
SUBSTITUTE HOUSE BILL 1834

State of Washington

59th Legislature

2005 Regular Session

By House Committee on Appropriations (originally sponsored by Representatives McIntire, Anderson, Kessler, Conway, Fromhold, Clements, Kagi, Linville, Jarrett, Hunter, Tom, Hinkle, Upthegrove, Kilmer, Wood and Santos)

READ FIRST TIME 03/07/05.

1 AN ACT Relating to establishing a process for reporting, reviewing,
2 and collecting data on performance measures; amending RCW 43.88.090 and
3 43.88.030; adding a new section to chapter 43.88 RCW; and adding a new
4 chapter to Title 44 RCW.

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

6 NEW SECTION. **Sec. 1.** INTENT. The legislature finds that although
7 state agencies have established missions, goals, and objectives to aid
8 in self-assessment and budget development, this process requires
9 further priority setting. First, state agencies must provide
10 policymakers with focus on the agencies' priority performance measures.
11 Second, legislators require the opportunity to review agencies'
12 proposed priority performance measures in light of the state's
13 priorities and the statutory purposes and policy goals of the programs.
14 Third, legislative and executive policymakers require quantifiable,
15 objective data that are measurable over time in order to gauge whether
16 progress is being made toward agencies' goals. Specifically, budget
17 managers and the legislature must have the data to move toward better
18 statewide results that produce the intended public benefit. By

1 compiling reliable data on valid performance measures for the state's
2 policy priorities, legislative and executive policymakers will be able
3 to make better budgeting decisions.

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

6 ALONG WITH MISSIONS AND GOALS, AGENCIES MUST ESTABLISH PERFORMANCE
7 MEASURES--PRIORITY PERFORMANCE MEASURES SUBMITTED FOR LEGISLATIVE
8 REVIEW. (1) For purposes of developing budget proposals to the
9 legislature, the governor shall have the power, and it shall be the
10 governor's duty, to require from proper agency officials such detailed
11 estimates and other information in such form and at such times as the
12 governor shall direct. The estimates for the legislature and the
13 judiciary shall be transmitted to the governor and shall be included in
14 the budget without revision. The estimates for state pension
15 contributions shall be based on the rates provided in chapter 41.45
16 RCW. Copies of all such estimates shall be transmitted to the standing
17 committees on ways and means of the house and senate at the same time
18 as they are filed with the governor and the office of financial
19 management.

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

31 (2) Each state agency shall define its mission and establish
32 measurable goals for achieving desirable results for those who receive
33 its services and the taxpayers who pay for those services. Each agency
34 shall also develop clear strategies and timelines to achieve its goals.
35 This section does not require an agency to develop a new mission or
36 goals in place of identifiable missions or goals that meet the intent

1 of this section. The mission and goals of each agency must conform to
2 statutory direction and limitations.

3 (3)(a) For the purpose of assessing program performance, each state
4 agency shall establish ~~((program objectives))~~ performance measures for
5 each major program in its budget. The ~~((objectives))~~ performance
6 measures must be consistent with the missions and goals developed under
7 this section and with the statutory purpose of the program. The
8 ~~((objectives))~~ performance measures must be expressed ~~((to the extent~~
9 ~~practicable))~~ in a form that is outcome-based, objective, and
10 measurable ~~((form))~~ over time unless an exception to adopt a different
11 standard is granted by the office of financial management and approved
12 by the legislative evaluation and accountability program committee ~~((on~~
13 ~~performance review))~~.

14 (b) In addition to performance measures developed by state agencies
15 under (a) of this subsection, the office of financial management shall
16 submit proposed priority performance measures to the legislature for
17 its review under the process established in section 3 of this act. The
18 total number of priority performance measures for state government as
19 a whole should be at least one hundred but not more than two hundred.

20 (c) The office of financial management shall provide necessary
21 professional and technical assistance to assist state agencies in the
22 development of strategic plans that include the mission of the agency
23 and its programs, measurable goals, strategies, and performance
24 measurement systems.

25 (4) Each state agency shall adopt procedures for continuous self-
26 assessment of each program and activity, using the mission, goals,
27 ~~((objectives, and measurements))~~ and performance measures required
28 under subsections (2) and (3) of this section.

29 (5) It is the policy of the legislature that each agency's budget
30 proposals must be directly linked to the agency's stated mission and
31 program goals and ~~((objectives))~~ performance measures. Consistent with
32 this policy, agency budget proposals must include integration of
33 performance measures that allow objective determination of a program's
34 success in achieving its goals. The office of financial management
35 shall develop a plan to merge the budget development process with
36 agency performance assessment procedures. ~~((The plan must include a~~
37 ~~schedule to integrate agency strategic plans and performance measures~~
38 ~~into agency budget requests and the governor's budget proposal over~~

1 ~~three fiscal biennia. The plan must identify those agencies that will~~
2 ~~implement the revised budget process in the 1997-1999 biennium, the~~
3 ~~1999-2001 biennium, and the 2001-2003 biennium. In consultation with~~
4 ~~the legislative fiscal committees, the office of financial management~~
5 ~~shall recommend statutory and procedural modifications to the state's~~
6 ~~budget, accounting, and reporting systems to facilitate the performance~~
7 ~~assessment procedures and the merger of those procedures with the state~~
8 ~~budget process. The plan and recommended statutory and procedural~~
9 ~~modifications must be submitted to the legislative fiscal committees by~~
10 ~~September 30, 1996.)~~)

11 (6) In the year of the gubernatorial election, the governor shall
12 invite the governor-elect or the governor-elect's designee to attend
13 all hearings provided in RCW 43.88.100; and the governor shall furnish
14 the governor-elect or the governor-elect's designee with such
15 information as will enable the governor-elect or the governor-elect's
16 designee to gain an understanding of the state's budget requirements.
17 The governor-elect or the governor-elect's designee may ask such
18 questions during the hearings and require such information as the
19 governor-elect or the governor-elect's designee deems necessary and may
20 make recommendations in connection with any item of the budget which,
21 with the governor-elect's reasons therefor, shall be presented to the
22 legislature in writing with the budget document. Copies of all such
23 estimates and other required information shall also be submitted to the
24 standing committees on ways and means of the house of representatives
25 and senate.

26 NEW SECTION. Sec. 3. PROCESS ESTABLISHED FOR LEGISLATIVE REVIEW
27 OF PRIORITY PERFORMANCE MEASURES PROPOSED BY AGENCIES. By October 1st
28 of each odd-numbered year, beginning in 2005, the office of financial
29 management must submit proposed priority performance measures to the
30 legislative fiscal committees under RCW 43.88.030. The proposed
31 priority performance measures are subject to legislative review as
32 provided in this section.

33 (1) Upon receipt of the governor's proposed priority performance
34 measures, the legislative fiscal committees shall distribute the
35 measures among the appropriate legislative committees for those
36 committees' review.

1 (2) The legislative committees shall review the proposed priority
2 performance measures for policy and program priority, measurability,
3 specificity, objectivity, and conformance with statutes and legislative
4 intent.

5 (3) The legislative committees shall recommend any revisions to the
6 proposed priority performance measures to the legislative fiscal
7 committees. The legislative fiscal committees must consider the
8 proposed revisions and may adopt different or additional revisions,
9 based on the state's policy and program priorities and fiscal
10 constraints.

11 (4) The legislative fiscal committees, individually or jointly
12 during the regular session in each even-numbered year, beginning in
13 2006, shall adopt priority performance measures during an executive
14 session and shall forward these to the office of financial management
15 for inclusion in the biennial budget process. By July 1st of each
16 even-numbered year, the office of financial management shall report to
17 the legislative fiscal committees regarding any changes the office
18 makes to the priority performance measures adopted by the legislative
19 fiscal committees under this subsection.

20 (5) For purposes of this chapter only, "legislative fiscal
21 committees" means the senate committee on ways and means, the house of
22 representatives committee on appropriations, and the house of
23 representatives and senate committees on transportation, or their
24 successors.

25 (6) The house of representatives and senate, jointly or separately,
26 may adopt rules or resolutions to implement their respective
27 responsibilities under this section.

28 NEW SECTION. **Sec. 4.** LEAP CREATES DATA BASE ON PRIORITY
29 PERFORMANCE MEASURES. The joint legislative evaluation and
30 accountability program committee, in consultation with the joint
31 legislative audit and review committee, shall compile, validate, and
32 create a data base of historical information on priority performance
33 measures established under RCW 43.88.090(3).

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

36 OFM REPORTS PRIORITY PERFORMANCE MEASURE DATA TO LEAP. The office

1 of financial management shall compile data on agencies' progress toward
2 meeting priority performance measures. The office of financial
3 management shall report the data to the legislative evaluation and
4 accountability program committee on a semiannual basis.

5 **Sec. 6.** RCW 43.88.030 and 2004 c 276 s 908 are each amended to
6 read as follows:

7 GOVERNOR'S BUDGET DOCUMENT MUST INCLUDE PERFORMANCE MEASURES,
8 INCLUDING PRIORITY MEASURES; THE BUDGET DOCUMENT MUST INDICATE
9 PROGRESS. (1) The director of financial management shall provide all
10 agencies with a complete set of instructions for submitting biennial
11 budget requests to the director at least three months before agency
12 budget documents are due into the office of financial management. The
13 director shall provide agencies and committees that are required under
14 RCW 44.40.070 to develop comprehensive six-year program and financial
15 plans with a complete set of instructions for submitting these program
16 and financial plans at the same time that instructions for submitting
17 other budget requests are provided. The budget document or documents
18 shall consist of the governor's budget message which shall be
19 explanatory of the budget and shall contain an outline of the proposed
20 financial policies of the state for the ensuing fiscal period, as well
21 as an outline of the proposed six-year financial policies where
22 applicable, and shall describe in connection therewith the important
23 features of the budget. The message shall set forth the reasons for
24 salient changes from the previous fiscal period in expenditure and
25 revenue items and shall explain any major changes in financial policy.
26 Attached to the budget message shall be such supporting schedules,
27 exhibits and other explanatory material in respect to both current
28 operations and capital improvements as the governor shall deem to be
29 useful to the legislature. The budget document or documents shall set
30 forth a proposal for expenditures in the ensuing fiscal period, or six-
31 year 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
37 six-year programs and financial plans under RCW 44.40.070. In

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

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

24 The budget document or documents shall also contain:

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

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

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

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

37 (e) Tabulations showing expenditures classified by fund, function,

1 activity, and agency. However, documents submitted for the 2005-07
2 biennial budget request need not show expenditures by activity;

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

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

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

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

21 (a) Interest, amortization and redemption charges on the state
22 debt;

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

24 (c) Other statutory expenditures;

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

26 (e) Revenues derived from agency operations;

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

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

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

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

1 (j) A showing and explanation of anticipated amounts of general
2 fund and other funds required to amortize the unfunded actuarial
3 accrued liability of the retirement system specified under chapter
4 41.45 RCW, and the contributions to meet such amortization, stated in
5 total dollars and as a level percentage of total compensation.

6 (3) The governor's operating budget shall identify:

7 (a) Performance measures adopted under RCW 43.88.090(3)(a);

8 (b) Priority performance measures adopted under section 3 of this
9 act, along with information about progress toward these priority
10 performance measures; and

11 (c) Any new or revised priority performance measures proposed by
12 the governor.

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

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

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

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

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

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

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

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

3 (h) Estimated total project cost;

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

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

12 (k) Estimated ensuing biennium costs;

13 (l) Estimated costs beyond the ensuing biennium;

14 (m) Estimated construction start and completion dates;

15 (n) Source and type of funds proposed;

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

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

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

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

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

37 For purposes of this subsection (~~(3)~~) (4), the term "capital
38 project" shall be defined subsequent to the analysis, findings, and

1 recommendations of a joint committee comprised of representatives from
2 the house capital appropriations committee, senate ways and means
3 committee, legislative transportation committee, legislative evaluation
4 and accountability program committee, and office of financial
5 management.

6 ~~((4))~~ (5) No change affecting the comparability of agency or
7 program information relating to expenditures, revenues, workload,
8 performance and personnel shall be made in the format of any budget
9 document or report presented to the legislature under this section or
10 RCW 43.88.160(1) relative to the format of the budget document or
11 report which was presented to the previous regular session of the
12 legislature during an odd-numbered year without prior legislative
13 concurrence. Prior legislative concurrence shall consist of (a) a
14 favorable majority vote on the proposal by the standing committees on
15 ways and means of both houses if the legislature is in session or (b)
16 a favorable majority vote on the proposal by members of the legislative
17 evaluation and accountability program committee if the legislature is
18 not in session.

19 NEW SECTION. **Sec. 7.** CAPTIONS. Captions used in this act are not
20 any part of the law.

21 NEW SECTION. **Sec. 8.** Sections 1, 3, 4, and 7 of this act
22 constitute a new chapter in Title 44 RCW.

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