

SENATE BILL REPORT

SB 6423

As Reported by Senate Committee On:
Accountability & Reform, February 3, 2016

Title: An act relating to improving state budgeting through zero-based budget reviews.

Brief Description: Improving state budgeting through zero-based budget reviews.

Sponsors: Senators Miloscia, Braun, Schoesler, Brown, Roach, Sheldon and Benton.

Brief History:

Committee Activity: Accountability & Reform: 1/27/16, 2/03/16 [DP-WM].

SENATE COMMITTEE ON ACCOUNTABILITY & REFORM

Majority Report: Do pass and be referred to Committee on Ways & Means.
Signed by Senators Miloscia, Chair; Padden, Vice Chair; Dandel.

Staff: Karen Barrett (786-7413)

Background: Zero-based budgeting is a process that allocates funding based on program efficiency and necessity rather than budget history. As opposed to traditional budgeting, no item is automatically included in the next budget. The National Conference of State Legislatures reports that modified forms of zero-based budgeting can be found in the public sector however, no state has used any one form of zero based budgeting for an extended period of time. The modified forms in practice are: (1) alternative - or target - budgeting, which requires agencies to make budget requests at various levels below and above their current level, along with comparisons of the consequences at each level; or (2) periodic review budgeting, which requires each agency - over a number of years, usually five to eight - to review, from the ground up, their budgets, responsibilities, strategies, and performance.

Summary of Bill: Overview. The Governor and Legislature must consider zero-base review packages when they prepare state budgets. The omnibus operating appropriations act is identified as the preferred vehicle to start zero base review when formulating a state budget. Major state activities would be examined once a decade and could extend to transportation programs or the state's capital program. Any act of the legislature can serve to require zero-base reviews.

Zero-base reviews consist of these named elements:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

- Statement clarifying the statutory or enabling basis and history of the program;
- Description of how the program fits within the strategic plan and goals of the agency;
- Description of populations served with supporting cost and staffing data that clarify levels necessary to accomplish goals where they depart from maintenance level;
- Analysis of the program's quantified objectives within the agency;
- Analysis of major cost and benefits with rationale for specific expenditure and staffing levels;
- Analysis of administrative and overhead cost to operate the program within the agency; and
- Where applicable, analysis estimating the amount of funds or benefits that actually reach the intended recipients.

Timing of Reform and Filing of Information. The bill calls for 20 percent of non-entitlement programs to be subject to a zero-base review, immediately anticipating the 2017-2019 budget formation cycle. A distinct package would be prepared by agencies whose programs are subject to zero base review apart from state government's incremental change approach to formation. Selected agencies would analyze, prepare, and file information electronically with the State's fiscal website managed by the Legislative Evaluation and Accountability Program. The zero-base review process is codified in the Budgeting, Accounting and Reporting Act for state government.

Definitions. "Program" is defined for purposes of zero-base reviews as meaning a service or group of services designed to accomplish a specific public goal and result in specific public benefits, exempting entitlement services from zero-base reviews. Without defining entitlement, the bill points to caseload forecasted programs as already served by a form of zero base review. An agency activity may encompass several programs or the agency activity could be one program and for clarity, the measure points lawmaking towards the activity inventory maintained by the Office of Financial Management.

Duties of the Legislature. The bill proposes that the Legislature initiates and may call out programs by functional area, broaden or narrow the definition of program for specific agencies, and prioritize the zero-base reviews. At least one public hearing before the Senate Ways and Means and House Appropriations committees, respectively, must occur on zero-base review information produced by agencies when submitted for formation of budgets each biennium.

Appropriation: No

Fiscal Note: Requested January 19, 2016.

Committee/Commission/Task Force Created: None

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony: OTHER: The current development process is resource intensive as agencies and stakeholders' consider programs to formulate recommendations. The executive and legislative branches share data systems that would require modification to support this proposal. The Office of Financial Management would

like to see the transformation case more fleshed out: what constitutes zero? How will the state deal with court orders, legal decisions, and federal requirements as zero-base reviews proceed? Should the state invest in the activity or systems to better understand the cost structure and book of business? There is unavoidable tension between information to formulate budgets and delivery of services to consider. The University of Washington expects it would hire five to eight full-time equivalent staff to execute zero-base reviews for the State and offers that its budget is already activity-based in form. Accreditation bodies receive modified zero-base reviews once every seven years for most higher education program offerings.

Persons Testifying: OTHER: Scott Merriman, OFM; Genesee Adkins, UW

Persons Signed In To Testify But Not Testifying: No one.