

HOUSE BILL REPORT

HB 1399

As Reported By House Committee On:

Appropriations

Title: An act relating to greater fiscal responsibility and accountability during the budget adoption process by providing for a modified zero-base budget review.

Brief Description: Providing for a modified zero-based budget review.

Sponsors: Representatives Silver, Johnson, D. Schmidt, Carrell, Thompson, Goldsmith, McMahan, Robertson, Hargrove, Hymes, Clements, Pennington, Crouse, Lambert, Elliot, Hankins, Hickel, Honeyford, Smith, Delvin, Foreman, Lisk, Schoesler, Mielke, Sheahan, Van Luven, Sheldon, Chandler, Casada, Mulliken, B. Thomas, Backlund, Talcott, Dyer, Cooke, L. Thomas, Mitchell, Huff, Boldt and McMorris.

Brief History:

Committee Activity:

Appropriations: 2/7/95, 2/28/95 [DPS].

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 26 members: Representatives Silver, Chairman; Clements, Vice Chairman; Huff, Vice Chairman; Sommers, Ranking Minority Member; Valle, Assistant Ranking Minority Member; Basich; Beeksma; Brumsickle; Carlson; Chappell; Cooke; Crouse; Dellwo; Foreman; Grant; Hargrove; Hickel; Jacobsen; Lambert; Lisk; McMorris; Poulsen; Sehlin; Sheahan; Talcott and Thibaudeau.

Minority Report: Do not pass. Signed by 1 member: Representative Rust.

Staff: Victor Moore (786-7143).

Background: Historically, the state of Washington has used a method of budgeting known as "incremental budgeting." This method uses current funding levels as a starting point or base, adjusting upward or downward based on a variety of factors: increased workload, full-biennium funding of programs or policies funded for less than 24 months in the current biennium, inflation, and policy initiatives which might either increase or decrease funding.

In practice, incremental budgeting focuses on changes at the margin. A large piece of the budget is based on the assumption that expenditures for current activities are an accurate predictor of funding requirements for the same activities in the next fiscal period.

Summary of Substitute Bill: The Budget and Accounting Act (43.88 RCW) is amended to require periodic budgetary review of state programs using a method known as "modified zero-based budget review." The review is to be completed without reference to past incremental funding, and shall include an analysis of administrative and program costs, an estimate of the amount of funds or benefits that actually reach the intended recipients, and a cost benefit analysis, if appropriate. The analysis shall cover both the base budget level and contemplated enhancements. Only the state general fund portion of any program shall be included in the review.

The review shall be performed concurrently but independently by the Senate Committee on Ways and Means and the House Committee on Appropriations. A joint select committee, consisting of the chairmen and ranking minority members of the House Appropriations Committee and the Senate Ways & Means Committee, with advice from the Office of Financial Management, shall develop data requirements and review format.

Timelines for planning and review activities are placed in statute. The schedule provides for a six-year cycle of review for all programs funded by the state general fund.

Substitute Bill Compared to Original Bill: Language is removed which places requirements on the contents of the biennial budget. A joint select committee is created to establish the method and format for the review, rather than the House and Senate fiscal staff. Language is deleted requiring the Office of Financial Management to act as advisor in coordinating the review with state agencies and which would place the review format in the Washington Administrative Code.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: Modified, zero-based budgeting increases accountability, provides a fresh look at services, and helps ensure that tax dollars are spent wisely.

Testimony Against: None.

Testified: Douglas Downing, Seattle Pacific University; and Dick Davis, WRC (in favor).