

Chapter 1

Budget Request Basics

1.1 THE STRATEGIC FRAMEWORK FOR BUDGET DECISIONS

The Governor relies on the Priorities of Government (POG) approach to develop a strategic framework for making investment decisions. This approach starts with these basic questions:

- What are the results that citizens expect from government?
- What strategies are most effective in achieving those outcomes?
- Given the money available, which activities should we buy to implement those strategies?
- How will we measure progress?

The Priorities of Government approach provides the strategic framework for the budget

This approach has proved effective in helping budget decision makers better understand the activities, costs, and outcomes of state government as a whole, not just what happens in individual agencies. The “core services” of government are those that produce the best outcomes.

An overview of the POG process is on page 5. For 2013-15 budget development POG will focus on six critical value statements and the results and high-level strategies connected to those values.

Washingtonians value world-class student achievement in early education, elementary, middle, high schools, and postsecondary institutions.	
Provide meaningful early childhood education from birth to 5 years of age.	
<ul style="list-style-type: none"> ▪ Support parents birth to three for at-home and community early childhood learning ▪ Support early childhood education for 3- and 4-year olds 	<ul style="list-style-type: none"> ▪ Ensure performance and accountability to parents, students, and the public
Improve student achievement in elementary, middle and high schools	
<ul style="list-style-type: none"> ▪ Provide basic education for students, kindergarten through 12th grade ▪ Align curriculum, instruction, and assessment ▪ Support career and college readiness during K-12 ▪ Promote strong teachers and leadership ▪ Support work to address the achievement gap ▪ Provide general education support for students ▪ Give students individual attention ▪ Provide education in a residential setting 	<ul style="list-style-type: none"> ▪ Support work to enhance math and science education ▪ Support work to make seamless transitions from early education through higher education ▪ Support parent and community connections ▪ Provide strategic and individualized preparation for education staff ▪ Ensure performance and accountability to parents, students, and the public
Improve the success of postsecondary learning	
<ul style="list-style-type: none"> ▪ Provide access to convenient and efficient high-quality postsecondary education and research opportunities ▪ Provide support services to college students ▪ Support career preparation beyond high school 	<ul style="list-style-type: none"> ▪ Provide upgrading of skills to current and returning workers ▪ Offer services to the community through colleges and universities ▪ Ensure efficiency, performance, and accountability to students and the public

We must improve the health of Washingtonians, and support and keep safe our children and adults who are unable to care for themselves.

Provide for the safety of Washington’s vulnerable children and adults

- Provide timely and quality responses to allegations of abuse and/or neglect
- Provide emergency cash, food, and shelter assistance
- Where necessary, provide institutional-based and outpatient services
- Provide community-based residential and in-home support services
- Provide secure treatment settings
- Provide support services to families
- Prepare and support youth and adults for employment
- Provide outpatient services
- Ensure efficiency, performance, and accountability to clients and the public

Improve the health of Washingtonians

- Encourage healthy behaviors
- Prevent and mitigate environmental hazards
- Identify and mitigate health risk factors
- Provide access to quality health care
- Provide institutional-based and outpatient mental health services
- Provide drug and alcohol abuse prevention and treatment services
- Ensure efficiency, performance, and accountability to clients and the public

It is our responsibility to provide for the public safety of people and property in Washington State.

Provide for the safety of people and property

- Prevent crime
- Support and enhance highway safety
- Support and provide crime investigation
- Enforce the law and support the justice system
- Incarcerate and rehabilitate juvenile and adult offenders
- Prevent, prepare for, and respond to domestic emergencies
- Prevent accidents
- Ensure efficiency, performance, and accountability to the public

Protect natural resources and cultural and recreational opportunities in Washington State.

Preserve and protect our state’s natural resources

- Encourage sustainable use of public natural resources
- Protect our state’s air, land, and water, including Puget Sound
- Preserve, maintain, and restore natural areas and systems
- Provide sound science and data to support decision-making
- Improve individual practices and choices about natural resources
- Ensure efficiency, performance, and accountability to the public

Improve cultural and recreational opportunities

- Provide stewardship of cultural and recreational assets
- Provide access and promote our cultural and recreational opportunities
- Maintain quality cultural and recreational opportunities
- Support the cultural and recreational opportunities of private groups and local governments
- Ensure efficiency, performance, and accountability to the public

Washington must promote economic development in a growing competitive environment.

Enhance the economic vitality of businesses and people

- Support business development and investment
- Ensure fairness, security, and efficiency in the economic marketplace
- Develop markets by promoting Washington products and services
- Remove economic development barriers where possible
- Improve workplace safety and fairness
- Return unemployed, underemployed, and injured workers to full-time work
- Support affordable housing development
- Provide consumer protection
- Coordinate government efforts to improve the effectiveness of economic investments
- Provide seed and growth capital, and support entrepreneurs
- Ensure efficiency, performance, and accountability to the public

Provide infrastructure for people and businesses

- Provide effective transportation system governance and management
- Support efficient, effective, and safe mobility by land, water, and air
- Improve mobility for commercial vehicles and freight
- Encourage alternatives to single occupancy vehicles
- Encourage non-motorized transportation in urban area
- Support an affordable, efficient, renewable, and safe support of energy
- Promote access to telecommunications
- Provide sufficient use of water resources
- Maximize use of existing systems
- Ensure efficiency, performance, and accountability to the public

Efficient state government services are important to the people of Washington State.

State government must achieve results through efficient and effective performance.

- Provide and support quality human resources for the work of government agencies
- Deliver the efficient use of financial resources to provide public services
- Provide objective data and information for the public and elected decision makers
- Provide efficient and effective logistical support to deliver services
- Support democratic processes to deliver services
- Pay for debt service
- Ensure efficiency, performance, and accountability to the public

Priorities of Government – What is it?

The “Priorities of Government” (POG) budget approach helps guide budget decisions by producing a statewide set of strategies to achieve intended outcomes.

The POG Process

Identify statewide **priorities of government**, i.e., values and outcomes that are expected of state government.

Identify **key indicators of success**: How would citizens know we are making progress toward intended outcomes?

Identify **proven or promising strategies for achieving results**: What do our experience and research tell us about factors most critical to success? What are the indicators of success for those strategies?

POG teams have access to the **activity inventory**, a catalog of the discrete activities of state government described in a citizen-oriented way. What do we do, for whom, why, what does it cost, and what do we expect to accomplish?

Dollar allocations serve as a constraint to the enterprise-wide purchase plan:

- The prioritization process is often more meaningful when the allocation is less than the amount currently spent in that result area.
- A dollar constraint encourages creativity, keeps proposals grounded in financial reality, and forces people to articulate priorities and choices.

The teams **develop an outcome-based prioritization of activities**. Given the available resources, what are the core/mandatory services necessary to achieve statewide outcomes?

- Teams are asked to focus only on maximizing results for citizens through evidenced-based strategies, and to ignore fund source and statutory restrictions that stand in the way.
- When they’ve exhausted their allocation, teams list items they would buy back next, in priority order.

POG strategies and prioritizations will be reviewed during executive budget hearings.

Key benefits of POG

- Helps keep focus on highest priorities and statewide outcomes – lets the budget escape agency “silos” and consider enterprise-wide strategies.
- Makes performance information more relevant to budget choices.
- Promotes thinking about trade-offs (i.e., what happens with more or less funding).
- Helps frame questions about whether we can buy more with the same amount of money (i.e., are there more efficient and creative ways to accomplish the same purpose) and what are core services.
- Describes what the budget will buy to citizens.

POG is not the actual budget, but illustrates what the budget might look like if the only objective were to maximize outcomes. It helps build a better budget in the complex real world and identifies barriers that need to be removed to build an even better one.

The POG approach for the 2013-15 budget

The POG process starts in June 2012 with OFM teams examining budget indicators and strategies. The teams arrive at preliminary priorities to inform agency budget deliberations and executive budget hearings.

Result teams rely on agency-provided information to develop a prioritized purchase plan – information that includes:

- Agency strategic plans
- Activity descriptions
- Performance information – statewide result indicators, strategy indicators, and agency activity measures.

Agencies have access to this performance measure information through the Enterprise Reporting System at <http://reporting.ofm.wa.gov/businessobjects/enterprise10/eportfolio/en/logonform.csp> or <https://fortress.wa.gov/ofm/reporting/businessobjects/enterprise10/eportfolio/en/logonform.csp> for Fortress users.

Result teams also consider information from GMAP forums

Agencies and POG teams use the Government Management and Accountability Performance (GMAP) processes and forums to continuously evaluate and improve the effectiveness of the strategies selected through the POG process. GMAP forums help to identify better ways to achieve results and provide important information for prioritization efforts.

The best budget proposals link investments to outcomes

The budget is one of the most important tools for implementing policy and achieving results. In its review of agency budget requests, OFM will ask these questions:

- What are the most effective strategies and activities in which to invest to achieve agency and statewide outcomes?
- What activities are mandatory/core to these strategies?
- How do we know we are purchasing these activities at the best possible price?
- Given financial or other constraints, how can we maximize the outcomes that citizens want?

The agency's strategic plan, activity descriptions, and decision package information should all focus on answering these questions. The best budget proposals are persuasive not only at the agency level, but also in the broader statewide context that OFM and the Legislature must consider when making decisions. Proposals that make the strongest case will be those that discuss the value and benefits of the services they deliver to achieve statewide outcomes.

More information about POG

<http://www.ofm.wa.gov/budget/pog/> (OFM)

1.2 FISCAL CONTEXT INFORMATION FOR 2013-15 BUDGET

After a decline in state near general fund revenue of 9.4 percent in FY 2009, and another 4.6 percent in FY 2010, revenues rebounded with an advance of 7.5 percent in FY 2011. Note that this growth was relative to a lower revenue base caused by the previous two years of recession. The last revenue forecast, in February 2012, stated an expectation for revenues to grow at a 0.9 percent pace for FY 2012.

All in all, General Fund revenues should grow 7.1 percent for the entire 2011-2013 biennium, compared to the 5.8 percent decline during the 2009-2011 biennium.

For the 2013-2015 biennium, the Council predicts revenue growth of 2.2 percent in the first year and 4.5 percent growth the next year. For the entire two-year span, revenues are expected to grow 7.0 percent over the 2011-2013 biennium.

With these growth rates, total near general fund state revenue is expected to reach \$32.6 billion in the 2013-15 biennium, compared with \$30.9 billion for the current biennium.

Ongoing effects of the “great” recession are the main reasons for the expected steady, but moderate revenue growth in the 2013-15 biennium. Revenue growth will be constrained by a relatively slow economic recovery/expansion, with the following characteristics:

- Measured housing market, possibly out of the trough but not by much
- Relatively modest hiring and protracted high unemployment
- Moderate income growth with selective consumer spending
- Slow and modest rebound in household wealth
- Consumer and business credit more available but borrowers still cautious Moderate investment rebound
- Hesitant overseas economies in both Asia and Europe

Most of these factors will constrain consumer spending and housing construction, which generate the largest part of state general fund revenue.

With the possible exception of medical cost inflation, which affects nearly 20 percent of the state general fund budget, pressures from population growth and general inflation are expected to be modest for the 2013-15 biennium.

Additional resources for fiscal context information

<http://www.cfc.wa.gov/> (Caseload Forecast Council)

<http://www.ercf.wa.gov/home.htm> (Economic and Revenue Forecast Council)

<http://www.ofm.wa.gov/forecasting/default.asp> (OFM)

1.3 HOW IS A BUDGET REQUEST ORGANIZED?

Recommendation Summary format summarizes the budget

Budget requests are summarized in a step-table format referred to as the “Recommendation Summary.” The Recommendation Summary begins with legislative spending authority for the current biennium and lists significant incremental changes to arrive at the agency’s 2013-15 request. Ideally, each Recommendation Summary line should represent a single budget policy decision.

Decision packages are one set of budget building blocks

Agencies must describe and support each requested incremental change to the current budget with a decision package. Decision packages are the place for agencies to make a persuasive case for their requests.

The Budget Development System assists agencies in developing budget decision packages and produces the resulting Recommendation Summary report.

Major budget categories help to organize the request

The incremental steps in the Recommendation Summary are grouped to help OFM and legislative fiscal staff analyze categories of expenditure changes from the current biennium level. The categories are:

▪ Carry-forward level

How much of the budget proposal is the biennialized cost to continue the workload or services already authorized through legislative budget decisions? OFM, in consultation with agency and legislative staff, determines the carry-forward level and communicates the dollar amount to agencies as soon as possible after the 2012 supplemental budget is enacted. Chapter 5.1 has more detail.

▪ Maintenance level

How much of the budget proposal is for additional mandatory caseload, enrollment, inflation, or other legally unavoidable costs not contemplated in the current budget? Maintenance level changes to budgeted, nonappropriated funds are also listed in this category. Chapter 5.2 has more detail.

▪ Policy and performance changes

What other expenditure change proposals are contained in the agency request budget? These options may represent significant changes in discretionary workload, the nature and scope of services, or alternative strategies and outcomes. Chapter 6 has more detail.

We expect that General Fund resources for new budget initiatives will be very limited. The Governor's priority for new money, if any, will be K-12 education. Accordingly, agencies should only consider GF-S policy level budget requests that fit one of the following criteria:

- Fixes elements of the current budget that can't be implemented.
- Improves performance and outcomes within existing resources.
- Offsets new program costs with tangible savings in the current biennium.

We encourage you to think in terms of buying what you need, not buying back what you had.

Agencies are also encouraged to make fee-based programs self-supporting.

The activity inventory provides another important set of budget building blocks

While the decision packages show the incremental changes to the agency budget, the activity inventory describes what the agency does: What are the activities of the agency? What does it cost to perform them? What are the products and outcomes of each activity? What is the connection between the outcomes of those activities and the desired statewide results?

Agencies also present the budget by activity

Agencies must prepare and submit an activity view of the budget in addition to the traditional decision package format. Chapter 2 has more detail.

Additional supporting information is needed for the request

In addition to the decision packages, Recommendation Summary report and activity inventory, the budget submittal includes other information OFM needs to analyze the budget request:

- Agency performance measures and the Performance Measure Incremental Estimates report (Chapter 10);
- Agency Revenue and Working Capital reports (Chapter 8); and
- Other special reports (refer to Chapter 14 to see which reports apply to your agency).

Some agencies provide budget data at the program level

OFM reviews most recommendation summaries at the agency decision package level. However, we ask for some program detail from agencies. For agencies listed below that are appropriated at program (or lower) level, we ask that you include program-level Recommendation Summaries with your agency request.

- 010 Bond Retirement and Interest
- 300 Department of Social and Health Services – program level, except the following submitted at category level:
 - Mental Health
 - Developmental Disabilities
- 305 Department of Veterans Affairs
- 310 Department of Corrections
- 340 Student Achievement Council
- 350 Superintendent of Public Instruction
- 405 Department of Transportation

1.4 WHAT ARE THE SUBMITTAL REQUIREMENTS?

The chart below shows the required components of the submittal and the way the material should be organized in the notebooks submitted to OFM. It is most helpful if notebooks include labeled tabs, especially tabs for each decision package. If an agency is submitting more than a handful of decision packages, a table of contents is also helpful.

Capital Budget Requirements

Submit your agency's capital budget request in a separate notebook. Refer to the Capital Budget Instructions for more information (<http://www.ofm.wa.gov/budget/instructions/capital.asp>).

Transportation Related Agencies

Additional requirements for transportation-related agencies can be found in the Transportation Budget Instructions Addendum

Required Budget Submittal Components

- | | |
|-----|--|
| TAB | <input type="checkbox"/> Agency Organization Chart |
| A | <input type="checkbox"/> Agency Activity Inventory Report <i>BDS report (Chapter 2 and Chapter 10.1)</i> |
| | <input type="checkbox"/> Performance Measure Incremental Estimates Report <i>BDS report (Chapter 10.2)</i> |
| | <input type="checkbox"/> Indirect Cost Allocation to Activities Description* <i>(Chapter 2.3)</i> |

- TAB B** **Recommendation Summary at Agency Level** *BDS report (Chapter 3)*
 Recommendation Summary at Program Level *BDS report (Chapter 3) – only for agencies listed in Chapter 1.3*

- TAB C** **Decision Package Summary** *BDS report (Chapter 4)*
 Individual Decision Packages* *BDS entry form and report (Chapter 4)*

- TAB D** **Summarized Revenues** *BDS report (Chapter 8.1)*
 Proposed Tax and Fee Changes *Excel Spreadsheet (Chapter 9)*
 Working Capital Reserve (B9-1) *By Fund Administrators – BDS entry form and report (Chapter 8.4)*
 Revenue Transfer Reconciliation Statement *(Chapter 8.3)*
 Federal Fund Estimates/State Match *OFM template (Chapter 14.2)*
 Non-Budgeted Local Fund Summary (B10) *OFM template (Chapter 14.1)*
 Puget Sound Action Agenda: List of Decision Packages and Capital Project Requests *(Chapter 14.5)*
 JLARC Audit Responses *(Chapter 1.5)*

- TAB E** **Targeted Budget Instruction Responses** *Responses and proposals not included as a decision package in Tab C (Chapter 6.2)*

- Attach specified documents as requested for information technology-related decision packages** *(Chapter 12.1)* and for **Self-Insurance Premium decision packages** *(Chapter 13)*
 Updated agency descriptions: return completed template to Laurie Lien at ofm.budget@ofm.wa.gov.

* Send an electronic copy of indirect cost allocation to activities information to Linda Swanson at Linda.Swanson@ofm.wa.gov

How many copies must we submit?

With the exceptions below, agencies must submit **six (6) complete copies** of their operating budget submittal documents to OFM, which will forward copies to the Senate and House Ways and Means committees.

Capital budget submittals should be consistent with the required number of copies as specified for the operating budget.

Department of Social and Health Services must submit three (3) additional copies, for a **total of nine complete (9) copies**.

Higher education institutions must submit two (2) additional complete copies of their operating budget requests, for a **total of eight (8) copies**. OFM will forward the additional copies to the Student Achievement Council and the Council of Presidents' Office.

Transportation agencies must submit one (1) additional complete copy of their operating budget requests, for a **total of seven (7) copies**, with the exception of the **Department of Transportation** which must submit three (3) additional copies, for a **total of 10 complete copies**.

What are the format requirements?

- Number all pages.
- Reduce oversized materials by photocopier whenever possible. What does this mean? 8-1/2x11 if legible at that size.
- Three-hole punch all materials and assemble each copy of the budget in a standard size notebook supplied by the agency.
- Organize and tab the material as shown above.

What is the submittal address?

Office of Financial Management
Operations Section, Budget Division
300 Insurance Building
PO Box 43113
Olympia, WA 98504-3113

Before the budget submittal is considered complete, agencies must release the Agency Request version in the Budget Development System. **OFM needs both the budget notebooks and the system data to begin analysis of the agency budget. Both are due to OFM on the dates listed in Appendix A-1.**

1.5 OTHER GENERAL PREPARATION REQUIREMENTS

The biennial budget process is the best opportunity for consideration of major initiatives

Supplemental budgets generally are limited to addressing emergencies, technical corrections, and mandatory items. Therefore, it is important that the strategic planning and budget process be a thorough analysis of the agency's needs, challenges, and opportunities for the biennium. This approach allows the agency to request what is needed to support the initiatives it deems essential to carry out its mission and contribute to desired statewide results.

Rounding protocols for dollars and FTEs

- Round all expenditure and revenue amounts to whole dollars except in the case of individual claims (legal judgments, Local Improvement District assessments, etc.) that must be reported exactly. Round fractions of dollars from \$.01 through \$.49 to the next lower whole dollar; and \$.50 through \$.99 to the next higher whole dollar.
- Omit dollar signs (\$) except where necessary to distinguish dollars from other numbers.
- Round FTE amounts to the nearest tenth.

Note: Budget Development System (BDS) reports will be accepted as produced.

Display of negative numbers

Use parentheses to indicate numbers reflecting expenditure decreases.

Required fund code conventions for budget documents

With few exceptions, use the state accounting system coding scheme for account numbers and other designations used in budget documents. Fund codes require both the account number and the appropriation type code that indicates the source character of the funds involved. Separate the one-digit appropriation type from the three-digit account number with a hyphen as shown in the table below.

General Fund

The following fund sources, where applicable, must be identified separately:

- 001-1** General Fund-State. Appropriation Type 1.
- 001-2** General Fund-Federal. Appropriation Type 2.
- 001-5** General Fund-Other Federal Fixed Grants (DSHS and Department of Health only). Appropriation Type 5.
- 001-7** General Fund-Private/Local. Appropriation Type 7
- 001-8** General Fund-Federal (ARRA). Appropriation Type 8
- 001-0** General Fund-Federal: Social Services Block Grant–Title XX (DSHS only). Appropriation Type 0.
- 001-A** General Fund-Federal: Family Support/Child Welfare–Title IV (DSHS only). Appropriation Type A.
- 001-C** General Fund-Federal: Medicaid–Title XIX. Appropriation Type C.
- 001-D** Appropriation Type D.
- 001-E** General Fund-Federal: Child Care Development Funds (DSHS only). Appropriation Type E.

Other Appropriated Treasury Funds

Identify other appropriated treasury funds by the following appropriation types:

- State: Appropriation Type 1
- Federal: Appropriation Type 2
- Private/Local: Appropriation Type 7

Nonappropriated Funds

All nonappropriated funds, regardless of original source of funding, must use Appropriation Type 6.

Agency request legislation proposals with a budget impact

Proposals must be submitted to the Governor’s Executive Policy Office, MS 43113 Olympia WA, 98504-43113, consistent with the budget submittal due date. See detailed instructions for submitting agency request. Agency request legislation instructions will be provided in a letter to agency directors from the Governor’s Office. Proposed departmental request legislation will be reviewed with the Governor this fall. Agencies must include decision packages in the budget submittal for any proposals with revenue or expenditure impacts.

Ensure that other agencies affected by your agency’s proposed legislation are aware of the request, since OFM will need fiscal notes from each affected agency. Each agency will also need to include the fiscal impact in its budget submittal.

LEAP will approve (or deny) budget program structure change requests June 13, 2012

Budget program or subprogram structure changes recommended by OFM must obtain LEAP approval as required by the State Budgeting, Accounting, and Reporting Systems Act (RCW 43.88). Refer to the memo about this process on OFM’s website at <http://www.ofm.wa.gov/budget/instructions/other.asp>.

Include JLARC audit responses in the budget submittal

RCW 43.88.090(1) requires that agencies reflect consideration of applicable Joint Legislative Audit and Review Committee (JLARC) performance audit recommendations in their budget requests. Specifically, “the estimates must reflect that the agency considered any alternatives to reduce costs or improve service delivery identified in the findings of a performance audit of the agency by the joint legislative audit and review committee. Nothing in this subsection requires performance audit findings to be published as part of the budget.”

The audits and studies are listed on JLARC’s website at:

<http://www1.leg.wa.gov/JLARC/AuditAndStudyReports/Pages/default.aspx>.

Agencies also should be prepared to provide information to JLARC.

1.6 USING THE BUDGET DEVELOPMENT SYSTEM

The Budget Development System (BDS) is a budget submittal tool that facilitates budget development. The system lets an agency develop its budget by decision package, capturing information (narrative, expenditure, revenue, activity inventory, and performance measure data) necessary to explain and justify the agency’s request. The system also generates many of the budget reports required as part of the submittal.

Here are key features of BDS that support development of the 2013-2015 budget:

- Agencies can attach documents to decision packages, which means that hard-copy information provided to OFM can be stored with the decision package in the system, itself. It also lets agencies export a partially completed decision package to Word or other word processing software to complete the decision package outside the system. The completed decision package report is then attached to the decision package in BDS for the record and for future reference.
- Activity description data elements are not tied to budget versions, which allows simplified reporting (both budget and performance measure reporting), and ensures that each version has accurate and up-to-date activity description information.
- Agencies will now use the Results through Performance Management system to submit the performance measure targets for the ensuing biennium.
- For agencies with only one activity, decision package amounts are automatically applied to that activity.

The Salary Projection System (SPS) can help agencies develop staffing-related FTE and expenditure estimates. The system can be used to analyze the cost of current staff levels or to develop scenarios to estimate the cost of budget proposals.

For more information or assistance in using BASS systems, contact the BASS Help Desk at 360-725-5278. Training classes or self-guided tutorial lessons are also available. Training information and registration are available at <http://www.ofm.wa.gov/training/default.asp>. Information on SPS, BDS and other BASS products is available at http://bass.ofm.wa.gov/BASSLogon_pr/logon.aspx or https://fortress.wa.gov/ofm/bass/BASSLogon_pr/logon.aspx for Fortress users.