

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.