2021-23

OPERATING BUDGET INSTRUCTIONS

Office of Financial Management
Budget Division

June 2020

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CHAPTER 1

BUDGET REQUEST BASICS

COMPONENTS OF THE 2021-23 BUDGET INSTRUCTIONS

- 2021–31 Capital Plan Instructions
- Higher Education Capital Project Evaluation System
- 2021–23 Higher Education Operating Budget Instructions Addendum
- 2021–23 Transportation Operating Budget Instructions Addendum
- Strategic Plan Guidelines
- Activity Inventory Guidelines
- Performance Measure Guidelines
- One Washington Special Instructions (Chapter 10) **NEW!**
- Single ML RecSum code 8L for all lease rate adjustments (Chapter 5) **NEW!**
- Glossary of Terms
- Forms

CONTEXT FOR STATE AGENCY BUDGET REQUESTS

For the 2021–23 biennium, forecasted revenue growth will not meet current demands on the state's resources, including mandatory caseload and cost growth, maintenance of the K-12 and health care systems, and spending increases for critical mental health programs, employee compensation and other services. In addition to the current difficult economic situation created by COVID-19, Washington continues to face a structural budget gap because the state's tax and revenue system does not keep pace with the increasing demands for services of a growing population.

The Governor has made a commitment to include a focus on equity in the upcoming budget conversations and negotiations, so that the communities furthest from opportunity are supported the most given the state's economic situation. To that end, agencies must analyze the impacts on affected communities and how the budget requests effect disparities and equity in our state.

Resources will be limited and agencies should be prepared to manage with minimal or no funding increases

The state's revenue shortfall has left the state with a deficit to fill and problems to fix in the underlying budget that will have to be addressed before we can consider new spending.

It is essential that agencies consider the state's long-term outlook in developing their 2021–23 budget requests. OFM will be working with state agencies to understand their budget needs and priorities throughout the summer and fall. Many state agencies are articulating clear budget priorities and developing detailed options to meet them. The Governor knows he will face challenging fiscal choices among his own priority policy goals and that agencies will be putting forward additional proposals. All agencies should be aware that it will not be possible to fund many of these budget requests.

Rigor and prioritization are key to successful budget proposals

For the 2021-23 biennial budget, OFM is asking agencies to re-base state program budgets to a level below the maintenance level (ML) budget request for programs not protected from reduction by either state constitutional provisions or by federal law. Agencies with protected programs and activities should continuously evaluate these services for improvements that can be achieved within current funding.

OFM is asking all agencies to submit decision packages (DPs) that identify, and describe budget reductions equal to **15 percent of unprotected** Near-General Fund ML budgets. The table below summarizes the programs subject to the 15 percent reductions to ML.

Summary of **Protected Near-General Fund Programs** *(Not subject to 15% reductions to ML)*	Summary of **Unprotected Near-General Fund Programs** *(Subject to 15% reductions to ML)*
Debt service K-12 basic education programs LEOFF and judicial pension system contributions Mandatory state Medicaid Entitlement program	Corrections Governmental operations Higher education Judicial agencies Legislative agencies Natural resource programs Non-basic K-12 and other education programs Non-mandatory human services programs Optional State Medicaid program Transportation programs in operating budget

DPs describing these reductions will be the cornerstone of the 2021-23 biennial budget as we navigate these uncertain times.

Requests for new funding should be highly restrained and focus on only those highest-priority services that deliver significant performance improvements and outcomes for the citizens of Washington. Clearly identify, describe, and justify budget request. Successful requests for the 2021–23 biennium will be thoroughly explained, include detailed budget models and spending plans, well-developed scalable options. Budget requests should be thoroughly vetted with other involved agencies and stakeholders.

While agencies are required to prioritize their policy-level DPs in the Agency Budget System (ABS), the 1 to N prioritization tool there is ill suited to properly categorize and prioritize reductions or program elimination and budget enhancements. OFM will facilitate a method via ABS to effectively prioritize budget reductions and additions and provide guidance later in June 2020.

Strategic framework: focus on equity, results and strategic plans

Agency budget requests should reflect the Governor's statewide strategic goals articulated through Results Washington and agency-specific strategic plans through an equity lens.

Equity focus

DPs must be developed through an equity lens. Agencies must analyze how the DPs impact equitable outcomes for Washingtonians and will need to identify impacted communities and explain how the communities are effected.

Results Washington
DPs *must* identify the Results Washington statewide goals and outcome measures they address. Packages should clearly articulate how budget requests will achieve implementation of strategies and plans developed by the Results Washington goal councils.

Agency strategic plans
For 2021–23 biennial budget requests, OFM is again requiring agencies to submit strategic plans as part of your budget submittal. Budget DPs should align closely with agency strategic plans, goals and performance measures.

OFM will use Results Washington goals, outcome measures and action plans – along with agency strategic plans, strategies and performance measures – to prioritize spending requests as we work with the Governor to develop his 2021–23 budget recommendations. As always, the Governor expects all agencies to improve efficiency and streamline operations.

Compelling budget requests – dos and don'ts

OFM and the Legislature must prepare four-year budget outlooks, so agency budget requests must reflect details for the ensuing four fiscal years. The amounts reflected in the Outlook are the sum of the state General Fund State (GF-S), the Education Legacy Trust Account (ELTA), and the Opportunity Pathways Account. These funds are sometimes referred to as the Near General Fund Outlook (NGF-O) funds. Beginning with budgets proposed for the 2021-23 biennium, the Outlook will also include the Workforce Education Investment (WEI) account pursuant to Chapter 218, Laws of 2020.

Please do:

- Look for ways to save resources – from all funds.
- Develop scalable **options** to meet your highest priorities in the most cost-effective manner.
  - » How else can we accomplish this?
  - » What can we reprogram to meet our need?
  - » How can we reduce the cost?
- Build and share detailed working fiscal and workload models, and spending plans that drive and back up your proposed spending levels.
- Collaborate with other involved entities, including other state agencies.
- Focus intensely on performance and outcomes.
  - » What will the DP accomplish?
  - » Who will be served? At what level?
  - » How will we know?
  - » What are our performance targets?
  - » How likely are the targets to be met?
- Be prepared to operate effectively and efficiently if no new or less resources are provided. Agencies should have concrete, viable backup plans in the event budget requests are not funded.

Please don't:

- Request a prior "share" of the budget (there is no such thing).
- Request past unfunded inflationary or other cost increases. (If resources are needed, make your strongest case based on articulated need, performance, outcomes and results.)

- Make budget requests the agency is not well prepared to implement effectively and transparently in the next biennium. "Placeholder" budget requests are usually insufficiently developed to be successful in the next fiscal period.
- Request a new program or initiative without a comprehensive and realistic plan to fund its full implementation in the future.
- Try to obscure policy-level (PL) requests in ML; when in doubt, ask.

THE BUDGET IN TWO VIEWS

DPs are the budget building blocks

Agencies must describe and support each requested incremental change to the current budget with a DP. DPs are the place for agencies to make a persuasive case for their requests. Agency DPs are summarized in the recommendation summary (RecSum) report.

Major budget categories help to organize the request

The incremental steps in the RecSum 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 (CFL). How much of the budget proposal is the biennialized cost to continue the workload or services already authorized through legislative budget decisions? OFM, in collaboration with the legislative and with agency input, determines the CFL and communicates these control amounts to agencies as soon as possible after these instructions are published. (See Chapter 5 for more detail.)

Maintenance level (ML). How much of the budget proposal is for additional mandatory caseload, enrollment, inflation or other legally unavoidable costs not contemplated in the current budget? ML changes to budgeted, nonappropriated funds are also included in this category. (See Chapter 5 for more detail.)

Policy level (PL). What other expenditure change proposals are contained in the agency request budget? These options represent changes in discretionary workload, the nature and scope of services, or alternative strategies and outcomes. (See Chapter 5 for more detail.)

The activity inventory view of the budget provides another important set of budget building blocks

While the DPs 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?
- How do activities connect to agency strategic plans and the statewide goals and performance targets of Results Washington?

Agencies must prepare and submit an activity view of the budget in addition to the traditional DP described in chapters 2 and 3.

An activity is something an organization does to accomplish its goals and objectives. An activity consumes resources and provides a product, service or outcome. One way to define activities is to consider how agency employees describe their jobs to their families and friends. On behalf of the state's citizens, we want to know "What do you do? For whom? Why is it valuable?"

Activity descriptions tend to be better than program descriptions at revealing the nature and purpose of the work performed by state government. The activity view of government plays an important role in budget analysis, prioritization and decision-making.

The activity inventory describes the major activities of each agency. Each activity description must include the following information:

- A title that describes the nature of the activity (rather than an organizational name).
- A brief description of the activity, its purpose and its intended recipient or beneficiary.
- The expected results of the activity (conveyed as a concise narrative description of outcomes and/or as one or more performance measures).
- Primary statewide goal area to which the activity contributes.
- Secondary statewide goal areas to which the activity contributes.

Resources

- OFM Activity Guide
- OFM Performance Measure Guide

HOW TO SUBMIT AND WHAT ARE THE REQUIRED ELEMENTS AND FORMAT?

Operating budget submittals

All operating budget requests are developed and submitted through the Agency Budget System (ABS). ABS enforces inclusion of all required budget submittal elements specific to each agency. ABS eliminates the need for paper documents and notebook binders. All budget documentation is generated directly by or attached within the ABS system. This data and information is deposited into a public internet repository , OFM's internal budget systems and legislative internal budgeting systems. No notebooks or supplementary paper documentation will be accepted in lieu of electronic submittal.

Your operating budget submittal is complete with a successful release of ABS data to OFM.

Capital budget submittals

Notebooks containing all the elements of your capital budget request is required:

- » Submit five copies of your budget proposal.
- » Number all pages.
- » Reduce oversized materials by photocopier whenever possible, meaning, if legible, use 8 ½ x 11 paper.
- » 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 detailed in the capital budget instructions.

Your capital budget submittal is complete with a successful release of CBS data to OFM, and delivery of capital budget request notebooks to OFM.

All 2021-23 budget requests are due to OFM no later than Monday, September 14, 2020. NEW!

Note: Agencies may not amend their request after initial submittal unless prior authorization is received from OFM. The submittal requirements outlined above apply to all approved revisions or amendments.

CHAPTER 2

DECISION PACKAGES

WHAT IS A DECISION PACKAGE?

Decision packages (DPs) are the key set of building blocks to construct the budget request. The DP is the place for the agency to make a compelling and persuasive argument for any proposed changes. Policymakers will rely upon this information when evaluating the request.

DPs organize and describe proposed cost changes in a way that highlights the budget policy decisions. The DP consolidates financial information, supporting justification and statements of impact for a specific action or policy proposed in the budget. One DP describes a proposed item of change listed on the Recommendation Summary (RecSum).

The Agency Budget System (ABS) guides agencies in developing budget DPs. It also automatically displays the expenditure, revenue and FTE detail that agencies enter into the system rolled up to the selected level (agency or program) for the RecSum report.

An equity-focused approach

The Governor is focusing on equity in his 2021-23 budget development. Therefore, new questions have been added to ensure that agencies are considering the impacts of budget requests on marginalized communities. Agencies are expected to thoroughly and fully address these questions in their DPs.

When is a DP needed?

A DP is required for all incremental changes to the current biennial budget except for carry-forward level (CFL) roll-up items and the maintenance level (ML) adjustment to activities and revenue.

DPs requiring law changes

For any DP where a change in statute is required, please attach draft language from the Code Reviser's Office and describe in detail the law change proposed. Cabinet agencies must provide a complete agency request legislation package as an attachment to this DP **and** submit the request through the Bill Analysis and Tracking System (BATS).

DPs should represent discrete decisions

Each DP will appear as one line with a *positive* or *negative* amount on the RecSum and should represent discrete budget decisions. Craft your DPs so related items are grouped together, but do not obscure or combine separate decisions.

DPs must stress outcomes

Budget decisions hinge on the stated performance objective or outcomes being addressed and their merit relative to all other competition for limited resources.

Example: Seven new driver's license examining stations are proposed to expand geographic coverage and reduce client wait time.

The performance objective in this case is twofold (e.g., expanding coverage and reducing wait times). While the location of the examining stations is a necessary component of meeting the objective, the location of each station is not a separate budget decision. In this case, the agency would submit one DP.

Contact your assigned budget analyst if you have questions about how best to organize budget requests into DPs.

Anchor budget requests to the agency's strategic plan

OFM expects agency budget requests, including budget reductions, to be anchored to the agency's strategic plan and clearly support the implementation of these strategies and achievement of performance targets.

Use plain talk principles in your writing

Your DPs will be persuasive only if OFM analysts and decision makers can understand them. Use plain talk principles. Avoid jargon and acronyms. Keep your writing brief and clear. Anticipate questions.

The time available for budget review is scarce and the capacity for rounds of questions on agency DPs is very limited. OFM is likely to discard or require agencies to rework DPs if they are unclear, if requested information is missing, if assumptions are incomplete or if expected performance impacts are not explained.

REQUIRED ELEMENTS OF A DP

OFM uses DP information to evaluate the merit of your requests. DPs are composed of purposeful questions to glean key information policymakers need to analyze the request. We expect justification materials to vary in length and complexity, depending on the proposal. All DP questions in ABS are detailed below.

Make your DPs concise and compelling. The DP should be understandable by an audience that is not expert on your agency or the issues.

Use approved codes to designate change items

With few exceptions (see following note), agencies are free to use any combination of two-digit DP codes (e.g., alpha/alpha, alpha/numeric, numeric/numeric and numeric/alpha). "DP code" and "RecSum code" are terms of art in the budget community and used interchangeably in this document. ABS enforces allowable codes and titles.

Note: OFM designates a series of required codes for certain common ML and policy level (PL) changes (see Chapter 5). RecSum codes containing the letters O or I are restricted to prevent confusion with zero and one.

DP codes require two attributes new to the ABS system

- DP type
  - » Central services
  - » Compensation
  - » Transfer, or
  - » Other

The majority of agency budget request will fall under "other". Cost type for global items have predetermined DP types.

- DP cost type
  - » One-time
  - » Ongoing
  - » Custom. Custom indicates that the request is a mix of one-time and ongoing costs. For example:
    - o A new program implementation has one-time equipment costs associated with ongoing staff costs.
    - o A new program implementation is staged or has ramp-costs.

Cost type implications must be reflected in the DP 4-year fiscal detail.

DPs require point of contact information new to ABS

Required ABS point of contact information includes:

- First name
- Last name
- Email address
- Phone

Point of contact is not necessarily the individual who prepared the DP, but rather the point of contact with subject matter expertise and the authority to speak relative to the DP information.

Note: ABS and enterprise reporting reports will sort DP codes as follows:

1. AA to ZZ
2. A0 to Z9
3. 00 to 99
4. 0A to 9Z

OTHER GENERAL PREPARATION REQUIREMENTS

Rounding protocols for dollars and FTEs

- All fiscal detail in ABS is dollars in thousands.
- Round all expenditure, revenue, object and activity amounts to whole dollars in thousands. Round fractions of whole dollars from $1.0 through $499.0 to the next lower whole dollar in thousands, and $500 through $999 to the next higher whole dollar in thousands.
- Round FTE amounts to the nearest tenth.

Note: ABS and Enterprise Reporting (ER) 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 detailed in the OFM Fund Reference Manual 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 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 DOH only). Appropriation Type 5.

001-7 General Fund-Private/Local. Appropriation Type 7.

001-8 General Fund-Federal Stimulus. 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 General Fund-Federal TANF. (DSHS only). 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 through BATS, consistent with the agency budget submittal due dates. Agency request legislation instructions will be available on OFM's budget webpage when issued. Proposed agency request legislation will be reviewed with the Governor this fall. Agencies must include DPs 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; OFM requires fiscal notes from each affected agency. Each agency will also need to include the fiscal impact in its budget submittal.

The Legislative Evaluation and Accountability Program (LEAP) will approve or deny budget program structure change requests in mid-June 2020

Budget program or subprogram structure changes recommended by OFM must obtain approval from the LEAP Committee as required by Chapter 43.88 RCW. Refer to OFM's budget program structure change request memo for guidance on this process.

Include the Joint Legislative Audit and Review Committee (JLARC) audit responses in budget submittal

RCW 43.88.090(1) requires agencies to reflect consideration of applicable 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 JLARC. Nothing in this subsection requires performance audit findings to be published as part of the budget."

See JLARC audits and studies. Agencies should also be prepared to provide information to JLARC.

2021-23 BIENNIAL BUDGET DECISION PACKAGE

Agency: Agency number and name

DP code/title: 2-digit RecSum code and short, descriptive title limited to **35 characters**. This will appear on Decision Packages and Recommendation Summary reports.

Budget period: Session for which a budget change is proposed

Budget level: ML or PL

Agency RecSum text: A brief description of your proposal. A cogent "elevator pitch" including a concise problem statement, proposed solution and outcomes affected by the proposal. Agencies should strive not to exceed 100 words. Summary text need not include references to financial or FTEs data, which is displayed directly below in the fiscal detail.

Fiscal detail

Operating Expenditures	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**
Fund AAA-X	Xxx	yyy	zzz	Aaa
Fund BBB-Y	Xxx	yyy	zzz	Aaa
Total Expenditures	**Xxx**	**yyy**	**zzz**	**Aaa**
Biennial Totals	**$###,###,###**		**$###,###,###**	
Staffing	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**
FTEs	x.y	x.y	x.y	x.y
Average Annual	**x.y**		**x.y**	
Object of Expenditure	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**
Obj. X	Xxx	yyy	zzz	Aaa
Obj. X	Xxx	yyy	zzz	Aaa
Obj. X	Xxx	yyy	zzz	Aaa
Revenue	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**
Fund AAA-X	x.y	x.y	x.y	x.y
Fund BBB-X	x.y	x.y	x.y	x.y
Total Revenue	**Xxx**	**yyy**	**zzz**	**aaa**
Biennial Totals	**$###,###,###**		**$###,###,###**	

Package description

Your detailed package description should expand upon the RecSum description provided above. This detailed description should provide the Governor, the Legislature, OFM and the public an understanding of the problem you are addressing, your proposed solution and anticipated outcomes or consequences.

To thoroughly describe the package and its justification, agencies are strongly encouraged to use:

- Detailed narrative descriptions
- Informative tables
- Charts and graphs
- Logic models
- Timelines
- Flowcharts
- Maps or other graphics

High-quality narrative descriptions whether for an addition, or a reduction will address the following questions:

What is the problem, opportunity or priority you are addressing with the request?

- Describe in detail the problem you propose to solve.
- What is the relevant history or context in which the DP request is made?
- Why is this the opportune time to address this problem?
- Have you previously proposed this request? If so, when and how was it received in the budgeting process at that time?

What is your proposal?

- How do you propose to address this problem, opportunity or priority?
- Why is this proposal the best option?
- Identify who will be affected by this DP and how.
- How many clients will or will not be served? Served by whom?

How is your proposal impacting equity in the state?

- Which communities are impacted by this proposal? Include both demographic and geographic communities.
- How are disparities in communities impacted?

What are you purchasing and how does it solve the problem?

- What will this funding package actually buy, reduce or eliminate?
- What services and/or materials will be provided, reduced or eliminated,
  - When and to whom will these service level changes impact?
- How will these service level changes achieve the desired outputs, efficiencies and outcomes?

What alternatives did you explore and why was this option chosen?

- What are the consequences of not funding this proposal?
- Describe the pros/cons of alternatives. Explain why this proposal, whether for an enhancement or a reduction, is the best option.
- What other options did you explore? For example, did you consider:
  - Options with lower costs.

» Services provided by other agency or unit of government.
» Regulatory or statutory changes to streamline agency processes.
» Redeployment of existing resources to maximize efficient use of current funding.
» Option to maintain the status quo.

Assumptions and calculations

You must clearly display the caseload/workload/service-level changes and cost/savings assumptions and calculations supporting proposed expenditure and revenue changes. An attached electronic version (Excel) of detailed fiscal models and/or fiscal backup information may augment but not replace your description here.

The intent here is not to repeat the fiscal detail summarized in the package description above, but to expand and provide all underlying assumptions and calculations associated with this proposal. All calculations must include impacts to the 2021-23 *and* 2023-25 biennia and must support the fiscal summary detail.

Expansion, reduction, elimination or alteration of a current program or service

Where a proposal is an expansion, reduction, elimination or alteration of a *current program or service*, provide detailed historical financial information for the prior two biennia (2017-19 and 2019-21).

Detailed assumptions and calculations

- Provide detailed caseload/workload and cost information associated with adopting this proposal.
- Identify discrete expenditure/revenue calculations. Many DPs contain multiple components to achieve a desired outcome. If this package contains discrete funding proposals, the fiscal models or details must break out the complete costs/savings of each component part.
- Clearly explain all one-time expenditure or revenue components.

Workforce assumptions

Include FTE information by job classification, including salary and benefits, startup costs and any additional staff related ongoing costs.

Strategic and performance outcomes

Strategic framework

- Describe how this package affects the Governor's Results Washington goal areas and statewide priorities?
- How does the package support the agency's strategic plan?
- Identify how this proposal affects agency activity funding by amount and fund source.

Performance outcomes

- Describe and quantify the specific performance outcomes you expect from this funding change.
- What outcomes and results, either positive or negative will occur?
- Identify all Lean initiatives and their expected outcomes.
- Include incremental performance metrics.

Other collateral connections

Intergovernmental
Describe in detail any impacts to tribal, regional, county or city governments or any political subdivision of the state. Provide anticipated support or opposition. Impacts to other state agencies must be described in detail.

Stakeholder impacts
Agencies must identify non-governmental stakeholders impacted by this proposal. Provide anticipated support or opposition.

Legal or administrative mandates
Describe in detail if this proposal is in response to litigation, an audit finding, executive order or task force recommendations.

Changes from current law
Except for appropriations acts, describe in detail any necessary changes to existing statutes, rules or contracts. Where changes in statute are required, cabinet agencies must provide agency request legislation as an attachment to this DP *and* submit the request through BATS.

State workforce impacts
Describe in detail all impacts to existing collective bargaining agreements or statewide compensation and benefits policy.

State facilities impacts
Describe in detail all impacts to facilities and workplace needs (See Chapter 9 - Leases and Maintenance). Describe in detail all impacts to capital budget requests.

Puget Sound recovery
If this request is related to Puget Sound recovery efforts, see Chapter 12 of the budget instructions for additional instructions.

Other supporting materials
Attach or reference any other supporting materials or information that will help analysts, policymakers and the public understand and prioritize your request.

Information technology (IT)
Does this DP include funding for any IT-related costs including hardware, software (to include cloud-based services), contracts or staff? If the answer is yes, you will be prompted to attach a complete IT addendum. (See Chapter 10 of the budget instructions for additional requirements.)

CHAPTER 3

ACTIVITIES AND PERFORMANCE

WHAT ARE THE BUDGET SUBMITTAL REQUIREMENTS FOR ACTIVITIES?

Agencies are required to balance their budget requests to activities in order for policy makers to evaluate a complete activity view of the budget. To prepare this view, agencies must:

- Allocate the maintenance level (ML) subtotal to activities. The ML subtotal includes the sum of:
  - current biennium (i.e., top line)
  - total of carry-forward level (CFL) adjustments, and
  - total of ML adjustments
- Allocate and prioritize each individual policy level (PL) decision package (DP) to activities.

Allocate ML to activities

The agency budget submittal must present the ML totals (i.e., by FTEs, account and fiscal year) by activity. Agencies may, if they so choose, assign the costs of some or all ML DPs to activities, but this is not required nor recommended. The Agency Budget System (ABS) supports the balancing of the ML total to activities in a single ML step. Special-use DPs (9Z-Activity) are available for agencies to balance ML activity amounts in ABS. ABS will enforce the requirement that activities be balanced at ML as a submittal edit.

Allocate each PL DP to activities

Agencies are required to indicate how the costs — by FTEs, account, and fiscal year of each PL DP — are allocated to activities. This functionality is located on the ABS Fiscal Details — funding page of ABS. ABS will enforce this requirement for each PL DP.

Note: You will be unable to release your budget to OFM until all these FTEs and costs are assigned to activities.

Contact your assigned budget analyst or OFM budget operations if you have questions regarding your activity inventory. See the OFM activity guide for more information.

Include the activity inventory report in the budget submittal

Agencies are required to include a copy of the agency activity inventory report in their submittal. This report (ACT001) can be run from ABS, or from the operating budget reports section of Enterprise Reporting (ER). The report will include the descriptive information for each activity, including linked performance measures and expected results statements.

HOW TO TREAT ADMINISTRATIVE COSTS IN THE ACTIVITY INVENTORY

Activity costs include related administrative costs essential to support activity

The activity inventory should provide a reasonable estimate of the full cost of any activity, including related administrative costs that are essential to support it.

Administrative costs can be divided into two components: indirect costs and overhead costs. The information below describes how to handle the two types of costs in the activity inventory.

Definitions

We realize many of the cost terms used here may mean different things in different organizations. Use the definitions below for the purpose of developing activity inventory estimates.

Allocate indirect costs to activities. Indirect costs are administrative costs linked to two or more activities. They are closely related and tend to vary with activity level or size, but usually cannot be practically or economically assigned as direct charges. Indirect costs should be assigned to activities through cost allocation and included in the total cost of the activity in the activity inventory.

Types of costs that could be classified as indirect costs may vary from agency to agency, but some examples are:

- Rent costs (if these are not already direct charge)
- Postage costs
- Software development and IT support costs
- Other shared administrative costs closely related to activity levels and size.

Show overhead costs as a separate "administration" activity. Every agency has core administrative functions and costs regardless of the number or size of its activities. Overhead costs usually support the entire organization, are not directly attributable to specific activities, and tend to be relatively fixed and not easily affected by fluctuations in activity levels. These costs should not be allocated to activities because they are not "caused" by the activity. Indicate these costs separately in one "administration" activity in the activity inventory.

Types of costs that could be classified as overhead costs also may vary from agency to agency, but examples are:

- Salary and support costs for the agency director.
- Core portions of accounting, budgeting, personnel, communications and receptionist functions.
- Other shared administrative costs that are not closely related to activity levels and size.

OFM is not concerned that each agency classifies the same type of cost in the same way. We want to ensure that activity costs include administrative costs that are critical to support the activity and help to achieve its intended outcomes.

Certain agencies are not required to have a separate administrative activity

OFM determined that some agencies (those with only one or a few activities) were not required to break out overhead costs as a separate administration activity. This distinction is reflected in the current activity inventory. These agencies do not need to add an administrative activity for the budget submittal.

How to allocate indirect costs to activities

Indirect costs should be assigned to activities on some generally accepted cost allocation basis. We encourage agencies already using a cost allocation methodology for some accounting purposes to use their method to allocate indirect costs to activities.

Other possible approaches to allocating indirect costs to activities include, but are not limited to:

- Allocating by the number of FTEs in each activity.
- Allocating by the total dollars budgeted for each activity.
- Allocating by one or more bases that serve as good surrogates for the costs caused by each activity; for example, allocating IT staff costs by the number of personal computers or rent costs by the number of square feet.

Provide allocation information to OFM

The allocated costs should be included in the total costs for the activities. Agencies must also provide the following information in the agency budget submittal about the cost allocation approach:

- Total amount of indirect costs allocated.
- Brief description of the allocation method selected.
- Allocation percentage for each activity (percentage of the total indirect cost the agency allocated to each activity).
- Dollar amount allocated to each activity each fiscal year.

Use this form and attach to your ABS submittal. ABS will enforce inclusion of this form as required to release you budget request.

WHAT ARE THE BUDGET SUBMITTAL REQUIREMENTS FOR PERFORMANCE MEASURES?

Performance measures make accountability possible. They answer a simple question: "Are we making progress toward achieving our targeted results?" A credible answer to this question must be supported by evidence, which comes from performance measures.

Information about the effectiveness of an activity purchased in the budget is important to gauge whether the investment has proven worth the cost. Analyzing performance can help agencies and analysts recognize how to improve performance outcomes and whether other strategies can contribute more toward achieving activity and statewide results.

Statewide result goal indicators are available in activity reports. Through the Results Washington process, the Governor has identified key indicators of success for the five statewide goal areas. Each agency's activities are associated with one of these areas. More information is available at Results Washington.

PERFORMANCE MEASURE INCREMENTAL ESTIMATES

Indicate the effect of each DP on performance

For each DP, ABS asks agencies to describe and assess their performance measures.

- ABS presents a listing of your agency's available performance measures (from the Results through Performance Management System (RPM). Enter the expected incremental performance change by fiscal year.
- ABS provides a text field for performance outcomes where agencies are required to describe and quantify the specific performance outcomes you expect from this funding change. What outcomes and results will occur? What undesired results are reduced, eliminated or mitigated? Explain how efficiencies are optimized. Identify all Lean initiatives and their expected outcomes. Include incremental performance metrics.

CHAPTER 4

RECOMMENDATION SUMMARY VIEW

WHAT IS THE RECOMMENDATION SUMMARY?

The recommendation summary (RecSum) summarizes the incremental expenditure portion of the budget request — your budget at a glance. This is a step table format that summarizes the incremental expenditure change information. It begins with legislative spending authority in the current biennium and lists the incremental changes in the carry-forward (CFL), maintenance (ML) and policy levels (PL) to arrive at the agency's 2021–23 request. Each budget line on the RecSum represents a single budget policy decision in the form of a decision package (DP).

Conceptual description of the RecSum

BUDGET LEVEL	APPROPRIATE ITEMS
Current biennium	Legislatively authorized appropriation level and nonappropriated expenditure level
CFL changes	• Biennialization of legislatively directed workload and program changes • Shifting of any continuing unanticipated federal and private/local expenditures to anticipated appropriation type • Negative adjustments for nonrecurring costs
ML changes	• Mandatory caseload, workload and enrollment changes only. Typically tied to official forecasts, rate changes, such as lease, fuel and postage • Central service agency charges and other rate adjustments • Specific compensation adjustments: OASI, merit increments (only for agencies with fewer than 100 FTEs) and retirement buyout costs • Inflation • Changes to nonappropriated accounts beyond current allotted levels • Other mandatory cost increases outside agency control • Replacement of existing, but worn-out equipment • Operating costs of just-completed capital projects • Transfers between programs or agencies, or between years for dedicated accounts • Unanticipated receipts not included in CFL • Federal, private/local and dedicated fund adjustments **Note**: See Chapter 5 for further details on ML.
PL changes	Prioritized: • Discretionary workload in current programs • New programs or services • Reductions or eliminations of programs or services • Reallocation of existing resources • Significant changes in fund sources
Total budget request	Sum of above items

RECSUM SUBMITTAL REQUIREMENTS

The RecSum report has a required format. It displays the requested DPs by:

- Average annual FTEs
- General Fund–State
- Other funds
- Total funds

The RecSum report displays the current biennium and CFL total followed by each change item in ML and PL listed as a separate line item with its own DP code and descriptive title. The RecSum step table is followed by the individual DP descriptive text.

The Agency Budget System (ABS) will generate the RecSum. The agency is able to generate the RecSum directly from ABS once you have entered all required DP information.

Most agencies submit the RecSum at the agency level. Agencies must submit a RecSum at the agency level unless they are required to submit budgets at a lower level. Agencies listed in Chapter 1 must submit a RecSum at the program (or category) level.

Use approved codes to designate change items. With few exceptions (see following note), agencies are free to use any combination of two-digit DP codes (e.g., alpha/alpha, alpha/numeric, numeric/numeric and numeric/alpha).

Note: OFM designates codes that must be used for certain types of ML and PL changes (see Chapter 5). DP codes containing the letters O or I are restricted to prevent confusion with zero and one.

CHAPTER 5

CARRY-FORWARD, MAINTENANCE AND POLICY LEVELS

WHAT IS CARRY-FORWARD LEVEL?

The carry-forward level (CFL) is a reference point created by calculating the biennialized cost of decisions already recognized in appropriations by the Legislature.

OFM calculates and provides CFL to agencies

In collaboration with legislative staff, OFM calculates and provides CFL to each agency. OFM budget analysts will discuss these calculations with agencies as soon as possible after passage of the 2020 supplemental budgets. We expect CFL to be finalized in June 2020.

Agencies do not recalculate CFL for their budget requests. ABS will be populated with CFL control items – which the agency cannot change.

How OFM calculates the CFL

The OFM calculation starts with the 2019–21 expenditure authority as represented by current appropriations, compensation or other allocations, and the nonappropriated funds assumed in the legislative budget. The Governor's Emergency Fund allocations are considered nonrecurring costs and not added to the base. Adjustments are then made for biennialization of workload and service changes directed by the Legislature and for deletion of costs that the Legislature considered nonrecurring. Nonappropriated funds are adjusted to match allotments through the agency recast process.

Unanticipated receipts received and approved in 2019–21 that will continue in 2021–23 are also considered part of CFL if approved prior to the finalization of the CFL cost calculation.

Examples of CFL adjustments

- **Legislatively directed workload changes.** Only those changes already recognized by the legislative appropriation level in 2019–21 (or for nonappropriated accounts through a change in the legislative budget database or allotments/recast) are included. Examples include staffing for opening of new facilities and biennialization of the cost of mandatory caseload, enrollment or population growth that occurred during 2017–19.
- **Legislatively directed changes in level of services.** Again, only the CFL of those changes recognized by the Legislature through revised appropriations are included in CFL. Examples include a change from annual to semi-annual inspections or an increased resident-counselor ratio.
- **Nonrecurring costs.** Nonrecurring costs usually reflect deletions of what the Legislature has identified as projects or other short-term expenditures. Legislatively directed nonrecurring costs are eliminated in CFL. Agency-generated savings would be shown as negative adjustments in ML.

WHAT IS MAINTENANCE LEVEL?

Maintenance level (ML) reflects the cost of mandatory caseload, enrollment, inflation and other legally unavoidable costs not contemplated in the current budget. Expenditure adjustments may be positive or negative, depending on expected experience in the ensuing biennium.

Who prepares ML?

Agencies prepare the ML component of the budget submittal. Like CFL, ML is a reference point for budget consideration. It is not a guarantee of that amount of funding.

ML includes mandatory caseload and enrollment changes

A mandatory caseload or enrollment change arises from an explicit statutory requirement for state-funded services. A change in the demand or the need for a service is not mandatory unless the recipients of that service (or benefactors of the activity) are entitled by statute or rule. Mandatory ML changes are entered as ML items in ABS.

Be sure to identify projected caseload growth separately for each discrete service provided by the agency at the same level of detail as forecasted by the Caseload Forecast Council.

ML includes inflation and other rate changes

Costs related to inflation and mandatory rate changes are included in ABS as ML items. Examples of these types of changes are OASI rate revisions, salary increments (for agencies with fewer than 100 FTE staff), current lease/purchase contract payments, utility expenses and increased costs for current leases. Costs for new leases, moves or acquisition of new space not associated with mandatory caseload, workload or service level changes should be included in a policy level (PL) budget request.

Also included in ML are:

- Costs related to replacing existing, but worn-out equipment.
- Operating costs for just-completed capital projects. These costs should be previously assumed in the capital project plan. Operating costs related to changes in assumptions or scope should be included in PL.

Merit system salary increments

Because vacancy rates typically result in savings that can offset salary increment costs in large agencies, agencies exceeding 100 FTE staff per year should not include merit system salary increments in their ML calculation. The Court of Appeals (which functions as three autonomous courts, each with fewer than 100 FTEs) and other smaller agencies may identify increments as long as the cost does not exceed 2.5 percent of annual salaries for classified staff.

If agencies believe they have justification for salary increments beyond these limits, they should include the increments in their PL request. Merit system salary increments should not be added for exempt or Washington Management Service employees.

Nonappropriated expenditure adjustments

Unless they are part of a PL decision package (DP), budgeted/nonappropriated expenditures beyond the current allotment belong in the ML category. DPs for nonappropriated accounts that reflect a policy change should be requested in the PL of the agency's budget.

Agencies must use OFM-specified RecSum codes for selected ML items

OFM has DP codes to more clearly identify certain ML items of change at the statewide level. Agencies must use the RecSum codes identified below for these ML changes. Agencies are free to use other available codes and titles for other ML items.

ML Code	DP Code	Description
Workload, caseload and utilization type adjustments		
	93	Mandatory caseload adjustments (for officially forecasted caseloads only)
	94	Mandatory workload adjustments (for DSHS, HCA and DOC)
	95	Enrollment/workload adjustments (OSPI)
	96	Utilization changes (DSHS and HCA)
Wage and compensation type adjustments		
	9C	Initiative 732 COLA
	8C	Minimum wage adjustments
	97	Merit system increments (only for agencies with fewer than 100 FTEs)
	99	OASI adjustments
	9P	Pension adjustments, other than rate changes
	8R	Retirement buyout costs
Budget structure change, cost allocation and transfer type adjustments		
	8D	Budget structure changes (LEAP-approved)
	9T	Transfers (between programs, agencies, years or funds)
	8Y	Cost allocation adjustment (cost must net to zero in the agency)
Specific cost type adjustments		
	8F	Fuel rate adjustments
	8L	Lease rate adjustments
	8M	Mileage rate adjustments
	8P	Postage rate adjustments
	8U	Utility rate adjustments (non-Department of Enterprise Services utility billings)
	9E	Other fund adjustments
	9F	Federal funding adjustment
	9H	FMAP match adjustment
	9I	K-12 inflation (OSPI only)
	9J	Nonappropriated fund adjustment
	9K	Levy equalization update (OSPI only)
	9L	Local funding adjustment
	9Q	Equipment maintenance/software licenses
	9S	Equipment replacement costs
	9U	Unanticipated receipts not in CFL
	9V	Operating costs for just-completed capital projects (costs previously planned)
	9W	Operating costs for proposed capital projects
	9M	Medical inflation
Summary and recast type adjustments		
	90	ML revenue (all ML revenue not related to individual expenditure DPs)
	9Z	Recast to activity
OFM use only		
	98	General inflation
	9D	Pension rate changes

How to treat payments to central service agencies in ML

Do not include ML changes in the agency budget submittal for payments for the central service accounts listed in Chapter 11. These are calculated and uploaded by OFM in the fall when decisions are final for these central service agency budgets.

Note: Agencies will be provided with a base amount and proposed fund splits in the spring and will be asked to review and request changes to fund splits at that time in order for OFM to recalibrate the central service model. (See Chapter 11 for more information.)

WHAT IS POLICY LEVEL?

Incremental expenditure changes that do not fall under the definitions of CFL or ML are considered PL changes. These changes may represent revised strategies or substantial differences in program direction, and can include proposed program reductions. Each significant change to current policy must be justified in a DP. Examples of PL items are:

- **Discretionary workload.** The expenditures necessary to address workload not defined as mandatory.
- **New programs or services.** New programs or any change in the level or scope of existing programs. This category also covers improvements that would result in more effective delivery of services or higher quality services, and proposals for enhanced employee development or training programs. Funding changes for new program structures requiring legislative authorization should also be included in the RecSum at the PL. (See Chapter 1.)
- **Program reductions and other changes.** Requests for new programs can sometimes replace lesser priority programs. Any policy decision that would result in a reduction of service level or the number of clients served should be displayed as a separate decision package item.

Include related revenues in the same DP. Revenue changes related to a PL item should be included in the same DP with the expenditures.

PL DPs must be allocated by activity. Each PL DP must include the costs and FTEs by activity. (See Chapter 2 for more information.)

UNANTICIPATED RECEIPTS

Unanticipated receipts are monies received from the federal government or other nonstate sources that were not anticipated in the budget approved by the Legislature and that can be used only for a purpose specified by the grantor. A statutory process described in RCW 43.79.270 allows agencies to request expenditure authority for these unanticipated revenues through OFM.

Where should they be included in the budget? OFM will work with agencies to review unanticipated receipts already approved this biennium to determine if there is a realistic expectation that the original funding source support will continue. If the support is expected to continue, and if the activity remains consistent with statewide priorities, the funding should be included in the 2019–21 budget requests. This will enable the Legislature to consider the activity as part of the regular budget process.

CHAPTER 6

SALARY, PENSION AND INSURANCE DATA

AGENCY COMPENSATION DATA COLLECTION AND UPDATE

The salary data collection process for collective bargaining has concluded. The Governor's Office, supported by the OFM State Human Resources (State HR) Division, negotiates collective bargaining agreements for state governmental agencies and for some institutions of higher education. The nature of collective bargaining requires OFM to have salary data at the employee level. OFM must be prepared for proposals that group employees by bargaining unit, classification, range and step, years of service, etc. It is also necessary to have compensation data available at this level of detail for non-represented state employees to enable similar calculations for non-represented groups.

OFM data collection for 2021–23 collective bargaining salary negotiations and budgeting for all state employee salaries and benefits concludes May 7, 2020.

VALID PENSION SYSTEM CODES

The following table reflects all valid pension system codes for the 2021–23 biennial budget.

RETIREMENT SYSTEMS	DESCRIPTION
H1	Higher education system – 5% contribution rate
H2	2-year higher education system – 7.5% contribution rate
H3	2-year higher education system – 10% contribution rate
H4	4-year higher education system – 7.5% rate capped at 6%
H5	4-year higher education system – 10% rate capped at 6%
JA	Judicial Retirement Account Plan/PERS 1
JB	Judicial Retirement Account Plan/PERS 2/3
L1	Law Enforcement Officers' and Fire Fighters' – Plan I
L2	Law Enforcement Officers' and Fire Fighters' – Plan II
NE	Not-eligible/unknown system
P0	Retired-rehired
N2	Public Safety Employees' Retirement System
P1	Public Employees' Retirement System – Plan I
P2	Public Employees' Retirement System – Plan II
P3	Public Employees' Retirement System – Plan III
T1	Teachers' Retirement System – Plan I
T2	Teachers' Retirement System – Plan II
T3	Teachers' Retirement System – Plan III
S1	Washington State Patrol Retirement System – Plan I
S2	Washington State Patrol Retirement System – Plan II

OTHER COMPENSATION COST NOTES

Requesting funding for pay increases

Most requests for salary adjustments are addressed through collective bargaining, but there are some exceptions.

Classified staff: Agency pay proposals for all classified positions, whether they are covered by collective bargaining agreements or not, are governed by the State HR process for classification and compensation proposals.

State HR will request funding for: (1) compensation adjustments they have negotiated, (2) multi-agency proposals they initiate, and (3) their recommended compensation adjustments for classified, nonrepresented positions after review through the classification and compensation proposal process.

WMS and exempt staff: Agencies seeking funding for pay adjustments for WMS or exempt employees should continue to **submit decision packages (DPs)** with their budget requests. They should also send an electonic copy of the proposal to State HR.

Note for higher education institutions: Institutions that conduct their own collective bargaining should continue to submit requests for funding by October 1. Only pay proposals for exempt, non-represented staff, do not require State HR review.

Salaries

In developing DPs, agencies should use base salaries from the salary schedules published by State HR. **If there are tentative collective bargaining agreements that would affect the cost of a DP, agencies should estimate that impact and refer to them separately in the DP.**

Discuss the use of any other compensation plan with your budget analyst before using it in a budget request. Agencies should not budget for overtime, sick leave or shared leave.

Workers' compensation costs (medical aid and industrial insurance)
OFM will coordinate with the Office of Actuarial Services at the Department of Labor and Industries to determine agency rates and add workers' compensation rate adjustments to agency budgets in the biennial budget. Agencies should not submit DPs for workers' compensation in their biennial budget request.

In supplemental budgets, however, an agency may submit a DP for the portion of the rate adjustment that the agency believes it cannot accommodate in its budget.

CHAPTER 7

AGENCY REVENUES AND FUND BALANCE REPORTS

SUMMARIZED REVENUES REPORT

Agencies must provide revenue projections for monies they collect, deposit, distribute or transfer for any budgeted account whether they spend out of the account or not. Only projected revenue transactions executed by an agency should be reported by that agency. For example, the Department of Revenue would report taxes it collects, although it may not spend them. The Office of the State Treasurer (OST), instead of individual agencies, should report interest earnings (Source 0408). Revenue projections are reported on the summarized revenue by account and source report form.

How are the data used?

The Governor must propose a budget in which all funds are balanced. Revenue estimates from agencies for the ensuing biennium are combined with beginning budget fund balances, working capital reserves, current biennium revenue actuals and estimates, and proposed expenditure data to determine each account's estimated 2021–23 ending fund balance for the proposed budget.

What is on the summarized revenue by account and source report?

The summarized revenue by account and source report form shows revenues that are expected for budgeted funds in the ensuing biennia. These include all accounts with a budget type of A, B or M and certain type H accounts. See the State Administrative and Accounting Manual (SAAM) Section 75.30.50 for a list of funds and their respective budget types. The report also includes recommendation summary (RecSum) text for each entered revenue-related decision package (DP).

Remember to include both the capital and operating budget revenues

Revenue estimates related to the capital budget should be included with estimates for the operating budget on the summarized revenue by account and source report form. Although it is typical for a capital project to take several biennia to complete, the revenue estimates should be limited to revenues collected in the 2021–23 biennium.

What information is required?

Agencies must submit maintenance level (ML) and policy level (PL) revenue estimates for the 2021–23 biennium by fiscal year, account, major source and source. Revenue estimates should be reported on a GAAP basis.

OFM does not require current biennium or carry-forward level (CFL) estimates for revenue. Total ML revenue for the 2021–23 biennium should be entered in a single step as one revenue-only DP in ML with the RecSum code of 90. There is one exception - the revenue adjustments related to an individual ML item should be included in the same DP as the expenditures for that item and not included in the M-90 DP.

Agencies may choose to enter information at the current biennium and CFLs in the Agency Budget System (ABS), but this information will be rolled together as a ML total on the summarized revenue report upon submission to OFM.

PL revenue items must be submitted in a policy DP. Related expenditures, if any, should be included in the same DP. Review Chapter 8 if you have new or increased fees.

Explain assumptions in the DP

In a DP containing revenue, include the following information in the narrative:

- Key assumptions underlying the estimate of each revenue source.
- Numerical expressions showing how the projected revenue amounts were calculated and derived.
- If the health and continued viability of the revenue source are in question, discuss why and the expected impact.

What if an account is only partially budgeted?

When an account is partially budgeted, the agency should not report revenue associated with the nonbudgeted portion of the account. Partially budgeted or mixed funds are generally proprietary funds. In proprietary funds where only administrative costs are budgeted, only enough revenue should be submitted to offset the budgeted expenses. The administering agency should be sure that reported revenue is sufficient to cover the budgeted expenditures for all agencies that spend from that account. In budgeted proprietary funds that engage in sales of merchandise, gross profit (sales net of cost of sales) should be submitted in the budget rather than total sales revenue.

Balancing federal and private/local revenues and expenditures

Except as noted below, each agency's federal revenue must equal its federal expenditures shown in the agency's budget (both operating and capital), unless the agency receives federal revenue that is spent by another agency. In this case, federal revenue and expenditures must net to zero at the statewide level.

Known exceptions to the "federal match by agency" rule include:

- Office of Superintendent of Public Instruction, Fund 113 – Common School Construction Account
- Military Department, Fund 05H – Disaster Response Account. Federal revenue will exceed expenditures by the amount of recovery dollars received when disasters are closed out. These dollars become state fund balance, which offsets federal expenditure variance.
- Health Care Authority (HCA), Fund 001 – General Fund Federal. After expenditures are settled, match revenue leaving a positive variance to offset negative variance in the Department of Veterans Affairs (DVA). These funds are Medicaid dollars booked at HCA but spent in support of veterans' homes in Retsil and Orting.
- DVA, Fund 001 – General Fund Federal. Negative variance is offset to positive variance in HCA. Funds are Medicaid dollars booked at HCA but spent at the veterans' facility in Spokane.
- Employment Security, Fund 119 – Unemployment Compensation Administration Account. CFL fund balance from previous biennium.
- Washington State Department of Transportation (WSDOT)/Bond Retirement and Interest, Fund 389 – Toll Facility Bond Retirement Account. For the federal GARVEE bonds, WSDOT records the revenue to pay the debt service. Bond retirement and interest pays the debt service and records the expenditure.

Similarly, private/local revenues must equal private/local expenditures shown in the agency's budget (both operating and capital) unless the agency receives private/local revenue that is spent by another agency. In this case, private/local revenue and expenditures must net to zero at the statewide level.

Known exceptions to the "private local match by agency" rule include: DSHS, Fund 001 – General Fund Private/Local. After expenditures are settled, match revenue.

ABS will produce a warning if federal or private/local revenues and expenditures are not in balance on the pre-release edit report.

Use ABS for preparing the report

Agencies must use ABS to prepare the summarized revenue report. ABS will generate the report based on the revenue entered in the DPs. Contact the OFM Help desk at 360-407-9100 if you have questions or need access to the system.

Use prescribed revenue and source codes

Use the correct two-digit major source code and two-digit source code to identify each type of revenue. Refer to the list of official revenue source codes in SAAM for the appropriate Revenue Source Codes and titles.

Provide updated revenue estimates to OFM in the fall if forecasts change

OFM uses the Economic and Revenue Forecast Council's September and November forecasts for accounts that they, and participating agencies, forecast. **Agencies must inform OFM of material adjustments to the submitted revenue estimates not formally included in state forecasts. Agencies should ensure that current biennium revenue allotments are kept up to date to provide an accurate picture of resources in dedicated accounts.**

FUND SUMMARY AND FUND BALANCING

Reserve fund balance for compensation and other changes

Agencies should ensure their budget submittals will reserve enough remaining fund balance to cover potential salary, health insurance, pension and central service agency charge adjustments by OFM and the Legislature. As a guide, look at the amounts funded for these changes in previously enacted budgets.

Fund administrators must coordinate with other agencies on projected 2019–21 ending fund balance

Administering agencies for specific accounts need to coordinate with other agencies using that account to ensure that combined budget proposals do not put the account into a projected negative fund balance at the end of the 2021–23 biennium. If you have questions about which agency is the fund administrator, consult the Fund Reference Manual that lists the administrator for each account.

Beginning budget fund balances

OFM will send agencies the beginning budget fund balances that will be used for the budget. These are divided into two groups.

Governmental funds. Each biennium, the Governor must prepare a budget proposal that is balanced for every account. Beginning fund balances for the current biennium are based on Comprehensive Annual Financial Report (CAFR) data. These balances represent beginning "budgetary" or "spendable" fund balances, and may not be the same as the accounting fund balance. They will also likely not be the same as the cash balance in the Agency Financial Reporting System (AFRS) or the 'cash' or 'book' balances in TM$. OFM will notify agencies in the spring of the adjusted beginning balances that it plans to use based on the General Ledger (G/L) codes listed below.

In the case of governmental funds, all revenue (32xx), all expenditure (65xx) codes and the following fund balance G/L codes are included in the beginning fund balance:

- 9230 Restricted for Higher Education
- 9231 Restricted for Permanent Funds – Realized Investment Losses
- 9232 Restricted for Education
- 9234 Restricted for Transportation
- 9235 Restricted for Bond Covenants
- 9238 Restricted for Other Purposes
- 9240 Restricted for Human Services
- 9242 Restricted for Wildlife and Natural Resources
- 9244 Restricted for Local Grants and Loans
- 9246 Restricted for School Construction
- 9248 Restricted for State Facilities
- 9250 Restricted for Budget Stabilization
- 9252 Restricted for Debt Service
- 9255 Restricted for Cash and Investments with Escrow Agents and Trustees
- 9260 Restricted for Pollution Remediation Liabilities
- 9270 Restricted for Unspent Bond Proceeds
- 9271 Restricted for Operations and Maintenance Reserve
- 9272 Restricted for Repair and Replacement Reserve
- 9273 Restricted for Revenue Stabilization
- 9274 Restricted for Unspent GARVEE Bond Proceeds
- 9283 Restricted for Third Tier Debt Service
- 9285 Restricted for GARVEE Bond Debt Service
- 9310 Committed for Higher Education
- 9311 Committed for Education
- 9320 Committed for Transportation
- 9321 Committed for Other Purposes
- 9323 Committed for Human Services
- 9324 Committed for Wildlife and Natural Resources
- 9325 Committed for Local Grants and Loans
- 9330 Committed for State Facilities
- 9340 Committed for Debt Service
- 9372 Assigned for Other Purposes
- 9390 Unassigned
- 9720 Prior Period Material Corrections (OFM only)
- 9721 Fund Type Reclassification Changes (OFM only)
- 9722 Accounting Policy Changes (OFM only)
- 9723 Capital Asset Policy Changes

Proprietary funds. In the case of proprietary funds, restricted and long-term assets and liabilities are removed by excluding the following G/L codes from beginning fund balances, thereby converting proprietary fund balances into meaningful budget balances.

The G/L codes excluded in calculating the budget fund balance for proprietary funds are listed below (**Note:** An x indicates all G/L codes in that series are excluded):

- **1130** Petty cash
- **1140** Cash with escrow agents
- **1150** Cash with fiscal agents
- **12xx** Investments (except 1205-Temp./Pooled cash investments)
- **1410** Consumable inventories
- **1440** Raw materials inventories
- **1450** Livestock
- **1510** Prepaid expenses
- **16xx** Long-term receivables (except 1656-Advances due from other funds)
- **19xx** Other assets and deferred outflows
- **2xxx** Capital assets
- **3110** Approved estimated revenues
- **32xx** Accrued/Cash/Noncash revenues
- **5114** Annuities payable, short-term
- **5118** Benefit claims payable, short-term
- **5125** Annual leave payable, short-term
- **5127** Sick leave payable, short-term
- **5128** Compensatory time payable, short-term
- **516x** Short-term portion of bonds payable
- **5172** Lease payable, short-term
- **5173** COP payable, short-term
- **5192** Unavailable revenues – short-term
- **5196** Obligations under reverse repurchase agreements
- **5197** Obligations under securities lending agreements
- **52xx** Long-term liabilities and deferred inflows
- **59xx** Other credits
- **61xx** Expenditure authority and estimated expenditures
- **62xx** Allotments
- **63xx** Reserves
- **6410** Encumbrances
- **65xx** Other expenses
- **91xx** Budgetary control and non-spendable fund balance
- **92xx** Restricted fund balance
- **93xx** Committed fund balance and net investment in capital assets
- **97xx** Correction/Changes
- **94xx** Retained earnings
- **95xx** Reserves
- **96xx** Other reserve accounts

REVENUE TRANSFER RECONCILIATION STATEMENT

When must a revenue transfer reconciliation statement be submitted? Generally, operating revenue transfers balance at the agency level. When both sides of a transfer are not shown on the summarized revenue report (e.g., transfers between budgeted and non-budgeted funds), a transfer reconciliation statement is required as part of the revenue justification material. This statement assists the OFM analyst in understanding the purpose and mechanism for the complete transfer.

Here is a sample format for the transfer reconciliation statement:

SOURCE 06XX — TRANSFERS IN:

Fiscal Year	Amount	To account	Purpose

SOURCE 06XX — TRANSFERS OUT:

Fiscal Year	Amount	From account	Purpose

WORKING CAPITAL RESERVE

Who must submit this statement?

The administering agency of an account should submit a working capital reserve form (B9-1) that lists the recommended ending fund balance for those accounts.

Use ABS for preparing the report. Agencies use ABS to prepare this report. ABS includes the appropriate worksheet and prints the report.

What to consider when estimating a reasonable working capital reserve

The agency should enter the working capital reserve that, in its judgment, should remain in the account at the end of each biennium to cover fluctuations in cash flow. For most funds, a reasonable amount would be sufficient to cover two months' worth of cash expenditures.

The recommended balance should be entered for each account needing a working capital reserve. There is no need to indicate a source code.

The recommended ending balance should include a cash reserve sufficient to ensure the account does not end the biennium with a negative cash balance. However, administering agencies may find it prudent to recommend a higher ending balance because of volatile revenues or unique cash-flow cycles, or to offset an operating deficit in the ensuing biennium.

Administering agencies should ensure sufficient balance to cover compensation, central service agency charge increases and other cost adjustments typically made by OFM after agency budgets have been submitted.

Since only administering agencies may enter a recommended reserve, they should contact any other agencies operating in the account to determine the impact of those operations before recommending an ending balance.

Reminders for preparing revenue submittals

- Do you have a clear method(s) for estimating revenue that your agency collects? Have there been recent changes that would impact your revenue collections?
- Do federal and private/local revenue match the combined expenditures of both the operating and capital budgets for the biennium? (See above for a list of known exceptions.)
- Did you include all revenue collected by your agency, even if spent by another agency? Check to see what actual revenues are reported by your agency in AFRS.
- Did you include revenue estimates for changes or new sources resulting from recently passed revenue legislation?
- Did you reduce revenues available for transfer or distribution for the amount of new expenditures proposed from those funds?
- Are there sufficient revenues to cover dedicated account expenditures?
- Did you reserve enough fund balance to cover possible compensation or central service agency charge adjustments by OFM?
- Will you send revised revenue estimates to OFM in the fall for agency dedicated fund forecast changes?
- Did you remember that you do **not**:
  - » Submit estimates for revenue that is collected by another agency.
  - » Include interest earnings (Source 0408), which are part of OST's estimates.
  - » Include transfers or revenue distributions executed by OST.

CHAPTER 8

FEE INFORMATION

APPROVAL FOR NEW OR INCREASED FEES

Whenever possible, agencies are encouraged to request new fees or increase existing fees to make programs self-supporting. This applies to programs currently not supported by fees and those partially supported by fees.

As required by RCW 43.135.055, unless otherwise exempted, fees may be imposed or increased only if approved by the Legislature. Submit legislation authorizing new fees or fee increases through the agency request legislation process. The Governor's Office will issue instructions for agency request legislation in mid-July. Request legislation is not required for any new fee or increased fee if an agency already has statutory authority to impose or increase that fee.

New fees, extensions of existing fees and all fee increases, whether legislation is required or not, must be part of the budget submittal. Submit justification for new, extended or increased fees using the process described in this chapter.

Justification for new or increased fee requests

Provide justification for any new, extended or increased fee proposed for the 2021–23 biennium. Include the justification in the decision package (DP) related to the expenditure increase or create a separate DP if not submitting an expenditure increase request. The DP should include the following information:

1. Fee name
2. Current fee rate (FY 2019)
3. Proposed fee rate
   » FY 2020
   » FY 2021
4. Incremental rate change for each year
   » FY 2020
   » FY 2021
5. Expected implementation date
6. Estimated additional revenue generated by the increase
   » FY 2020
   » FY 2021
7. Justification for the increase and discussion of consequences of not increasing the fee
8. Indication of any changes in who pays
9. Indication of any changes in methodology for determining the fee
10. Recommendation Summary (RecSum) code for the related expenditure request, if tied to a budget request
11. Alternatives considered to an increase
12. Indication of whether the fee increase requires a statutory change, i.e., a separate bill. If yes, submit a proposal as part of the agency request legislation process.

SUBMITTAL PROCESS

An Excel template captures the requested new, extended or increased fee data. Instructions for completing the template and an example are included. The spreadsheet is a summary of the information provided in your DP and should show the level for which you need legislative authority. For example, include new and renewal licenses together on the spreadsheet, but detail different rates in the DP.

Include fee information as part of agency budget request

Regardless of fee increases contained in individual DPs, agencies must complete the Excel fee request form summarizing all fee increases proposed in the 2021-23 biennium. The fee request form must be an ABS attachment at submittal. Send an electronic copy of the Excel spreadsheet to Gaius Horton.

Some fee increases will not match up to expenditure changes on the RecSum. Examples are fees necessary to support the 2021–23 carry-forward level or fees that support nonbudgeted funds. Regardless, you must submit justification for new fees and *all* fee increases as part of the agency budget request.

CHAPTER 9

FACILITY LEASES AND FACILITY MAINTENANCE

LEASE RENEWAL AND RATE ADJUSTMENTS, MAJOR LEASE REQUESTS AND SIX-YEAR FACILITIES PLAN

Additional information required in a decision package (DP) related to a facility lease

In addition to the DP information requirements in Chapter 2, for **all** lease-rate DPs (regardless of maintenance level [ML] or policy level [PL]), attach a spreadsheet that contains the following information for all current and projected leased facility costs:

- Action (new, renew, change, close)
- Unique Facility ID (leave blank for new)
- Address (street address, where available, and city)
- Square feet
- Current lease start date and end date
- Services included in the lease
- FY 2019 funded level
- Renewal increase (in percentage)
- Projected FY 2020 and FY 2021 need
- Requested one-time costs (total dollars)
- Any relevant notes

A ML lease rate may include renewal, lease rate adjustments, relocation and new space projects. Use item code **8L** for all DP leases regardless of square footage.

A request for one-time costs should include details about the individual project costs. Costs for new leases, moves or acquisition of new space not associated with mandatory caseload, workload and service-level changes should be included in a PL budget request following the criteria found in Chapter 1.

A template is available on the budget forms webpage to assist you in submitting this information.

OFM encourages the use of market research data or a standard lease renewal rate increase tool based on CPI-U. This market data and the CPI-U tool are available upon request from OFM Facilities Oversight.

What additional information is required for major leases?

RCW 43.82.035 requires major leases to be included in the 10-year capital plans. To comply with this law, OFM has provided a list of major lease projects through the 2019-25 six-year facilities plan published by OFM. A major lease project is defined as a new space or relocation project over 20,000 square feet. Agencies must provide a separate operating budget PL DP for major lease projects. While this budget DP may contain multiple projects over 20,000 square feet, it needs to fully describe the business need for *each* new space and provide the general location and square footage, along with responses to all DP questions. For relocation, also provide the current lease information and the current lease end date.

Contact information is available on the facilities oversight contacts webpage.

Make DPs with space-related costs consistent with the six-year facilities plan

Agency operating budget requests for space-related costs must be consistent with the information the agency provided to OFM as part of the statewide six-year facilities planning process. Space-related costs include:

- existing lease cost changes
- new leases
- one-time costs of acquiring new space or relocating

What is a six-year facilities plan?

OFM, with the cooperation of state agencies, develops and publishes a statewide six-year facilities plan by January 1 of each odd-numbered year, which includes state agency space requirements and other pertinent data necessary for cost-effective facility planning. Directed by RCW 43.82.055, this planning process improves the oversight, management and financial analysis of state agency facilities.

The six-year facilities plan will include:

- lease renewals
- leased and owned relocations
- new facilities projects

Visit OFM's six-year facilities plan webpage for more information about the scope of the plan and agency requirements.

Questions

Contact your assigned OFM facilities analyst or send an email to ofmfacilitiesoversig@ofm.wa.gov.

CHAPTER 10

STATEWIDE ENTERPRISE APPROACH FOR DECISION PACKAGES THAT INCLUDE INFORMATION TECHNOLOGY

INFORMATION TECHNOLOGY PLANNING AND BUDGET REQUESTS

Information technology (IT) is a common part of any initiative or investment, and the state recognizes that there is a fundamental difference between standard Information Technology expenditures and IT projects. In RCW 43.88.092 the Legislature has clearly indicated a desire for transparency in all IT expenditures, yet the degree to which these expenditures are separately scrutinized will depend on the type and purpose of the investment. These budget instructions enable the Office of the Chief Information Officer (OCIO) and Office of Financial Management (OFM) to evaluate proposed information technology expenditures and establish priority ranking categories of the proposals.

IT definitions per RCW 43.105.020:

> "Information technology" includes, but is not limited to, all electronic technology systems and services, automated information handling, system design and analysis, conversion of data, computer programming, information storage and retrieval, telecommunications, requisite system controls, simulation, electronic commerce, radio technologies, and all related interactions between people and machines.
>
> "Telecommunications" includes, but is not limited to, wireless or wired systems for transport of voice, video, and data communications, network systems, requisite facilities, equipment, system controls, simulation, electronic commerce, and all related interactions between people and machines.

For the purposes of IT budgeting, IT expenditures include the following:

- IT hardware (computers, laptops, telephones, servers, networking equipment, etc.)
- Software (licenses, development of custom software)
- IT services (software-as-a-service, infrastructure-as-a-service, platform-as-a-service)
- IT contracts, including project management, quality assurance, independent verification and validation and other professional and consultative services related to information technology and/or telecommunications
- IT staff or staff who will be performing IT functions

IT INVESTMENTS MUST COMPLY WITH IT POLICY FOR REUSE

To support the reuse of existing state resources, all IT investments - including project IT expenditures - are expected to comply with IT statutes and policies. For a comprehensive list of state policies and standards see OCIO technology policies. Some of the most frequently used requirements are listed here for convenience.

Use of the State Data Center. State Technology Policy 184 - Data Center Investments outlines the requirements for agencies to locate physical servers and related equipment in the state data center. The policy describes the limited nature of equipment that may be housed at agency locations. These requirements do not apply to cloud based services.

Radio, radio over internet protocol and public safety communications investments. Agencies must receive written approval from the State Interoperability Executive Committee (SIEC) before beginning any significant investment in radio, Radio over Internet Protocol (ROIP) or public safety communication systems development, enhancement or acquisition. For the purpose of these instructions, significant investments shall be defined as greater than or equal to $250,000. Approval is required regardless of the funding source or whether the request is for additional funding or for a previously approved or funded effort. The OCIO can provide more information about this requirement upon request. The SIEC can be contacted by emailing Robert.connal@watech.wa.gov (RCW 43.105.331).

Administrative & financial system approval. The Statewide Administrative and Accounting Manual (SAAM) Section 80.30.88 requires the approval of the OCIO and OFM before an agency invests in a new or existing administrative/financial system. As part of the review process, agencies are required to demonstrate due diligence in investigating similar solutions in use in state government for reuse. Requests will also be evaluated for their relationship to the One Washington program. This approval is required for new investments and enhancements to existing systems.

This approval must be obtained prior to submission of a decision package and the approval letter attached to the decision package. To initiate a request, agencies may submit an IT Project Assessment and include a note in the description that this is related to a proposed decision package or send an email request to the OCIO Policy and Waiver mailbox. A table containing Administrative & Financial system categories and functions is below and can be found on the OCIO Website under Administrative and Financial Systems Definitions.

Administrative/Financial Category	Business Capability
Finance	Government Accounting General Ledger Capital Asset Management/Fixed Asset Management Accounts Payable Accounts Receivable Cash Flows General Ledger Reconciliation
Management Accounting	Cost Estimate Cost Management and Control Cost Accounting/ Activity Based Costing (ABC)
Budgeting	Budgetary Control Performance Budgeting

Administrative/Financial Category	Business Capability
Human Resources	Appointment Change Benefits Management Diversity Management Grievance Hiring Job Application Job Classification Payroll Recruitment HR Reporting, Business Intelligence, and HR Visual Analytics Retirement Separation / Termination Strategic Workforce Planning Succession Planning Telework/Flexible work Time and Attendance Training/Development Travel Management Wellness and Safety Information Scheduling
Enterprise Risk Management	Enterprise Risk Management
Grant Management	Grant Management
Procurement	Purchasing Contracting Vendor Management Planning Inventory Management Inventory Control
Performance Audit	Performance Audit

DECISION PACKAGE CONTENT WHEN THERE ARE IT COSTS

Guidance on narrative content to include in the body of the decision package when there are IT Costs. The responses in the body of the decision package will be included in the OCIO evaluation and priority ranking process:

- Within the decision package section entitled **Package Description**, include a description of the feasibility study, market research or other due diligence activities leading to the proposed technology solution. More detailed documentation of these activities should be included as attachments to the decision package.
- Within the detailed **Assumptions and Calculations** section, agencies should provide a summary of assumptions influencing the requested technology amounts (e.g., CTS rates, vendor quotes, feasibility/workload studies etc.)
- Within the **Strategic and Performance Outcomes** agencies should identify how this proposed IT investment improves business outcomes within your agency. The decision package should provide specific examples of business outcomes in use within your agency, and how those outcomes will be improved as a result of this technology.

- Within the **Other Collateral Connections** section identify the business impact if this decision package (or the IT portion of the decision package) is not funded. More detailed information in this section will be used when evaluating the urgency of the decision package request.

When developing the budget associated with the decision package, agencies should take onboarding and start up activities into consideration. It is not unusual for a project to take several months to onboard project staff and develop any required approval documents that are prerequisites to starting work.

GUIDANCE ON COMPLETING THE IT ADDENDUM

The IT Addendum is component part of the ABS Decision Package and agencies must attest Yes or No on IT content. All decision packages with IT costs must include a completed IT Addendum.

The IT Addendum has four parts:

- **Part 1** requires agencies to fill out the 2021-23 IT fiscal estimate workbook with an itemized breakdown of information technology costs. This information is needed because the costs noted in the DP are likely a blend of IT and non-IT costs. This allows OFM and the OCIO to meet reporting requirements.
  This section also includes itemized breakdown of planned cost that will come out of the existing agency base. These costs are defined as in-kind costs. This information provides OFM and OCIO information on the total cost associated with this request.

  The itemized 2021-23 IT fiscal estimate workbook is available on the OFM budget forms website at https://ofm.wa.gov/budget/budget-instructions/budget-forms.

- **Part 2** contains questions that support the reuse of existing state resources. The answer to these questions will help OCIO and OFM determine if the decision package will be funded. In some cases, the agency will need to attach copies of supporting documents.

  NOTE: If this decision package request is for OneWa only, please refer to instructions at the end of this chapter.

- **Part 3** needs to be answered for all IT maintenance and policy level decision packages and contains questions that determine if the request needs to be evaluated and ranked by the OCIO as required by RCW 43.88.092.

  For maintenance level decision packages, if an agency has answered yes to any of the questions in **Part 3**, then the additional questions listed in **Part 4** must be answered and the decision package will be evaluated as an IT project/system/investment and ranked by the OCIO, as required by RCW 43.88.092. All policy level decision packages must answer the additional questions listed in **Part 4**.

- **Part 4** contains questions relating to the criteria used to evaluate and prioritize IT decision packages.

The OCIO will review all decision packages containing any IT costs. Through this process, other decision packages may be identified as needing an IT addendum or excluded from the prioritization process. In cases where a decision package is later determined to be an IT investment, but no IT addendum has been submitted, the OCIO will contact the agency to request the IT Addendum and provide a deadline for submission.

Decision packages submitted in the Agency Budget System (ABS) with an IT addendum and 2021-23 IT fiscal estimate workbook will be retrieved from that system by the OCIO to complete the evaluation and prioritization process. Agencies will not have to perform additional work to intersect with the OCIO decision package evaluation process.

IT projects/systems/investments requiring consultation with Consolidated Technology Services (WaTech)

Enterprise technology impact review before final submission of decision package: The agency must submit the draft Decision Package or plan to WaTech at support@watech.wa.gov to obtain estimates and other impacts.

WaTech consult(s) are required for the following:

- Request to fund migration to the cloud
- Request for network connections, increased bandwidth requests, hardware replacements and wireless expansion
- Requests for security hardware, software and systems
- Request to add disaster recovery
- Request for new software solution
- Request for telephony equipment and service

The outcome of this review will provide documentation summarizing the understanding of the project and the impacts considered, which may include budgetary estimates for WaTech services.

Coordination with the OCIO prior to final submission of decision package: The OCIO understands how important a strong decision package is and is available to support agencies. Agencies are encouraged to take advantage of the following resources to help them align their decision packages with state IT strategy and best practice as well as with the evaluation criteria below.

- Tip sheet – Top 12 Tips for Writing Your DP for IT Investments
- Short 20-minute meetings to discuss the investment concept, review the OCIO's decision package evaluation process and allow the agencies to ask specific questions regarding their decision package. The cutoff date in scheduling a meeting with the OCIO is July 31, 2020, and all meetings will be completed by August 31, 2020. For agencies wanting a 20-minute consult with the OCIO, send an email request to OCIOConsultants@ocio.wa.gov .

Decision package criteria

The following table contains the criteria used to evaluate 2021-23 decision packages. The criteria scoring scale being used by the OCIO to evaluate and rank decision packages is available on the OCIO website.

2021-23 Biennium Decision Package Criteria

Parent Criteria	Sub Criteria	Description
Agency readiness	Due diligence	Assess the evidence of needs assessment, high-level requirements and feasibility study or similar due diligence to understand business needs, complete market research and select technology solution.
	Governance and management	Assess the planned project governance and project management approach and resourcing, including project sponsorship, project management and project quality assurance.
	Planning and readiness	Assess the planned project approach and implementation staffing/resourcing, including assumptions about onboarding/staffing, etc.
Technical alignment	Strategic alignment	Assess agency proposal against statewide technology strategies (e.g., buy versus build, modern hosting, early value delivery, modular implementation).
	Technical alignment	Assess agency proposal against technical implementation of strategy: privacy security, open data, mobility, and accessibility.
	Reuse and interoperability	Assess degree to which solution uses systems or components that are already in place in this or any agency and how approach plans for interoperation between systems, services or solutions.
Business alignment	Business driven technology	Assess plans for business transformation or streamlining organization change management activities and approach to keeping customer at the center of the technology project.
	Measurable business outcomes	Assess the presence of anticipated business outcomes, measures and targets as a result of this investment, (see decision package chapter 2 "Strategic and performance outcomes" and decision package chapter 3 "performance measure incremental estimates").
Urgency	Taken into consideration when ranking request	During the evaluation and ranking process, the OCIO will take into consideration, the urgency of the decision package request. Agencies will need to describe the urgency of implementing the technology investment in this cycle and impacts to business if the technology effort doesn't proceed as planned.

If you have additional question on the decision package scoring process or criteria, contact ociotbmprogramoffice@ocio.wa.gov.

STATEWIDE IT PLAN AND TECHNOLOGY BUDGET

The OCIO and OFM will work together to develop the Governor's 2021-23 IT plan and technology budget, as required by RCW 43.88.092. This document will be an appendix to the Governor's budget proposal that will include the following information:

- Agency detail of the previous biennium's IT expenditures will be obtained using existing data from the state's Technology Business Management Program.
- IT projects included in the Governor's 2019-21 budget using information contained in the associated decision packages for each project.
- Budget information for existing IT projects under OCIO oversight, as reported by agencies to the OCIO.

Agency chief financial officers and chief information officers should ensure that IT accounting and other data are accurate, as it will be published in the Governor's 2021–23 IT Plan and Technology Budget.

2021-23 BUDGET INSTRUCTIONS FOR ONE WASHINGTON PROJECTS

Background

One Washington (OneWa) is an OFM business transformation program tasked with modernizing the systems that support enterprise administrative operations (including finance, procurement, budget, human resources and payroll) via an Enterprise Resource Planning (ERP) system. Since 2014, OneWa has conducted readiness activities in preparation for ERP implementation including: a due diligence process to select the ERP software vendor followed by a competitive process to select a system integrator to assist the state in implementing the new ERP system beginning in fiscal year 2021. Initial finance module implementation, for core financials, begins in fiscal year 2021. Core financials is planned to go live July 2022. Expanded financials implementation begins in fiscal year 2022 and is scheduled to go live in July 2023, with additional modules (procurement, budget, human resources and payroll) being added progressively. It is intended that the ERP system will be fully implemented by July 2025 as outlined in the Modernization Roadmap found on the OneWa Agency Resource site.

OneWa 2021-23 scope

There are two phases of the OneWa program relevant to the 2021-23 budget build:

1. Core financials and
2. Expanded financials.

As a result, the 2021-23 budget request focus for OneWa and agencies will be constrained within this scope.

OneWa 2021-23 budget request and related agency budget requests.

All OneWa-related requests, including agency requests, will be reviewed and refined by the OneWa program to develop a single consolidated enterprise-wide decision package. OneWa will coordinate closely with the OFM Budget Division, the OCIO and agencies to insure agency budget needs are identified for successful implementation. Please review the OneWa 2021-23 Budget Development Timeline.

All completed OneWa-related agency requests must be submitted to OneWa **no later than August 15, 2020** to be considered for inclusion in the OneWa decision package. Note: *Due to the complexity of decision package development, late submissions will not be considered.*

Agencies able to request OneWa resources

Since fall 2019, the OneWa tech team has been engaged with agencies to collect data and system inventory to help identify agency systems and interfaces impacted by OneWa. This self-reported data identified 44 agencies with affected systems and interfaces. Of these 44 agencies, only those with impacted finance systems and interfaces, will have an opportunity to make resource requests for inclusion in the consolidated OneWa 2021-23 budget request.

OneWa agency resource requests

The 44 agencies who self-reported affected systems and interfaces related to the new ERP system may request funding for resource needs related to only those impacted finance systems and interfaces.

Three ongoing OneWa work streams will inform the development of agency resource needs:

1. OneWa data and system inventory
2. Chart of accounts modeling, and
3. Functionality

OneWa will work closely with agencies to determine impacts based on all of these work streams. Below are the details for each:

1. OneWa data and system inventory. This is the starting point for understanding agency resource needs. Your agency may request resource needs for systems and interfaces that relate to OneWa finance functionality if those systems and interfaces:
   - Will not be replaced by the ERP system.
   - Need to be modified to interact with the ERP system.
   - Do not have agency internal resources to support the necessary modifications.
2. Chart of accounts modeling. Work is underway to redesign the chart of accounts, but cannot be finalized until the system integrator is onboard. There will be changes to statewide chart of accounts which will likely impact agency systems and interfaces.
   - OneWa, in conjunction with statewide accounting, has compiled informational guidance related to how the chart of accounts may change as a result of the ERP.
   - This work will help agencies to determine potential impacts to systems and the work needed to modify those systems (e.g. legacy systems that are hard coded with AFRS data).
3. Functionality. Work is underway to map current state functionality to future ERP functionality, but cannot be finalized until the system integrator is onboard. There will be differences between the current functionality that AFRS provides and what functionality will be available in the new ERP software system. These changes will likely impact agency systems and interfaces.
   - OneWa/OFM IT have developed a detailed business process mapping tool outlining when functionality is anticipated to be implemented for finance, procurement, HR/ payroll and budget.
   - This work will help inform agencies of when to anticipate their systems/interfaces will need to be modified and when they might be able to decommission systems.

How OneWa will support agencies

For those 44 agencies with self-reported impacts, OneWa will contact each agency to provide a customized tool and instructions related to how to calculate resource needs. During summer 2020, OneWa will provide workshops for agencies to assist in the development of their OneWa-related budget requests.

OneWa is fully committed to supporting all agencies through this business transformation. The modernization and replacement of current systems will impact all agencies resulting in readiness, training, organizational change management and other resource needs. *Agencies should not request other OneWa-related resources* (FTEs, OCM, contractors, etc.) besides those related to agency system/interface modifications. OneWa will provide support to all agencies, not just the 44 agencies that can request resources.

OneWa will work with agencies to outline the resources required to complete people and process readiness activities in addition to system and interface readiness. OneWa will calculate organizational change management needs for all agencies and request the funding to support those needs. This may include a readiness pool or other methods for ensuring agency readiness resource needs are addressed.

OneWa will continue to communicate through agency points of contact and other means to ensure agencies are supported and ready for each phase of the modernization.

If the determination is made that your agency's system(s) and associated funding needs are not related to functionality being modernized by OneWa (budget, finance, procurement, HR/payroll), please refer to the beginning of this chapter (Chapter 10) for guidance.

For more information see the OneWa site, and/or the OneWa budget page, contact your OneWa agency point of contact or the OneWa Budget Manager, Briana Samuela, at Briana.Samuela@ofm.wa.gov.

CHAPTER 11

CENTRAL SERVICES

Welcome to Central Services! This comprehensive chapter is created to bolster state agency understanding of Central Services and their requirements for budget submittal. Check out the instructions and information below, but if at any time you have questions or your agency's budget submittal requirements concerning Central Services, please contact your OFM analyst or Bryan Way at OFM. We're glad to help!

WHAT ARE CENTRAL SERVICES?

Central services are core services that almost all state agencies need to support their operations and missions provided by a central service provider, such as legal services, statewide financial systems, administrative hearings, information technology, worker's compensation, auditing services, as well as some financial, human resources, and IT services tailored for small agencies. By consolidating the delivery, compliance, and programming of these services to a single or small number of providers, services become more cost effective and efficient for the state in whole. For example, by having a single state internet network for all state agencies to use monitored by a team of cyber security professionals, we prevent the need for every state agency to setup their own internet network and cyber security team, which creates efficiencies and economies of scale.

As of the 2020 supplemental budget, approximately $1.2 billion was provided to 105 state agencies to pay for 34 services (sees table at the end of this chapter for more information). Funding provided to state agencies for central services is typically estimated by the service provider using information about the agency's consumption, usage, size, or cost of the activities through the normal budget process; however, it is important to note that not all service offerings provided by these agencies are receive funding in this manner. This is also a way of distributing certain costs incurred by central service providers (such as the Attorney General's Office, Department of Enterprise Services and OFM) to customer agencies.

After the release of the Governor's budget and final legislative budget, OFM posts a report at www.ofm.wa.gov that includes a statewide roll-up of costs as well as each agency's specific share of the central service charges. An inventory of all the individual service charges included in the 2020 supplemental budget (chapter 357, laws of 2020 (ESSB 6168)) is available at the end of this chapter.

WHICH AGENCIES ARE CENTRAL SERVICE PROVIDERS?

The agencies below are central service providers; however, not all of the services these agencies provided are funded through this process. Please see the list at the end of this chapter for specific items that are funded as Central Services. In general, services that are consumption based do not receive funding through this process.

- Attorney General's Office
- Consolidated Technology Services
- Department of Enterprise Services
- Department of Labor and Industries
- Office of Administrative Hearings
- Office of Financial Management
- Office of the Secretary of State
- State Auditor's Office

WHEN DOES MY AGENCY SUBMIT THE FUND SPLIT WE WOULD LIKE USED FOR CENTRAL SERVICES? WHERE IS THE FORM I USE?

During the biennial budget submittal, state agencies are required to submit an updated fund split for central services. Fund splits are not updated in the supplemental budgets; however, please contact your OFM analyst if you have identified an issue or need to update. OFM and the legislature use the information to ensure that the funding adjustments made in the budget are reflective of the percentages each agency must use for these costs.

Leading up to the biennial budget submittal, OFM sends out the template that agencies must use. Currently, that document is a Microsoft Excel worksheet and it is important that agencies submit their fund split using this template as it has macros that help us aggregate data from all the individual agency files to load into the central service model. It is important the percent you indicate for central services be as accurate as possible. Fiscal staff from the legislature and OFM will review your update, looking for significantly changes or instances where your past expenditures are different from your update request, and may contact you with questions.

Regardless of whether your agency's fund split has changed, OFM still requires written confirmation during the biennial budget submittal. Please send updated fund split information to your assigned budget analyst with a copy to Bryan Way.

DOES MY AGENCY RECEIVE FUNDING FOR CENTRAL SERVICES?

Yes, state agencies in the legislative, judicial and executive branches, as well as the universities, community and technical colleges, receive funding in the biennial, first supplemental and carryforward budgets. If you receive services or benefit from applicable statewide services, your agency is expected to pay for services rendered.

WHEN ARE THESE CALCULATED AND WHEN DO I RECEIVE FUNDING?

The Governor and legislative budgets distribute funding to agencies for changes in central services and are likely to change with each budget release until a final budget is in place. Central service funding at the end of each budget becomes the new base for the next budget. Funding for central services is adjusted in the biennial, first supplemental budgets, and carry forward but it is **not** adjusted in the second supplemental. At the end of the biennium, agency budgets could have a positive or negative variance as some allocations are based on estimates and actual consumption, usage, and actual cost.

Central service billings

For some services, the provider agency must estimate or forecast the amount they anticipate to provide each customer agency for their services. Actual billings may vary from estimates. Customer agencies shall pay these billings in a timely manner and in full as they would pay bills from other vendors.

Immediately notify service provider agencies of extraordinary service needs

Agencies that anticipate requiring an unusual or extraordinary level of service should contact the appropriate service agency to discuss the anticipated nature and scope of the need as promptly as possible to allow for sufficient time for the consideration of your agency's need before budget decisions are made. This approach enables service agencies to plan an appropriate estimate of funding they need to cover the cost of the services they expect to provide.

WHERE IN THE BUDGET CAN I SEE THE AMOUNTS I RECEIVED FOR CENTRAL SERVICES?

Central services have their own grouping within each agency's recsum. Each central service item is bundled in one of the budget step codes below. Some codes incorporate multiple central service provider offerings.

CODE	BUDGET STEP TITLE	CENTRAL SERVICE AGENCY
92A	State Data Center Debt Service	Consolidated Technology Services
92C	Archives/Records Management	Secretary of State
92D	Audit Services	State Auditor's Office
92E	Attorney General	Attorney General's Office
92G	Administrative Hearings	Office of Administrative Hearings
92J	CTS Central Service	Consolidated Technology Services
92K	DES Central Services	Department of Enterprise Services
92R	OFM Central Services	Office of Financial Management
92S	Worker's Comp	Department of Labor and Industries
92X	Self-Insurance Premium	Department of Enterprise Services

HOW IS THE FUND SPLIT USED TO SPREAD CENTRAL SERVICES DETERMINED? WHO DOES THIS?

The process starts with agency submitted information to distribute funding for central services. This is done by fund splits, which represent how OFM and the legislature will allocate central service funded costs among agencies and their different agency funds.

Some agencies may need to adjust fund splits for the 2021-23 central service model. OFM will provide agencies with a spreadsheet with the 2020 supplemental operating budget latest fund split information and information about recent legislative changes that may affect fund splits.

Agencies must review the fund splits against how the agency paid the CSM bills and update the spreadsheet, if necessary. If changes are needed, the agency must provide a short description explaining proposed updates. Fund split adjustments are due at the same time as the agency biennial budget submittal to OFM.

Regardless of whether fund splits are changing or remaining the same from 2019-21 to 2021-23, OFM still requires written confirmation. Send updated fund split information to your assigned budget analyst with a courtesy copy to Bryan Way.

A table showing the methodology used to distribute each central service model item for the 2020 supplemental budget is available at the end of this chapter.

WHY CHARGES ARE SPREAD THIS WAY

Costs for services delivered by the central service provider agencies must be paid in some manner. These central service agencies need to bill agencies for their services and the agency must use appropriate funding from their agency authority. It is this logic that then provides the fund splits information by central service agency billing that is used to add/reduce funding through the central service model.

HOW CAN I SEE MY BASE FUNDING AND AMOUNT BY FISCAL YEAR?

Unfortunately, the central service model carries forward biennial amounts by state agency but not detail by fiscal year so there's no easy way to identify amounts provided by fiscal year, especially for items that have been in existence for a while. During the allotment process, customer agencies are encouraged to make their best guess based on what they know about how their agency uses or consumes a service and may want to consider evenly splitting funds by fiscal year in events where it is unknown and the fund sources are not restricted to a particular fiscal year.

HOW CAN MY AGENCY RECEIVE FUNDING FOR A CENTRAL SERVICE?

Sometimes agencies want to join a service that receives funding through the central service model, such as the small agency IT service that Consolidated Technology Services offers. In these instances, please inquire with the central service provider and your OFM budget analyst about becoming a new customer.

MY AGENCY'S CONSUMPTION OF A SERVICE DIDN'T CHANGE BUT WE RECEIVED ADDITIONAL FUNDING. WHY?

Like all state agencies, central service providers need and/or receive funding for things above their existing base budget (such as the global compensation items that all agencies receive). Additionally, there are some other services they provide that benefit all state agencies or the public at large need to be paid for in some manner. These costs are distributed to state agencies using a prescribed methodology. For more information about the methodology used to calculate each central service item, please see the table at the end of this chapter.

WHICH BUDGETS ARE ADJUSTED FOR CENTRAL SERVICE COSTS?

Adjustments for central services are included in the operating and transportation budgets, but not the capital budget.

MY AGENCY IS A CENTRAL SERVICE PROVIDER. WHAT INFORMATION IS REQUIRED?

Central service provider agencies must maintain properly documented methodologies for each service they provide, including detail about how the methodology billing was determined. Total revenues must match estimated billing costs. Agencies that administer central service fees must provide OFM with a worksheet detailing proposed charges by agency and a detailed explanation of significant changes that have occurred since the last adjustment to the model.

For accounts where the central service fee is the only funding source, total revenues must match estimated billing costs. OFM will provide a formatted spreadsheet and instructions to the central service agencies for their use in preparing this list.

RISK MANAGEMENT AND SELF-INSURANCE PREMIUMS

DES administers the state's risk management and self-insurance liability programs. For more information about these programs, please contact DES Risk Management.

How are self-insurance premiums calculated?

Actuaries prepare estimates for self-insurance premiums and will be shared when available. Agencies do not need to submit decision packages for routine self-insurance premium adjustments as any cost adjustment will be handled through the central service model and distributed appropriately to agency budgets as necessary.

What if your agency anticipates an extraordinary risk management cost?

Request other extraordinary ERM-related costs (e.g., unexpected costs related to implementing ERM programs or unexpected costs related to specific risks and their associated treatment plans) in a separate PL DP.

If your agency anticipates extraordinary ERM costs, are their other requirements in addition to drafting and submitting a decision package?

Yes, agencies must submit an ERM update with their budget submittal after first submitting it to DES' Office of Risk Management (ORM). The update should be a one-page submittal describing three major risks that could affect the agency's ability to achieve its strategic objectives/goals on time and any existing or proposed initiatives the agency has to address these risks. When submitting a request concerning enterprise risk management, please do **not** include confidential information related to specific claims or lawsuits. Agencies must seek advice from agency legal staff if there are questions about confidentiality issues. Email a copy of the update to ORM prior to submitting your agency's budget request.

Resources

ORM can provide a loss history profile of agency losses, including pending claims. For additional risk management information and resources, visit the ORM website. ORM staff members are available to assist you with interpreting loss trends and developing risk management goals at 360-407-9199.

WORKER'S COMPENSATION PREMIUMS

The Department of Labor and Industries administers the statewide worker's compensation program. Actuaries prepare estimates for premiums and funding for this purpose is adjusted accordingly through the central service model. Premium adjustments will be processed through the central service model and distributed to agencies accordingly. For more information about this program, please contact the agency.

ARE THERE OTHER CENTRAL SERVICE PROVIDER CHARGES NOT INCLUDED IN THE CENTRAL SERVICE MODEL?

Yes, agencies do not receive funding for the all activities and services that central service providers offer, particularly for items where the customer agency has a choice in deciding how much to consumer, use, or cost of the service they receive. Some of the services that fall into this category are consumption based so costs can sometimes escalate quickly. A short list of examples of these charges is below; however, the list is not all-inclusive and the customer agency should contact the

agency that offers the service for more information to fully understand how they will be billed and charged for the service. Budgeting for these charges is the responsibility of the agency receiving the service.

Here is a list of fee for service offerings that are NOT funded through central services that frequently are asked about:

AGENCY	CHARGE
Attorney General's Office	**Short-term attorney services.** Legal representation that is not expected to be ongoing is typically funded directly in the agency's budget. Agencies are also able to obtain additional representation that is funded outside of the Central Services.
Consolidated Technology Services	**State data center usage.** The fees charged for server enclosure, power consumed, and related items at the state data center are not funded through the central service model; however, the cost of the debt service of the state data center and its general operations are funded through this process.
Department of Enterprise Services	**Motor pool**. Many agencies use the state's centralized fleet service instead of owning their own vehicles. Agencies have the ability to decide how much of this service to consume; therefore, it is not funded through central services.
Department of Enterprise Services	**Consolidated mail services.** Like motor pool, agencies also have the ability to choose how much of this service to consume.
Office of Financial Management	**Personnel services charge.** This charge funds many statewide human resources services. Agencies with classified positions must pay this charge.
Office of Financial Management	**Labor relations fees.** Fees charged by the labor relations unit are for labor relations services, such as biennial contract negotiations and bargaining on grievances and other union issues.

HOW CAN AN AGENCY KNOW IF ANY OF THE ABOVE CHARGES IMPACT THEIR AGENCY?

The agency financial records will reflect payments made to the agencies, based on invoices sent for payment.

WHO TO CONTACT IF YOU HAVE QUESTIONS ABOUT CENTRAL SERVICES

Bryan Way, 360-522-3976 or bryan.way@ofm.wa.gov.

AGENCY	CENTRAL SERVICE ITEM AND DESCRIPTION	FEDERAL MATCH ELIGIBLE?	METHODOLOGY DESCRIPTION
Attorney General's Office	**Legal services.** Used to provide funding for agencies requiring long-term representation on legal issues. Funding for short-term needs is typically provided directly in the customer agency's budget.	YES	The Attorney General's Office provides an estimate of anticipated workload using various factors. Agencies requiring funding for legal representation must coordinate their budget submittal with the Attorney General's Office.
Consolidated Technology Services	**Central Services.** Adjustment for lease costs at 1500 Jefferson office building that are above market rates.	YES	Total cost times each agency's percentage of total statewide FTEs (higher education count includes only administrative FTEs).
Consolidated Technology Services	**Enterprise Security Infrastructure.** Hardware and software vulnerability scanning platform that enables agency security teams to identify where vulnerabilities reside across their information technology network.	YES	Total cost times each agency's percentage of total statewide FTEs (higher education count includes only administrative FTEs).
Consolidated Technology Services	**Enterprise System Rates.** Includes secure file transfer, mainframe, and Access Washington.	YES	Total cost times each agency's percentage of total statewide FTEs (higher education count includes only administrative FTEs).
Consolidated Technology Services	**Global Information Systems.** Provides agencies a shared geospatial portal; does not fund the Washington Master Addressing Service (WAMAS) or Washington Geographic Information Council (WAGIC).	YES	The agency provides a recommendation based on estimated or anticipated agency use.
Consolidated Technology Services	**Office of the Chief Information Officer.** Sets statewide policy and strategic direction concerning information technology, data privacy, technology business management, and open data. Manages major information technology projects.	YES	Charge allocated based on agency IT FTEs. For institutions of higher education (both the four-year institutions and the community and technical college system), only IT FTEs that support administrative functions of the institutions are counted. Instructional staff, hospital staff, and other non-administrative portions of the agencies are exempted from the FTE counts. OFM maintains the source data for budgeted FTEs.

AGENCY	CENTRAL SERVICE ITEM AND DESCRIPTION	FEDERAL MATCH ELIGIBLE?	METHODOLOGY DESCRIPTION
Consolidated Technology Services	**Office of Cyber Security.** Sets statewide information technology standards and policy, monitors the state network to detect, prevent, and respond to cyber attacks, notifies affected agencies in the event of a cyber attack, assists in system recovery, and performs security design reviews and risk assessments.	YES	Agencies with 50+ FTEs pay a yearly base fee of $2000. The remaining cost of the office is allocated based on the agency's number of budgeted FTEs.
Consolidated Technology Services	**SDC Operational Costs.** Covers the cost of operating the state data center above the amounts agencies paid in rates until the 2019-21 biennium.	YES	Funding for the State Data Center is based on total agency IT spend. Agencies document their IT expenditures by coding transactions as project type X or Y in AFRS.
Consolidated Technology Services	**Security gateway.** Includes Secure Access Washington, web application firewall services, reverse proxy services, adaptive authentication, and security certificates. Knowledge-based authentication is not included in this allocation.	YES	All agencies with more than 50 FTEs pay a base fee of $1,500 plus a per FTE fee and a per application fee.
Consolidated Technology Services	**Small Agency IT Services.** Provides tailored supports to meet the information technology needs of small agencies, including full desktop support, server support, Chief Technology Officer, and cyber security.	YES	Total service cost divided by each participating agency's percentage of FTEs.
Consolidated Technology Services	**State Data Center Debt Service.** Debt service for the SDC shared by state agencies.	NO	Funding for the State Data Center is based on total agency IT spend. Agencies document their IT expenditures by coding transactions as project type X or Y in AFRS.
Consolidated Technology Services	**State network**. Provides staffing, equipment, and maintenance for the state network.	YES	Annual cost to support the network core is the cost divided by each agency's percentage of statewide FTEs and transport support is based on each agency's connectivity fee schedule.

AGENCY	CENTRAL SERVICE ITEM AND DESCRIPTION	FEDERAL MATCH ELIGIBLE?	METHODOLOGY DESCRIPTION
Department of Enterprise Services	**Campus contracts.** This fee funds the cost of fire services provided by the Olympia Fire Department, security for the capital campus provided by the Washington State Patrol, and elevator maintenance for buildings located on the capital campus	YES	Number of FTEs with workstations in Thurston County and on-campus real square footage.
Department of Enterprise Services	**Campus rent, utilities and parking.** This fee supports the operations and maintenance of facilities located on the capital campus. A small portion of this fee supports the operations and maintenance of the parking facilities on campus.	YES	Based on occupied square footage.
Department of Enterprise Services	**Capital project surcharge.** This surcharge supports the cost capital projects.	YES	Uses on-campus real square footage.
Department of Enterprise Services	**Enterprise applications fee.** Fee to cover the cost of enterprise systems that support all agencies.	YES	Based on agency ownership.
Department of Enterprise Services	**Financing cost recovery.** Debt service related to the construction, renovation and occupancy of certain space owned and managed by DES.	NO	Based on amount each agency owes.
Department of Enterprise Services	**Perry Street Day Care.** Owned by DES and operated by a non-profit organization, this allocation funds the maintenance of the capital campus child care center.	YES	Based on count of Thurston County FTEs.
Department of Enterprise Services	**Personnel services.** DES provides personnel services to state employees such as the Employee Assistance Program (EAP), recruitment and training.	YES	Total cost times each agency's percentage of total statewide FTEs (higher education count includes only administrative FTEs).

AGENCY	CENTRAL SERVICE ITEM AND DESCRIPTION	FEDERAL MATCH ELIGIBLE?	METHODOLOGY DESCRIPTION
Department of Enterprise Services	**Public and historic facilities and visitor services.** Public and historic fee pays for the maintenance and operations of the public spaces on capital campus. A small portion of this fee also support the capitol campus Visitor Services Program.	YES	Based on count of Thurston County FTEs.
Department of Enterprise Services	**Real estate services**. DES provides lease renewal services to client agencies.	YES	Weighted three part index based on number, square footage, and value of leases.
Department of Enterprise Services	**Risk management administration.** The administrative fee supports statewide risk management activities and the staff who provide these services as well reviewing and processing tort claims.	YES	Based on actuary study ($2,000 minimum).
Department of Enterprise Services	**Self-Insurance Liability Account.** Pays for tort claims filed against the state and related legal costs.	YES	Based on actuary study ($2,000 minimum).
Department of Enterprise Services	**Small agency financial services.** DES provides small agencies with budget, accounting and payroll services.	YES	Payroll - based on number of paychecks processed.
Department of Enterprise Services	**Small agency human resources.** DES provides small agencies with human resource services.	YES	Based on two part index of budgeted FTEs and service level costs.
Department of Labor and Industries	**Workers' compensation.** Type of insurance providing wage replacement and medical benefits to employees injured in the course of their employment.	YES	Actuaries prepare cost estimates for this item. The agency sends this information to OFM.
Office of Administrative Hearings	**Administrative hearings**. Acts as our state's "central panel" organization; provides judges independent from state agencies that adjudicate claims or disputes involving administrative law.	YES	Estimates prepared by the agency of anticipated workload for the biennium. Uses a three-tiered billing model to charge for costs. The agency sends this information to OFM.

AGENCY	CENTRAL SERVICE ITEM AND DESCRIPTION	FEDERAL MATCH ELIGIBLE?	METHODOLOGY DESCRIPTION
Office of Financial Management	**Central service.** Covers certain agency facing services at OFM.	YES	Total cost times each agency's percentage of total statewide FTEs (higher education count includes only administrative FTEs).
Office of Financial Management	**Enterprise systems rates.** Access and support for statewide financial, budget, contract, procurement, reporting and payroll systems.	YES	Total cost times each agency's percentage of total statewide FTEs (higher education count includes only administrative FTEs).
Office of Financial Management	**ERP Financing.** Costs for "One Washington, encompasses the replacement of the state's enterprise financial systems.	YES	Total cost times each agency's percentage of total statewide FTEs (higher education count includes only administrative FTEs).
Secretary of State	**Archives and records management.** Provides document storage within the state archives.	YES	Composite index of box fees and statewide FTEs.
State Auditor's Office	**Auditing services.** Performs audits of state agencies and local governments.	YES	Based on agency's projected work plan as well as additional work to be performed, such as adding an agency to the audit plan).

CHAPTER 12

OTHER BUDGET REPORTS

Reports in this section are additional items required by statutory provisions or because they provide data not included in other forms. These instructions apply only to agency budgets with the indicated funds or activities. Samples are shown here or at OFM's forms webpage.

NONBUDGETED LOCAL FUND SUMMARIES

Nonbudgeted local fund summaries (RCW 43.88.030(1)(f))

The nonbudgeted local fund summary is used to summarize financial data for nonbudgeted (nonappropriated/nonallotted) local funds outside the state treasury. Data can be entered in an Excel spreadsheet available on OFM's forms webpage. This information will be displayed in the Governor's budget document.

Instructions

A. Narrative description. In account code number sequence, list all nonbudgeted local accounts in the agency. Include the full title of each account, a brief description of the purpose and source of revenue and the statutory authority.

B. Summary financial statement. In addition to the narrative descriptions described above, prepare a summary financial statement of fund balances on the nonbudgeted local format summary form. List each nonbudgeted local fund by fund code sequence.

The fund balances shown for July 1, 2019, and June 30, 2021, should be reported on a modified GAAP basis. (Refer to Chapter 7).

An Excel template for this requirement is available on the budget forms webpage.

STATE MATCHING REQUIREMENTS FOR FEDERAL FUNDING

State matching requirements for federal funding (RCW 43.88.090(1))

Agencies must provide a list of any state matching requirements for federal grants (both operating and capital) they receive. Include this information in your budget submittal.

The data include:

- Federal Fund by Appropriation Type:
  - 0 – Federal Block Grants
  - 2 – Federal
  - 5 – DSHS Other Federal
  - 8 – Federal ARRA
  - A – Family Support / Child Welfare
  - C – Medicaid
  - D – TANF
  - E – Child Care
  - J – Federal Stimulus Direct
  - K – Federal Stimulus Indirect

- Activity inventory number for the most significant activity(s) using the grant in the operating budget.
- Amount shown by federal and state fiscal year.
- State match amount required in each of four state fiscal years.
- Account code of state match source.

An Excel template for this requirement is available on the budget forms webpage.

ADDITIONAL FEDERAL RECEIPTS REPORTING REQUIREMENTS

RCW 43.88.096 requires that designated agencies submit additional information related to receipt of federal funds. The requirements include:

1. Reporting the aggregate value of federal receipts the agency estimated for the ensuing biennium.
2. Developing plans for operating the designated state agency if there is a reduction of:
   A. 5 percent or more in the federal receipts that the agency receives; and
   B. 25 percent or more in the federal receipts that the designated state agency receives.

Designated state agencies subject to this requirement are:

- Department of Social and Health Services
- Department of Health
- Health Care Authority
- Department of Commerce
- Department of Ecology
- Department of Fish and Wildlife
- Department of Early Learning
- Office of Superintendent of Public Instruction (OSPI) (the report by OSPI must include the information required for each school district in the state)

An Excel template for this requirement is available on the budget forms webpage.

PUGET SOUND RECOVERY

Additional budget submittal and reporting requirements to OFM and Puget Sound Partnership

RCW 90.71.320 requires state agencies that are responsible for implementing elements of the Action Agenda to provide to the Puget Sound Partnership their estimates of the actions and budget resources needed for the forthcoming biennium to implement their portion of the Action Agenda. The statute also requires agencies to seek the concurrence of the Partnership in the proposed funding levels and sources included in this proposed budget.

Per section 311 of the 2019-21 enacted operating (ESHB 1109 as amended by ESSB 6168), "the Puget Sound Partnership shall provide the governor and appropriate legislative fiscal committees a single, prioritized list of state agency 2021-2023 capital and operating budget requests related to Puget Sound restoration" by October 15, 2020 . The primary criterion used by the Partnership to prioritize agency budget requests is how strongly the requests align with the Action Agenda. More specifically, greater consideration is given to budget requests that support implementation of top ranked 2018-2022 Action Agenda Near Term Actions (NTAs), ([database] or [PDF]), top priority

Science Work Plan actions, ongoing programs that directly address 2018-2022 Regional Priority approaches, and recommendations from the Southern Resident Orca Task Force.

The Partnership will send detailed instructions to affected agencies by mid-July for submitting Puget Sound related budget requests, including the criteria the Partnership will use to prioritize requests. In accordance with RCW 90.71.320, and to facilitate the Partnership's mandated budget request prioritization process, all agencies requesting budget changes related to Action Agenda implementation must provide information and engage with OFM and the Partnership as described below. These requirements apply to both operating decision packages and capital project requests.

Submittal to OFM:

- In the RecSum text (for operating) and agency summary (for capital), include the statement, "Related to Puget Sound Action Agenda Implementation."
- In the narrative justification, under "Other important connections or impacts" (for operating) and the project description, under question 9 (for capital), include the following:
  - A response to the question, "Is the request related to Puget Sound recovery?"
  - An explanation of how the budget request relates to NTAs, ongoing programs, regional priority approaches or Science Work Plan actions. Budget requests that include multiple Action Agenda or Science Work Plan components must provide information to distinguish each component, including dollar amounts, FTEs and fund source by fiscal year. This includes Puget Sound-related monitoring and program evaluation requests.
  - An estimate of the amount of the budget request that impacts Puget Sound, including dollar amounts, FTEs, fund source by fiscal year and an explanation of the methodology used to determine the Puget Sound portion. This is particularly important for programs and requests that cover multiple geographic areas, such as shoreline master program updates and forest practices regulation. See the Puget Sound reference map.
- Send an email with copies of the all Puget Sound budget requests to OFM by your designated budget submittal due date. OFM contact information is provided later in this section.

Submittal to the Partnership:

In addition to the above submittal to OFM, the Partnership requires the following:

- Complete a cloud-based template (Smartsheet®) summarizing all your agency's Puget Sound-related budget requests submitted to OFM for prioritization. The Partnership will email a link to the Smartsheet® template and instructions to affected agencies by mid-July.
- To ensure Puget Sound budget requests align with the Action Agenda, all agencies requesting operating and capital budget changes that implement the Action Agenda or affect Puget Sound recovery are required to consult with the Partnership prior to submitting their budget requests to OFM. Partnership staff will contact agencies to schedule meetings to discuss the budget process and proposed budget requests during the summer of 2020.

Action Agenda implementation other financial reporting requirements to the Partnership

Near Term Actions (NTAs). Every August, state agencies are required to provide the Partnership with their estimates of Action Agenda NTA costs, budgeted amounts and expenditures, pursuant to RCW 90.71.370 (State of the Sound Report). Agencies implementing NTAs will receive a request from the Partnership by mid-July with detailed instructions related to this reporting requirement.

Ongoing programs. A 2016 report of the Joint Legislative Audit and Review Committee (JLARC), recommended that the Partnership create a more complete inventory of recovery actions and funding. In response to this recommendation, the Partnership began in 2019 to request that agencies responsible for administering ongoing programs recognized in the Action Agenda provide budget information for each ongoing program based on budgeted amounts, not actuals. Most agencies successfully completed an initial round of information sharing in the spring of 2019. Agencies implementing ongoing programs can expect further engagement with the Partnership in 2020 to provide information for budgeted amounts for the 2019-2021 biennial budget. The Partnership will share detailed instructions related to this reporting requirement.

Diamatris Winston, Chief Financial Officer, PSP, 360-464-1231
Leslie Connelly, Budget Assistant to the Governor (operating), OFM, 360-902-0543
Myra Baldini, Budget Assistant to the Governor (capital), OFM, 360-902-0525

ACTIONS AND INVESTMENTS RELATED TO CLIMATE RESILIENCY

OFM is required to consult with agencies to prioritize actions and investments that mitigate the effects of climate change and strengthen the resiliency of communities and the natural environment (2020 supplemental operating budget, ESSB 6168 Sec. 129 and Sec 924). A prioritized list of investments is due to be submitted to the governor and the legislature by November 1, 2020. OFM staff will reach out to agencies in July with further instructions on this new process.

OTHER BUDGET REPORTS AND DATA

Updated agency descriptions

Agency descriptions and missions must be published as part of the budget document. OFM will send agencies a template in August that contains the most recent agency description and mission statements. Agencies wanting to make changes must return the updated template to OFM no later than the budget due date.