

SENATE BILL REPORT

SB 5066

As Reported by Senate Committee On:
State Government, February 1, 2017

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

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 History:

Committee Activity: State Government: 2/01/17 [DP-WM, DNP].

Brief Summary of Bill

- Allows the Legislature to specify in the Omnibus Operating Appropriations Act, or other legislation, certain programs for which agencies must perform a zero-based budget review.
- Requires agencies to submit zero-based budget reviews for certain programs identified each biennium by the Legislature.
- Requires the Governor and the Legislature to consider zero-based budget reviews when preparing the state budget

SENATE COMMITTEE ON STATE GOVERNMENT

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

Minority Report: Do not pass.
Signed by Senators Hunt, Ranking Minority Member; Kuderer.

Staff: Melissa Van Gorkom (786-7491)

Background: Zero-based budgeting is a process that is designed to control expenditures by identifying the purposes of, and measuring the effectiveness and efficiency of, all activities. Traditional budgeting would provide a line-item process where only incremental spending is

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usually considered. Unlike traditional budgeting, which is based on budget history, no item is automatically included in the next budget in zero-based budgeting.

The National Conference of State Legislatures reports, "modified forms of zero-base budgeting have seen widespread use in state and local governments, but no state has used any one form for an extended period of time. The modified forms in use today are:

- Alternative budgeting, which requires agencies to make budget requests at various levels below and above their current level, along with comparisons of the consequences of each level.
- Periodic agency 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: A zero-based budget review process is established in the state of Washington. The Legislature may specify in the Omnibus Operating Appropriations Act, or other legislation, certain programs for which agencies must perform a zero-based budget review.

Timing of Reform and Filing of Information. Twenty percent of non-entitlement programs would be subject to a zero-based budget review in 2018 in anticipation of the 2019-2021 budget formation cycle. Agencies whose programs are selected by the Legislature would be required to conduct a zero-based budget review, which would consist of these named elements:

- statement clarifying the statutory or enabling basis;
- statement on the 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.

Agency zero-based budget reviews must be filed electronically with the state's fiscal website, managed by the Legislative Evaluation and Accountability Program. The zero-based budget review process is codified in the Budgeting Accounting and Reporting Act for state government.

Duties of the Legislature. The Legislature initiates the selection and may call out programs by functional area, broaden or narrow the definition of program for specific agencies, and prioritize the zero-based budget reviews. The Legislature must consider the zero-based budget review and analysis information provided by agencies in the state budget development process. Additionally, the Legislature must hold at least one public hearing before the Senate Ways and Means and the House Appropriations committees.

Appropriation: None.

Fiscal Note: Requested on January 9, 2017.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony on Draft Bill: PRO: There is zero visibility below the base budget and no transparency. Our system is out of date. It will cost money to implement this legislation which is the main reason why it has not passed, but there needs to be a system to determine how to fund huge infrastructure-based projects. Legislators need to know what we are spending items on to get our government running smoothly.

Persons Testifying: PRO: Senator Mark Miloscia, Prime Sponsor.

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