated ensuing biennium costs;

15 (l) Estimated costs beyond the ensuing biennium;

16 (m) Estimated construction start and completion dates;

17 (n) Source and type of funds proposed;

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

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

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

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

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

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

8 (~~((4))~~) (6) No change affecting the comparability of agency or
9 program information relating to expenditures, revenues, workload,
10 performance and personnel shall be made in the format of any budget
11 document or report presented to the legislature under this section or
12 RCW 43.88.160(1) relative to the format of the budget document or
13 report which was presented to the previous regular session of the
14 legislature during an odd-numbered year without prior legislative
15 concurrence. Prior legislative concurrence shall consist of (a) a
16 favorable majority vote on the proposal by the standing committees on
17 ways and means of both houses if the legislature is in session or (b)
18 a favorable majority vote on the proposal by members of the legislative
19 evaluation and accountability program committee if the legislature is
20 not in session.

21 NEW SECTION. **Sec. 4.** If specific funding for the purposes of this
22 act, referencing this act by bill or chapter number, is not provided by
23 June 30, 2005, in the omnibus appropriations act, this act is null and
24 void.

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