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## Appropriations Committee

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### SB 5066

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

**Sponsors:** Senators Miloscia, Rivers, Zeiger, Rossi, Fortunato, Bailey, O'Ban, Honeyford, Sheldon, Brown, Schoesler, Padden and Angel.

#### Brief Summary of Bill

- Requires that the Legislature identify 20 percent of non-entitlement programs on which agencies must perform a zero-based budget analysis and submit this analysis with their biennial budget request for the ensuing biennium, beginning in 2018 and in each subsequent even-numbered year.
- Specifies the information and analysis to be included in the zero-based budget review.
- Requires that the Governor and Legislature consider the zero-based budget reviews in their budget development process.
- Requires that the zero-based budget reviews be posted on the state's fiscal website (fiscal.wa.gov).

**Hearing Date:** 3/15/17

**Staff:** Charlie Gavigan (786-7340).

#### Background:

The state government operates on a fiscal biennium that begins on July 1 of each odd-numbered year. A two-year biennial operating budget is adopted every odd-numbered year. Supplemental budgets frequently are enacted in each of the following two years after adoption of the biennial budget. Appropriations are made in the biennial and supplemental budgets for the operation of state government and its various agencies and institutions, including higher education, as well as allocations for the funding of K-12 public schools.

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*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.*

The biennial budget process begins in the spring of even-numbered years when agencies first begin to prepare their request for the ensuing biennium. Agency requests typically are submitted to the Governor's Office of Financial Management (OFM) in early fall of that year. The Governor submits his or her budget request each December.

The OFM must provide all agencies with a complete set of instructions for submitting budget requests at least three months prior to those requests being due to the OFM. While some requirements are contained only in the instructions, many are contained in statute. Some examples of information required by statute to be in the Governor's budget include:

- performance indicators that demonstrate measurable progress towards priority results;
- reasons for salient changes from the previous fiscal period in expenditure and revenue items including explanations of any major changes in financial policy; and
- supporting schedules, exhibits, and other explanatory material including expenditures, revenues, workloads, and projected fund balances.

In addition, changes affecting the comparability of agency or program information relating to expenditures, revenues, workload, performance, and personnel in the prior biennium may be made only with prior legislative concurrence.

Washington has elements of incremental, modified zero-based, and performance-based approaches in its budget development process.

### **Summary of Bill:**

Beginning in 2018 and in each even-numbered year thereafter, the Legislature must specify non-entitlement programs for which agencies must perform a zero-based budget review for inclusion in their budget request for the ensuing biennium. It is the intent of the Legislature that 20 percent of all state non-entitlement programs be subject to a zero-based budget review each biennium, and that every program receive a zero-based budget review within a 10-year cycle.

When selecting programs for review, the Legislature may specify programs by functional area, such as education, health care, other human services, natural resources, and general government, or may specify programs as prioritized by the Legislature. When selecting programs for a zero-based budget review for a particular biennium, the Legislature may broaden or narrow the definition of program for specific agencies.

Beginning with the biennial budget request for the 2019-21 fiscal biennium and with each biennial budget request thereafter, agencies must submit zero-based budget reviews for the programs identified by the Legislature for review that biennium. Information and analysis submitted by agencies for the zero-based review must include:

- a statement of the statutory basis or other basis for the creation of each program and the history of each program that is being reviewed;
- a description of how each program fits within the strategic plan and goals of the agency and an analysis of the quantified objectives of each program within the agency;
- any available performance measures indicating the effectiveness and efficiency of each program;

- a description with supporting cost and staffing data of each program and the populations served by each program, and the level of funding and staff required to accomplish the goals of the program if different than the actual maintenance level;
- an analysis of the major costs and benefits of operating each program and the rationale for specific expenditure and staffing levels;
- an analysis estimating each program's administrative and other overhead costs;
- an analysis of the levels of services provided;
- where applicable, an analysis estimating the amount of funds or benefits that actually reach the intended recipients; and
- other information and analysis requested by the Legislature in the legislation identifying the agency programs for review.

The Governor and the Legislature must consider this information in the budget development process. In addition, the House of Representatives Appropriations Committee and the Senate Ways and Means Committee must hold at least one public hearing on the information and analysis submitted by agencies under the zero-based budget review. The information and analysis submitted by agencies under the zero-based budget review process must also be made available on the state's fiscal web site managed by the Legislative Evaluation and Accountability Program Committee.

**Appropriation:** None.

**Fiscal Note:** Available.

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