
ENGROSSED SUBSTITUTE HOUSE BILL 3080

State of Washington

58th Legislature

2004 Regular Session

By House Committee on Appropriations (originally sponsored by Representatives Linville and Rockefeller)

READ FIRST TIME 02/10/04.

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 performance, each state
35 agency shall establish program, quality, and productivity objectives
36 for each major program in its budget. The objectives must be
37 consistent with the missions and goals developed under this section.
38 The objectives must be expressed to the extent practicable in outcome-

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

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 success in achieving its goals. When a
34 review under subsection (4) of this section or other analysis
35 determines that the agency's objectives demonstrate that the agency is
36 making insufficient progress toward the goals of any particular program
37 or is otherwise underachieving or inefficient, the agency's budget
38 request shall contain proposals to remedy or improve the selected

1 programs. The office of financial management shall develop a plan to
2 merge the budget development process with agency performance assessment
3 procedures. The plan must include a schedule to integrate agency
4 strategic plans and performance measures into agency budget requests
5 and the governor's budget proposal over three fiscal biennia. The plan
6 must identify those agencies that will implement the revised budget
7 process in the 1997-1999 biennium, the 1999-2001 biennium, and the
8 2001-2003 biennium. In consultation with the legislative fiscal
9 committees, the office of financial management shall recommend
10 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 programs demonstrate
19 progress toward the statewide priorities, identified by the governor
20 and the legislature, along with any specific review conducted under
21 subsection (4) of this section.

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

36 **Sec. 3.** RCW 43.88.030 and 2002 c 371 s 911 are each amended to
37 read as follows:

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

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

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

18 The budget document or documents shall also contain:

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

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

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

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

31 (e) Tabulations showing expenditures classified by fund, function,
32 activity, and agency. However, documents submitted for the 2003-05
33 biennial budget request need not show expenditures by activity;

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

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

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

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

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

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

19 (c) Other statutory expenditures;

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

21 (e) Revenues derived from agency operations;

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

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

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

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

34 (j) A showing and explanation of anticipated amounts of general
35 fund and other funds required to amortize the unfunded actuarial
36 accrued liability of the retirement system specified under chapter
37 41.45 RCW, and the contributions to meet such amortization, stated in
38 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 programs 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, 2004, in the omnibus appropriations act, this act is null and
13 void.

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