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**SUBSTITUTE HOUSE BILL 1242**

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**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. Agencies' progress toward the mission,  
16 goals, objectives, and measurements required by subsections (2) and (3)  
17 of this section is subject to review as set forth in this subsection.

18 (a) The office of financial management shall regularly conduct  
19 reviews of selected activities to analyze whether the objectives and  
20 measurements submitted by agencies demonstrate progress toward  
21 statewide results.

22 (b) The office of financial management shall consult with the  
23 higher education coordinating board and the state board for community  
24 and technical colleges in those reviews that involve institutions of  
25 higher education.

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

28 (5) It is the policy of the legislature that each agency's budget  
29 (~~(proposals)~~) recommendations must be directly linked to the agency's  
30 stated mission and program, quality, and productivity goals and  
31 objectives. Consistent with this policy, agency budget proposals must  
32 include integration of performance measures that allow objective  
33 determination of (~~(a program's)~~) an activity's success in achieving its  
34 goals. When a review under subsection (4) of this section or other  
35 analysis determines that the agency's objectives demonstrate that the  
36 agency is making insufficient progress toward the goals of any  
37 particular program or is otherwise underachieving or inefficient, the  
38 agency's budget request shall contain proposals to remedy or improve

1 the selected programs. The office of financial management shall  
2 develop a plan to merge the budget development process with agency  
3 performance assessment procedures. The plan must include a schedule to  
4 integrate agency strategic plans and performance measures into agency  
5 budget requests and the governor's budget proposal over three fiscal  
6 biennia. The plan must identify those agencies that will implement the  
7 revised budget process in the 1997-1999 biennium, the 1999-2001  
8 biennium, and the 2001-2003 biennium. In consultation with the  
9 legislative fiscal committees, the office of financial management shall  
10 recommend statutory and procedural modifications to the state's budget,  
11 accounting, and reporting systems to facilitate the performance  
12 assessment procedures and the merger of those procedures with the state  
13 budget process. The plan and recommended statutory and procedural  
14 modifications must be submitted to the legislative fiscal committees by  
15 September 30, 1996.

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

21 (7) In the year of the gubernatorial election, the governor shall  
22 invite the governor-elect or the governor-elect's designee to attend  
23 all hearings provided in RCW 43.88.100; and the governor shall furnish  
24 the governor-elect or the governor-elect's designee with such  
25 information as will enable the governor-elect or the governor-elect's  
26 designee to gain an understanding of the state's budget requirements.  
27 The governor-elect or the governor-elect's designee may ask such  
28 questions during the hearings and require such information as the  
29 governor-elect or the governor-elect's designee deems necessary and may  
30 make recommendations in connection with any item of the budget which,  
31 with the governor-elect's reasons therefor, shall be presented to the  
32 legislature in writing with the budget document. Copies of all such  
33 estimates and other required information shall also be submitted to the  
34 standing committees on ways and means of the house and senate.

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

37 (1) The director of financial management shall provide all agencies

1 with a complete set of instructions for submitting biennial budget  
2 requests to the director at least three months before agency budget  
3 documents are due into the office of financial management. The  
4 director shall provide agencies and committees that are required under  
5 RCW 44.40.070 to develop comprehensive six-year program and financial  
6 plans with a complete set of instructions for submitting these program  
7 and financial plans at the same time that instructions for submitting  
8 other budget requests are provided. The budget document or documents  
9 shall consist of the governor's budget message which shall be  
10 explanatory of the budget and shall contain an outline of the proposed  
11 financial policies of the state for the ensuing fiscal period, as well  
12 as an outline of the proposed six-year financial policies where  
13 applicable, and shall describe in connection therewith the important  
14 features of the budget. The biennial budget document or documents  
15 shall also describe performance indicators that demonstrate measurable  
16 progress towards priority results. The message shall set forth the  
17 reasons for salient changes from the previous fiscal period in  
18 expenditure and revenue items and shall explain any major changes in  
19 financial policy. Attached to the budget message shall be such  
20 supporting schedules, exhibits and other explanatory material in  
21 respect to both current operations and capital improvements as the  
22 governor shall deem to be useful to the legislature. The budget  
23 document or documents shall set forth a proposal for expenditures in  
24 the ensuing fiscal period, or six-year period where applicable, based  
25 upon the estimated revenues and caseloads as approved by the economic  
26 and revenue forecast council and caseload forecast council or upon the  
27 estimated revenues and caseloads of the office of financial management  
28 for those funds, accounts, sources, and programs for which the forecast  
29 councils do not prepare an official forecast, including those revenues  
30 anticipated to support the six-year programs and financial plans under  
31 RCW 44.40.070. In estimating revenues to support financial plans under  
32 RCW 44.40.070, the office of financial management shall rely on  
33 information and advice from the transportation revenue forecast  
34 council. Revenues shall be estimated for such fiscal period from the  
35 source and at the rates existing by law at the time of submission of  
36 the budget document, including the supplemental budgets submitted in  
37 the even-numbered years of a biennium. However, the estimated revenues  
38 and caseloads for use in the governor's budget document may be adjusted

1 to reflect budgetary revenue transfers and revenue and caseload  
2 estimates dependent upon budgetary assumptions of enrollments,  
3 workloads, and caseloads. All adjustments to the approved estimated  
4 revenues and caseloads must be set forth in the budget document. The  
5 governor may additionally submit, as an appendix to each supplemental,  
6 biennial, or six-year agency budget or to the budget document or  
7 documents, a proposal for expenditures in the ensuing fiscal period  
8 from revenue sources derived from proposed changes in existing  
9 statutes.

10 Supplemental and biennial documents shall reflect a six-year  
11 expenditure plan consistent with estimated revenues from existing  
12 sources and at existing rates for those agencies required to submit  
13 six-year program and financial plans under RCW 44.40.070. Any  
14 additional revenue resulting from proposed changes to existing statutes  
15 shall be separately identified within the document as well as related  
16 expenditures for the six-year period.

17 The budget document or documents shall also contain:

18 (a) Revenues classified by fund and source for the immediately past  
19 fiscal period, those received or anticipated for the current fiscal  
20 period, those anticipated for the ensuing biennium, and those  
21 anticipated for the ensuing six-year period to support the six-year  
22 programs and financial plans required under RCW 44.40.070;

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

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

27 (d) Such additional information dealing with revenues and  
28 expenditures as the governor shall deem pertinent and useful to the  
29 legislature;

30 (e) Tabulations showing expenditures classified by fund, function,  
31 (~~activity,~~) and agency(~~(. However, documents submitted for the 2005-~~  
32 ~~07 biennial budget request need not show expenditures by activity))~~);

33 (~~A delineation of each agency's activities, including those~~  
34 ~~activities funded from nonbudgeted, nonappropriated sources, including~~  
35 ~~funds maintained~~)) The expenditures that include nonbudgeted,  
36 nonappropriated accounts outside the state treasury;

37 (g) Identification of all proposed direct expenditures to implement

1 the Puget Sound water quality plan under chapter 90.71 RCW, shown by  
2 agency and in total; and

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

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

15 (a) Interest, amortization and redemption charges on the state  
16 debt;

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

18 (c) Other statutory expenditures;

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

20 (e) Revenues derived from agency operations;

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

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

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

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

33 (j) A showing and explanation of anticipated amounts of general  
34 fund and other funds required to amortize the unfunded actuarial  
35 accrued liability of the retirement system specified under chapter  
36 41.45 RCW, and the contributions to meet such amortization, stated in  
37 total dollars and as a level percentage of total compensation.

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

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

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

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

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

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

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

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

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

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

32       (h) Estimated total project cost;

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



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

3 (k) Estimated ensuing biennium costs;

4 (l) Estimated costs beyond the ensuing biennium;

5 (m) Estimated construction start and completion dates;

6 (n) Source and type of funds proposed;

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

9 (p) For any capital appropriation requested for a state agency for  
10 the acquisition of land or the capital improvement of land in which the  
11 primary purpose of the acquisition or improvement is recreation or  
12 wildlife habitat conservation, the capital budget document, or an  
13 omnibus list of recreation and habitat acquisitions provided with the  
14 governor's budget document, shall identify the projected costs of  
15 operation and maintenance for at least the two biennia succeeding the  
16 next biennium. Omnibus lists of habitat and recreation land  
17 acquisitions shall include individual project cost estimates for  
18 operation and maintenance as well as a total for all state projects  
19 included in the list. The document shall identify the source of funds  
20 from which the operation and maintenance costs are proposed to be  
21 funded;

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

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

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

28 For purposes of this subsection (~~((3))~~) (5), the term "capital  
29 project" shall be defined subsequent to the analysis, findings, and  
30 recommendations of a joint committee comprised of representatives from  
31 the house capital appropriations committee, senate ways and means  
32 committee, legislative transportation committee, legislative evaluation  
33 and accountability program committee, and office of financial  
34 management.

35 (~~((4))~~) (6) No change affecting the comparability of agency or  
36 program information relating to expenditures, revenues, workload,  
37 performance and personnel shall be made in the format of any budget  
38 document or report presented to the legislature under this section or

1 RCW 43.88.160(1) relative to the format of the budget document or  
2 report which was presented to the previous regular session of the  
3 legislature during an odd-numbered year without prior legislative  
4 concurrence. Prior legislative concurrence shall consist of (a) a  
5 favorable majority vote on the proposal by the standing committees on  
6 ways and means of both houses if the legislature is in session or (b)  
7 a favorable majority vote on the proposal by members of the legislative  
8 evaluation and accountability program committee if the legislature is  
9 not in session.

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

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