
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 the incorporation of agency missions,
8 goals, and objectives into the state budgeting process has not produced
9 a sufficient focus on outcomes, as opposed to mere outputs. It is the
10 intent of the legislature to refocus the state budgeting process on how
11 state agencies are producing real results that reflect the goals of
12 statutory programs. Specifically, budget managers and the legislature
13 must have the data to determine that agencies are using taxpayer
14 funding to move toward objectives that produce the intended public
15 benefit. This data must be supplied in an impartial, quantifiable
16 form, yet it must be more than mere statistics that do not demonstrate
17 progress toward intended goals. With a renewed focus on achieving true
18 results, state agencies, the office of financial management, and the

1 legislature will be able to prioritize state resources among their most
2 effective uses.

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

5 (1) For purposes of developing budget proposals to the legislature,
6 the governor shall have the power, and it shall be the governor's duty,
7 to require from proper agency officials such detailed estimates and
8 other information in such form and at such times as the governor shall
9 direct. It is the governor's responsibility to communicate priority
10 government functions to agencies for use in developing budget
11 recommendations for their agency. In developing these priority
12 functions, the governor shall utilize a process that provides for
13 public involvement and input. The estimates for the legislature and
14 the judiciary shall be transmitted to the governor and shall be
15 included in the budget without revision. The estimates for state
16 pension contributions shall be based on the rates provided in chapter
17 41.45 RCW. Copies of all such estimates shall be transmitted to the
18 standing committees on ways and means of the house and senate at the
19 same time as they are filed with the governor and the office of
20 financial management.

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

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

1 goals in place of identifiable missions or goals that meet the intent
2 of this section. The mission and goals of each agency must conform to
3 statutory direction and limitations.

4 (3) For the purpose of assessing program performance, each state
5 agency shall establish program, quality, and productivity objectives
6 for each major program in its budget. The objectives must be
7 consistent with the missions and goals developed under this section.
8 The objectives must be expressed to the extent practicable in outcome-
9 based, objective, and measurable form unless an exception to adopt a
10 different standard is granted by the office of financial management and
11 approved by the legislative committee on performance review. In
12 particular, objectives must specifically address the substantive
13 purpose of the program and shall focus on data that measure whether the
14 agency is achieving or making progress toward the purpose of the
15 program. Objectives that merely list output or similar statistics are
16 presumptively insufficient. The office of financial management shall
17 provide necessary professional and technical assistance to assist state
18 agencies in the development of strategic plans that include the mission
19 of the agency and its programs, measurable goals, strategies, and
20 performance measurement systems.

21 (4) Each state agency shall adopt procedures for and perform
22 continuous self-assessment of each program and activity, using the
23 mission, goals, objectives, and measurements required under subsections
24 (2) and (3) of this section. Agencies' progress toward the mission,
25 goals, objectives, and measurements required by subsections (2) and (3)
26 of this section is subject to review as set forth in this subsection.

27 (a) For agencies headed by gubernatorial appointees, the office of
28 financial management shall quarterly conduct reviews of selected
29 programs to analyze whether the objectives and measurements submitted
30 by agencies demonstrate progress toward the agencies' mission and
31 goals.

32 (b) For agencies headed by commissions or separately elected
33 officials, the commission or official shall conduct quarterly reviews
34 of selected programs to analyze whether the objectives and measurements
35 submitted by agencies demonstrate progress toward the agencies' mission
36 and goals.

37 (c) The office of financial management, in consultation with the
38 higher education coordinating board, shall conduct annual reviews of

1 comprehensive and research higher education institutions to analyze
2 whether the objectives and measurements submitted by institutions
3 demonstrate progress toward the institutions' mission and goals.

4 (d) The office of financial management, in consultation with the
5 state board for community and technical colleges, shall conduct annual
6 reviews of randomly selected community and technical colleges to
7 analyze whether the objectives and measurements submitted by colleges
8 demonstrate progress toward the colleges' mission and goals.

9 (e) The goal is for all programs to receive at least one review
10 annually.

11 (5) It is the policy of the legislature that each agency's budget
12 (~~proposals~~) recommendations must be directly linked to the agency's
13 stated mission and program, quality, and productivity goals and
14 objectives. Consistent with this policy, agency budget proposals must
15 include integration of performance measures that allow objective
16 determination of a program's success in achieving its goals. Where a
17 review under subsection (4) of this section or other analysis
18 determines that the agency's objectives demonstrate that the agency is
19 making insufficient progress toward the goals of any particular program
20 or is otherwise underachieving or inefficient, the agency's budget
21 request shall contain proposals to remedy or improve the program. The
22 office of financial management shall develop a plan to merge the budget
23 development process with agency performance assessment procedures. The
24 plan must include a schedule to integrate agency strategic plans and
25 performance measures into agency budget requests and the governor's
26 budget proposal over three fiscal biennia. The plan must identify
27 those agencies that will implement the revised budget process in the
28 1997-1999 biennium, the 1999-2001 biennium, and the 2001-2003 biennium.
29 In consultation with the legislative fiscal committees, the office of
30 financial management shall recommend statutory and procedural
31 modifications to the state's budget, accounting, and reporting systems
32 to facilitate the performance assessment procedures and the merger of
33 those procedures with the state budget process. The plan and
34 recommended statutory and procedural modifications must be submitted to
35 the legislative fiscal committees by September 30, 1996.

36 (6) In reviewing agency budget requests in order to prepare the
37 governor's budget request, the office of financial management shall
38 consider the extent to which the agency's programs demonstrate progress

1 toward the priorities and functions identified by the governor and the
2 legislature, along with any specific review conducted under subsection
3 (4) of this section. If the agency's objectives demonstrate that the
4 agency is making insufficient progress toward the priority functions or
5 is underachieving or inefficient in producing measurable results, the
6 office of financial management, in consultation with the agency, shall
7 propose remedies or improvements.

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

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

24 (1) The director of financial management shall provide all agencies
25 with a complete set of instructions for submitting biennial budget
26 requests to the director at least three months before agency budget
27 documents are due into the office of financial management. The
28 director shall provide agencies and committees that are required under
29 RCW 44.40.070 to develop comprehensive six-year program and financial
30 plans with a complete set of instructions for submitting these program
31 and financial plans at the same time that instructions for submitting
32 other budget requests are provided. The budget document or documents
33 shall consist of the governor's budget message which shall be
34 explanatory of the budget and shall contain an outline of the proposed
35 financial policies of the state for the ensuing fiscal period, as well
36 as an outline of the proposed six-year financial policies where
37 applicable, and shall describe in connection therewith the important

1 features of the budget. The budget document or documents shall also
2 describe, in detail, the accountability measures to demonstrate
3 measurable improvement towards priority policy functions. The message
4 shall set forth the reasons for salient changes from the previous
5 fiscal period in expenditure and revenue items and shall explain any
6 major changes in financial policy. Attached to the budget message
7 shall be such supporting schedules, exhibits and other explanatory
8 material, including performance data, in respect to both current
9 operations and capital improvements as the governor shall deem to be
10 useful to the legislature. The budget document or documents shall set
11 forth a proposal for expenditures and performance goals in the ensuing
12 fiscal period, or six-year period where applicable, based upon the
13 estimated revenues and caseloads as approved by the economic and
14 revenue forecast council and caseload forecast council or upon the
15 estimated revenues and caseloads of the office of financial management
16 for those funds, accounts, sources, and programs for which the forecast
17 councils do not prepare an official forecast, including those revenues
18 anticipated to support the six-year programs and financial plans under
19 RCW 44.40.070. In estimating revenues to support financial plans under
20 RCW 44.40.070, the office of financial management shall rely on
21 information and advice from the transportation revenue forecast
22 council. Revenues shall be estimated for such fiscal period from the
23 source and at the rates existing by law at the time of submission of
24 the budget document, including the supplemental budgets submitted in
25 the even-numbered years of a biennium. However, the estimated revenues
26 and caseloads for use in the governor's budget document may be adjusted
27 to reflect budgetary revenue transfers and revenue and caseload
28 estimates dependent upon budgetary assumptions of enrollments,
29 workloads, and caseloads. All adjustments to the approved estimated
30 revenues and caseloads must be set forth in the budget document. The
31 governor may additionally submit, as an appendix to each supplemental,
32 biennial, or six-year agency budget or to the budget document or
33 documents, a proposal for expenditures in the ensuing fiscal period
34 from revenue sources derived from proposed changes in existing
35 statutes.

36 Supplemental and biennial documents shall reflect a six-year
37 expenditure plan consistent with estimated revenues from existing
38 sources and at existing rates for those agencies required to submit

1 six-year program and financial plans under RCW 44.40.070. Any
2 additional revenue resulting from proposed changes to existing statutes
3 shall be separately identified within the document as well as related
4 expenditures for the six-year period.

5 The budget document or documents shall also contain:

6 (a) Revenues classified by fund and source for the immediately past
7 fiscal period, those received or anticipated for the current fiscal
8 period, those anticipated for the ensuing biennium, and those
9 anticipated for the ensuing six-year period to support the six-year
10 programs and financial plans required under RCW 44.40.070;

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

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

15 (d) Such additional information dealing with revenues and
16 expenditures as the governor shall deem pertinent and useful to the
17 legislature;

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

21 (f) A delineation of each agency's ((activities)) program
22 performance, including those activities funded from nonbudgeted,
23 nonappropriated sources, including funds maintained outside the state
24 treasury;

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

28 (h) Tabulations showing each postretirement adjustment by
29 retirement system established after fiscal year 1991, to include, but
30 not be limited to, estimated total payments made to the end of the
31 previous biennial period, estimated payments for the present biennium,
32 and estimated payments for the ensuing biennium.

33 (2) The budget document or documents shall include detailed
34 estimates of all anticipated revenues applicable to proposed operating
35 or capital expenditures and shall also include all proposed operating
36 or capital expenditures. The total of beginning undesignated fund
37 balance and estimated revenues less working capital and other reserves

1 shall equal or exceed the total of proposed applicable expenditures.
2 The budget document or documents shall further include:

- 3 (a) Interest, amortization and redemption charges on the state
4 debt;
- 5 (b) Payments of all reliefs, judgments, and claims;
- 6 (c) Other statutory expenditures;
- 7 (d) Expenditures incident to the operation for each agency;
- 8 (e) Revenues derived from agency operations;
- 9 (f) Expenditures and revenues shall be given in comparative form
10 showing those incurred or received for the immediately past fiscal
11 period and those anticipated for the current biennium and next ensuing
12 biennium, as well as those required to support the six-year programs
13 and financial plans required under RCW 44.40.070;
- 14 (g) A showing and explanation of amounts of general fund and other
15 funds obligations for debt service and any transfers of moneys that
16 otherwise would have been available for appropriation;
- 17 (h) Common school expenditures on a fiscal-year basis;
- 18 (i) A showing, by agency, of the value and purpose of financing
19 contracts for the lease/purchase or acquisition of personal or real
20 property for the current and ensuing fiscal periods; and
- 21 (j) A showing and explanation of anticipated amounts of general
22 fund and other funds required to amortize the unfunded actuarial
23 accrued liability of the retirement system specified under chapter
24 41.45 RCW, and the contributions to meet such amortization, stated in
25 total dollars and as a level percentage of total compensation.

26 (3) The governor's operating budget document or documents shall
27 reflect agency goals, objectives, and outcomes as required by RCW
28 43.88.090.

29 (4) The governor's operating budget document or documents shall
30 contain proposals to remedy or improve programs that are determined to
31 be underachieving or inefficient as determined by the analysis of
32 agency goals, objectives, and outcomes required by RCW 43.88.090.

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

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

1 (b) A capital program consisting of proposed capital projects for
2 the next biennium and the two biennia succeeding the next biennium
3 consistent with the long-range facilities plan. Inasmuch as is
4 practical, and recognizing emergent needs, the capital program shall
5 reflect the priorities, projects, and spending levels proposed in
6 previously submitted capital budget documents in order to provide a
7 reliable long-range planning tool for the legislature and state
8 agencies;

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

11 (d) A strategic plan for reducing backlogs of maintenance and
12 repair projects. The plan shall include a prioritized list of specific
13 facility deficiencies and capital projects to address the deficiencies
14 for each agency, cost estimates for each project, a schedule for
15 completing projects over a reasonable period of time, and
16 identification of normal maintenance activities to reduce future
17 backlogs;

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

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

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

23 (h) Estimated total project cost;

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

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

32 (k) Estimated ensuing biennium costs;

33 (l) Estimated costs beyond the ensuing biennium;

34 (m) Estimated construction start and completion dates;

35 (n) Source and type of funds proposed;

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

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

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

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

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

20 For purposes of this subsection (~~((3))~~) (5), the term "capital
21 project" shall be defined subsequent to the analysis, findings, and
22 recommendations of a joint committee comprised of representatives from
23 the house capital appropriations committee, senate ways and means
24 committee, legislative transportation committee, legislative evaluation
25 and accountability program committee, and office of financial
26 management.

27 (~~((4))~~) (6) No change affecting the comparability of agency or
28 program information relating to expenditures, revenues, workload,
29 performance and personnel shall be made in the format of any budget
30 document or report presented to the legislature under this section or
31 RCW 43.88.160(1) relative to the format of the budget document or
32 report which was presented to the previous regular session of the
33 legislature during an odd-numbered year without prior legislative
34 concurrence. Prior legislative concurrence shall consist of (a) a
35 favorable majority vote on the proposal by the standing committees on
36 ways and means of both houses if the legislature is in session or (b)
37 a favorable majority vote on the proposal by members of the legislative

1 evaluation and accountability program committee if the legislature is
2 not in session.

3 NEW SECTION. **Sec. 4.** If specific funding for the purposes of this
4 act, referencing this act by bill or chapter number, is not provided by
5 June 30, 2004, in the omnibus appropriations act, this act is null and
6 void.

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