

OFFICE OF FINANCIAL MANAGEMENT  
BUDGET DIVISION

2015-17 Biennium  
OPERATING BUDGET INSTRUCTIONS

JUNE 2014  

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OFM DIRECTIVE 14B-01



## **ELECTRONIC ACCESS TO BUDGET INSTRUCTIONS**

Information contained in this document is located at: <http://www.ofm.wa.gov/budget/default.asp>

## **OFM STAFF ASSISTANCE**

Contact your agency's assigned budget analyst for assistance. Assignments, phone numbers, and e-mail addresses for OFM budget analysts are available at [Budget Contacts](#).

To accommodate persons with disabilities, this document is available in alternative formats by calling the Office of Financial Management at 360-902-0555. TTY/TDD users should contact OFM via the Washington Relay Service at 711 or 1-800-833-6388.

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OFFICE OF FINANCIAL MANAGEMENT  
2015-17 BIENNIAL BUDGET INSTRUCTIONS

## About the Instructions

### Instructions provide guidance on:

- Budget request basics, such as submittal components and format requirements
- Creation of decision package and Recommendation Summary documents
- Items to include in carry-forward, maintenance, and performance levels
- Allocating maintenance level subtotals and performance level decision packages to activities
- Performance measure and activity description submittal requirements
- Linking of operating and capital budgets
- Maintenance level, revenue, and other coding requirements
- Additional information requirements for technology portfolios
- Development of good cost estimates

### Additional Budget Instructions and requirements not included in this document:

- 2015-2025 Capital Plan Instructions
  - ◆ Higher Education Capital Project Evaluation System
- 2015-17 Higher Education Operating Budget Instructions Addendum
- 2015-17 Transportation Operating Budget Instructions Addendum
- Strategic Plan Guidelines
- Activity Inventory Guidelines
- Performance Measure Guidelines
- Glossary of Terms
- Forms

All budget-related materials are available at: [Budget Instructions](#).

### Timeline of 2015-17 budget development events

For general planning purposes, use this timeline of the major budget events.

<b>June</b>	Pre-design requests due to OFM
<b>Late July</b>	Requests to update agency Activity Inventory due to OFM no later than July 31.
<b>Early September</b>	Agency capital and operating budgets due (See Appendix A-1)
<b>August – November</b>	Budget review by OFM and the Governor
<b>November – December</b>	Final budget decisions
<b>Early January 2015</b>	2015 Legislative Session
<b>July 1, 2015</b>	2015-17 Biennium Begins

## Chapter 1

# Budget Request Basics

## 1.1 PRIORITIZATION AND IMPROVEMENT DRIVE BUDGET DECISIONS

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The state's economy is slowly recovering from its deepest recession in 70 years. Meanwhile, state revenue collections are rebounding at a much slower pace than after previous recessions. As a result, demands on the state's resources through inflation and mandatory caseload and other increases continue to outpace revenue growth. This structural fiscal gap is compounded by the fact the state must continue phasing in legislative commitments to increase K-12 education funding by at least \$5 billion over the next two biennia (*McCleary v. State of Washington*). In addition, the state faces cost pressures to address workforce compensation needs and to meet continuing and emerging policy issues.

The magnitude of the McCleary decision and other budget pressures necessitate a thorough review of budget reduction options along with options to increase state revenues to achieve sustainable spending levels and to articulate to citizens and taxpayers the results and outcomes of difficult budget choices. Further, the state must be prepared to adapt to potential changes in fiscal conditions, even after emerging from the turbulent fiscal crises of the great recession. The 2015-17 biennial budget provides the opportunity for the state to adjust to current fiscal and policy conditions, as well as to prepare for the future.

### **The best budget proposals link investments to goals and priorities.**

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

- What are the most effective strategies and activities in which to invest to achieve agency and statewide goals and priorities?
- Which activities are mandatory/core to these strategies?
- Given financial or other constraints, how can we maximize the outcomes of our highest priority services and activities?

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

### **Strategic framework — focus on results and strategic plans.**

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

**Results Washington** – Decision packages must identify the Results Washington statewide goals and outcome measures they are designed to 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** – During the past recession, OFM did not require agencies to submit agency strategic plans with their 2013-15 biennial budget requests. For 2015-17 biennial budget requests, OFM is again requiring agencies to submit strategic plans. Budget decision packages should align closely with agency strategic plans, goals and performance measures.



OFM will work with the Governor using Results Washington goals, outcome measures and action plans – along with agency strategic plans, strategies and performance measures – to prioritize budget purchases within and across agency budgets as we develop the Governor’s 2015-17 budget recommendations.

**Re-basing and prioritization.**



For the 2015-17 biennial budget, OFM is asking agencies to re-base state program budgets to a level below the Maintenance Level 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. But OFM is asking all agencies to identify, describe and prioritize budget reductions equal to **15 percent** of unprotected Near-General Fund Maintenance Level budgets. Decision packages describing these reductions are the first step in a two-step agency budget process.

Summary of <b>Protected Near-General Fund Programs</b> (not subject to 15% reductions to ML)	Summary of <b>Unprotected Near-General Fund Programs</b> (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

OFM is also requiring prioritized budget reduction packages from central service provider agencies and from agencies whose dedicated revenue is derived from, subsidized from, affects or interacts with the General Fund.

Budget reductions identified in the first step of the agency reduction process will result in a re-based Near-GF-S budget, below the levels necessary to sustain currently authorized services and programs as they are currently delivered.

Agencies are then asked to submit budget requests for funding building off of this lower budget base. Decision packages requesting incremental funding above the new base budget level must be submitted in ranked priority order, including both proposals to restore identified reductions necessary to achieve the lower base budget, as well as any new funding requests for services or enhancements not currently provided. (See Appendix A-3 for detailed instructions.)

## Efficiencies.

Improving the efficiency and streamlining the operations of state government is an expectation Governor Inslee has of all agencies. “Fostering a Lean culture that drives accountability and results for the people of Washington” is a central tenet of the Results Washington management effort.

Agencies should include savings from process improvements and efficiencies in their budget reduction decision packages when: 1) already implemented operational changes will provide cost savings to maintenance level budgets next biennium; or 2) when agencies are confident that yet-to-be implemented efficiency efforts will achieve real cost savings without reducing current state service levels to the public.

Without appropriate care, state budget “efficiency savings” can become unallocated, non-specified budget cuts which lack the essential review of potential consequences to programs and services. Agencies committing to efficiency reductions in their re-based budget submittals must be sure such reductions can be implemented without service impacts (true cost savings achieved through efficiency improvement), or must be clear to highlight what service level impacts will result from the budget reduction (proposed reduction to a lower-priority activity or service).

## 1.2 HOW IS A BUDGET REQUEST ORGANIZED?

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### Recommendation Summary format summarizes the budget.

Budget requests are summarized in a step-table format referred to as the “Recommendation Summary.” The Recommendation Summary begins with legislative spending authority for the current biennium and lists significant incremental changes to arrive at the agency’s 2015-17 request. Ideally, each Recommendation Summary line should represent a single budget policy decision.

### Decision packages are one set of budget building blocks.

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

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

### Major budget categories help to organize the request.

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

- **Carry-forward level**  
How much of the budget proposal is the biennialized cost to continue the workload or services already authorized through legislative budget decisions? OFM, in consultation with agency and legislative staff, determines the carry-forward level and communicates the dollar amount to agencies as soon as possible after the 2014 supplemental budget is enacted. *(Chapter 5.1 has more detail.)*
- **Maintenance level**  
How much of the budget proposal is for additional mandatory caseload, enrollment, inflation, or other legally unavoidable costs not contemplated in the current budget? Maintenance level changes to budgeted, nonappropriated funds are also listed in this category. *(Chapter 5.2 has more detail.)*

- **Policy and performance changes**

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

As described earlier, we expect enormous pressure on General Fund resources for at least the next two biennia as the McCleary funding commitments are met. In addition to submitting budget reduction decision packages, agencies should severely limit requests for new or expanded programs or for new policy initiatives.

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

### **The activity inventory provides another important set of budget building blocks.**

While the decision packages show the incremental changes to the agency budget, the activity inventory describes what the agency does: What are the activities of the agency? What does it cost to perform them? What are the products and outcomes of each activity? How do activities connect to agency strategic plans and the statewide goals and plans of Results Washington?

### **Agencies also present the budget by activity.**

Agencies must prepare and submit an activity view of the budget in addition to the traditional decision package format. (*Chapter 2 has more detail.*) For 2015-17, OFM is requiring agencies to submit prioritized decision packages reducing unprotected Near-General Fund maintenance level budgets by **15 percent** (protected NGF-S programs exempted). It is critical that these decision packages thoroughly describe the impacts of these reductions by agency activities and services, and that subsequent budget restoration and enhancement requests are identified and described by activity.

### **Additional supporting information is needed for the request.**

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

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

### **Some agencies provide budget data at the program level.**

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

**010** Bond Retirement and Interest

**300** Department of Social and Health Services – program level, except the following submitted at category level:

- Mental Health
- Developmental Disabilities

305	Department of Veterans Affairs
310	Department of Corrections
340	Student Achievement Council
350	Superintendent of Public Instruction
405	Department of Transportation
406	County Road Administration Board
407	Transportation Improvement Board
411	Freight Mobility Strategic Investment Board

### 1.3 WHAT ARE THE SUBMITTAL REQUIREMENTS?

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

#### Capital Budget requirements.

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

#### Additional requirements for transportation agencies and higher education institutions.

Additional requirements for transportation agencies can be found in the [transportation budget instructions addendum](#). Additional requirements for higher education institutions can be found in the [higher education budget instructions addendum](#).

#### Required Budget Submittal Components

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

- |              |   |
|--------------|---|
| <b>TAB B</b> | <input type="checkbox"/> Recommendation Summary at Agency Level - <i>BDS report (Chapter 3)</i><br><input type="checkbox"/> Recommendation Summary at Program Level - <i>BDS report (Chapter 3 - only for agencies listed in Chapter 1.2)</i> |
|--------------|---|

- |              |   |
|--------------|---|
| <b>TAB C</b> | <input type="checkbox"/> Decision Package Summary - <i>BDS report (Chapter 4)</i><br><input type="checkbox"/> Individual Decision Packages - <i>BDS entry form and report (Chapter 4)</i> |
|--------------|---|

- |              |   |
|--------------|---|
| <b>TAB D</b> | <input type="checkbox"/> Summarized Revenues - <i>BDS report (Chapter 8.1)</i><br><input type="checkbox"/> Proposed Fee Changes - <i>Excel Spreadsheet (Chapter 9)</i><br><input type="checkbox"/> Working Capital Reserve (B9-1) <i>By Fund Administrators – BDS entry form and report (Chapter 8.4)</i> |
|--------------|---|

- Revenue Transfer Reconciliation Statement (*Chapter 8.3*)
- Federal Fund Estimates/State Match *OFM template* (*Chapter 14.2*)
- Additional Federal Receipts Reporting Requirements *OFM Template* (*Chapter 14.3*) 
- Non-Budgeted Local Fund Summary (B10) - *OFM template* (*Chapter 14.1*)
- Puget Sound Action Agenda: List of Decision Packages and Capital Project Requests (*Chapter 14.4*)
- JLARC Audit Responses (*Chapter 1.4*)

- TAB E**
- Specified documents as required for Information Technology-related decision packages (*Chapter 12*), Central Services fund split information (*Chapter 13.3*), Extraordinary Risk Management decision package and Enterprise Risk Management updates (*Chapter 13.5*)
  - Electronic Decision Package Confirmation (*Appendix A-5*) 

- Updated agency descriptions: return completed template to Laurie Lien at: [ofm.budget@ofm.wa.gov](mailto:ofm.budget@ofm.wa.gov). (*Chapter 14.5*)
- Indirect Cost Allocation. Send an electronic copy of indirect cost allocation to activities information to Linda Swanson at: [ofm.budget@ofm.wa.gov](mailto:ofm.budget@ofm.wa.gov) (*Chapter 2.3*)

### How many copies must we submit?

With the exceptions noted below, all agencies must submit **six (6) complete copies** of their operating budget submittal documents to OFM. OFM will forward copies to the appropriate House and Senate fiscal committees and other recipients. (*See Appendix A-4.*)

#### Operating:

- The **Department of Social and Health Services** must submit four (4) additional copies, for a total of ten (10) complete copies.
- The **Health Care Authority** must submit one (1) additional copy, for a total of seven (7) complete copies.
- **Higher education institutions** must submit two (2) additional copies, for a total of eight (8) complete copies. OFM will forward the additional copies to the Student Achievement Council and the Council of Presidents' Office.
- The **Department of Transportation** must submit four (4) additional copies, for a total of ten (10) complete copies. **All other transportation agencies** must submit one (1) additional complete copy, for a total of seven (7) complete copies.

#### Capital:

- All agencies submitting capital budget proposals must submit eight (8) copies, except **Higher Education** must submit nine (9) copies.

### What are the format requirements?

For all agency budget submittals to OFM:

- Number all pages.

- Reduce oversized materials by photocopier whenever possible. What does this mean? If legible, use 8-1/2 by 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 shown above.

### Electronic submittal of decision packages.



Agencies are now required to provide electronic copies of each decision package in their budget request as part of the submittal process. Agencies may accomplish this in one of two ways:

- 1) If an agency posts its request to its public facing website, provide the URL where it may be found.
- 2) Absent a public posting, forward copies via e-mail to [OFM.Budget@ofm.wa.gov](mailto:OFM.Budget@ofm.wa.gov).

Regardless of the method used, documents must conform to your agency's ADA accessibility compliance policy.

See Appendix A-5 for a sample confirmation form.

### What is the submittal address?

Office of Financial Management  
300 Insurance Building  
3<sup>rd</sup> Floor - North  
PO Box 43113  
Olympia, WA 98504-3113

### When is the budget submittal complete?

Your budget submittal is complete when:

1. The required number of hard copies are received by OFM,
2. Budget Development System (BDS) data is successfully released to OFM, and
3. Electronic submittal of decision packages pursuant to Appendix A-5 is verified.



**OFM needs both the budget notebooks and the system data to begin analysis of agency budgets. All are due to OFM no later than the dates listed in Appendix A-1.**

Note: Occasionally agencies need to amend their official budget request. The submittal requirements outlined above apply to all official revisions or amendments.

## 1.4 OTHER GENERAL PREPARATION REQUIREMENTS

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### Biennial budget process is the best opportunity for consideration of major initiatives.

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

**Rounding protocols for dollars and FTEs.**

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

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

**Display of negative numbers.**

Use parentheses to indicate numbers reflecting expenditure decreases.

**Required fund code conventions for budget documents.**

With few exceptions, use the state accounting system coding scheme 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 (ARRA). Appropriation Type 8.
- 001-0** General Fund-Federal: Social Services Block Grant–Title XX (DSHS only). Appropriation Type 0.
- 001-A** General Fund-Federal: Family Support/Child Welfare–Title IV (DSHS only). Appropriation Type A.
- 001-C** General Fund-Federal: Medicaid–Title XIX. Appropriation Type C.
- 001-D** 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 via the Bill Analysis and Tracking System (BATS), consistent with the agency budget submittal due dates. Agency request legislation instructions will be provided in a letter to agency directors from the Governor’s Office, mid to late June. Proposed departmental request legislation will be reviewed with the Governor this fall. Agencies must include decision packages in the budget submittal for any proposals with revenue or expenditure impacts.

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

### **LEAP will approve (or deny) budget program structure change requests on June 17, 2014.**

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

### **Include JLARC audit responses in budget submittal.**

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

See <http://www1.leg.wa.gov/JLARC/AuditAndStudyReports/Pages/default.aspx> for JLARC audits and studies. Agencies also should be prepared to provide information to JLARC.

## **1.5 USING THE BUDGET DEVELOPMENT SYSTEM**

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

Here are key features of BDS that support development of the 2015-17 budget:

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

- Agencies will use the Results through Performance Management (RPM) system to submit the performance measure targets for the ensuing biennium.

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

For more information or assistance in using BASS systems, contact the DES Solutions Center at (360) 407-9100 or [SolutionsCenter@des.wa.gov](mailto:SolutionsCenter@des.wa.gov). Training classes or self-guided tutorial lessons are also available. Training information and registration are available at [Training resources](#). Information on SPS, BDS and other BASS products is available at [http://bass.ofm.wa.gov/BASSLogon\\_pr/logon.aspx](http://bass.ofm.wa.gov/BASSLogon_pr/logon.aspx), or for Fortress users at [https://fortress.wa.gov/ofm/bass/BASSLogon\\_pr/logon.aspx](https://fortress.wa.gov/ofm/bass/BASSLogon_pr/logon.aspx).

## Chapter 2

# The Activity View of the Budget

## 2.1 THE ACTIVITY INVENTORY IS AN IMPORTANT VIEW OF THE BUDGET

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Agencies must prepare and submit an activity view of the budget in addition to the traditional decision package described in Chapters 3 through 6. The Budget Development System (BDS) supports this requirement.

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 basically 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 has come to play 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);
- The primary statewide result area to which the activity contributes; and
- Other statewide result areas to which the activity contributes.

### Resources

OFM Activity Guide: <http://ofm.wa.gov/budget/instructions/other/activityguide.pdf>

OFM Performance Measure Guide:

<http://ofm.wa.gov/budget/instructions/other/performanceguide.pdf>.

## 2.2 WHAT ARE THE BUDGET SUBMITTAL REQUIREMENTS?

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Agencies are required to assign certain budget totals and increments to activities to build a complete activity view of the budget. To prepare this view, agencies at a minimum must:

- Allocate the maintenance level subtotal to activities;
- Allocate each performance level budget reduction decision package to activities; and
- Allocate and prioritize each performance level decision package for enhancements and reduction restorations to the affected activities.

These requirements are described in greater detail below. Presenting the current biennium level total, the maintenance level subtotal, and each performance level decision package by activity provide an activity view of the total budget for the agency.

**Current Biennium Totals:** Agency Recast of 2014 Supplemental Budget balanced to activity

+ Carry-forward increments: (Optional to balance to activity)

+ Maintenance level increments: (Optional to balance to activity)

**Subtotal Maintenance Level:** Required to balance to activity

+ Performance level reduction increments: Required to balance to activity

+ Performance level prioritized restoration and enhancement increments: Required to balance to activity

**Proposed Budget Total:** Required to balance to activity

### **Allocate maintenance level to activities.**

The agency budget submittal must present maintenance level totals (by account and fiscal year) by activity. Agencies may choose to assign the costs of some or all carry-forward or maintenance level decision packages to activities, but this is not required. In some way, the entire subtotal must be assigned to activities to provide the activity view of the budget through maintenance level. **The agency budget cannot be submitted to OFM until all these costs and FTEs have been assigned to activities.**

BDS provides options for agencies to assign these costs – by account and fiscal year – to activities. Most agencies have found that entering each increment by activity is the simplest method to meet this requirement. If this is not feasible for your agency, contact the DES Solutions Center at (360) 407-9100 or [SolutionsCenter@des.wa.gov](mailto:SolutionsCenter@des.wa.gov) to identify an option for your agency.

### **Allocate each performance level decision package to activities.**

Agencies are required to indicate how the costs – by account and fiscal year – and FTEs of each performance level decision package should be assigned to activities. BDS enables users to indicate the activity costs (by account and fiscal year) for each decision package.

### **Requests to add, delete, or edit activities must be made to OFM by July 31, 2014.**

Agencies cannot update the activity inventory without prior approval from OFM. Contact your [assigned budget analyst](#) or Linda Swanson at [Linda.Swanson@ofm.wa.gov](mailto:Linda.Swanson@ofm.wa.gov) to request changes.

If agencies wish to add or delete activities, submit a proposal to your OFM analyst by July 31. It should provide a clear picture of the “before” and “after” set of activities, and include the following:

- List of current agency activities and descriptions
- Proposed list of agency activities, explaining where current activities have been merged or split, and
- Brief explanation of the reason for the requested change.

OFM will review the proposal to consider how the change in information will affect the budget decision process, and provide a decision to the agency as soon as possible. Refer to the [OFM Activity Guide](#) for more information.

### **Provide information about non-budgeted funds supporting activities.**

Because the activity inventory is a part of the budget system, the numbers reflected in the activity totals will only reflect budgeted funds. If an agency has an activity that is supported significantly by non-budgeted revenues, mention this in the activity description and note the dollar amount and fund source.

### **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 in the Operating Budget Reports section of Enterprise Reporting. The report will include the descriptive information for each activity, including linked performance measures and expected results statements. (See Chapter 10 for more information on performance measures.)

## **2.3 HOW TO TREAT ADMINISTRATIVE COSTS IN THE ACTIVITY INVENTORY**

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### **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, 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 possible examples include:

- Rent costs (if these are not already direct charged)
  - 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 some possible examples include:

- 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:

- The total amount of indirect costs allocated
- A brief description of the allocation method selected
- The allocation percentage for each activity (percentage of the total indirect cost the agency allocated to each activity)
- The dollar amount allocated to each activity each fiscal year.

Use a format similar to that shown below. Send an electronic copy to [Linda.Swanson@ofm.wa.gov](mailto:Linda.Swanson@ofm.wa.gov).

**Activity Inventory Indirect Cost Allocation Approach**

Agency: ABC				
Date:				
<b>Allocation Method Description:</b>				
Total indirect costs were allocated to activities based on the number of FTEs in each activity.				
	<b>% Allocation Received</b>	<b>Dollars Allocated FY1</b>	<b>Dollars Allocated FY2</b>	<b>Total Allocated</b>
<b>Activity A</b>	20	\$200,000	\$250,000	\$450,000
<b>Activity B</b>	50	\$500,000	\$625,000	\$1,125,000
<b>Activity C</b>	10	\$100,000	\$125,000	\$225,000
<b>Activity D</b>	20	\$200,000	\$250,000	\$450,000
<b>TOTAL</b>	100	\$1,000,000	\$1,250,000	\$2,250,000

## Chapter 3

# The Recommendation Summary View

## 3.1 WHAT IS THE RECOMMENDATION SUMMARY?

### Recommendation Summary summarizes the expenditure portion of budget request.

This is the step table format that summarizes expenditure change information. It begins with legislative spending authority in the current biennium and lists the significant incremental changes in the carry-forward, maintenance, and performance levels to arrive at the agency's 2015-17 request. Ideally, each budget line on the Recommendation Summary should represent a single budget policy decision.

### Conceptual description of the Recommendation Summary.

Budget Level	Appropriate Items
Current Biennium	Legislatively authorized appropriation level and nonappropriated expenditure level
Carry-Forward Changes	<ul style="list-style-type: none"> <li>• Biennialization of legislatively directed workload and program changes</li> <li>• Shifting of any continuing unanticipated federal and private/local expenditures to anticipated appropriation type</li> <li>• Negative adjustments for nonrecurring costs</li> </ul>
Maintenance Changes - Level 1	<ul style="list-style-type: none"> <li>• Mandatory caseload, workload, and enrollment changes only. Typically tied to official forecasts.</li> </ul>
Maintenance Changes - Level 2	<ul style="list-style-type: none"> <li>• Rate changes, such as lease, fuel, and postage</li> <li>• Central service agency charges and other rate adjustments</li> <li>• Specific compensation adjustments: OASI, merit increments (only for agencies with fewer than 100 FTEs), and retirement buyout costs</li> <li>• Inflation</li> <li>• Changes to nonappropriated accounts beyond current allotted levels</li> <li>• Other mandatory cost increases outside agency control</li> <li>• Replacement of existing, but worn-out equipment</li> <li>• Operating costs of just-completed capital projects</li> <li>• Transfers between programs or agencies, or between years for dedicated accounts</li> <li>• Unanticipated receipts not included in carry-forward level</li> <li>• Federal, private/local, and dedicated fund adjustments</li> </ul> <p><i>Note: See Section 5.2 for further details on maintenance level.</i></p>
Performance Changes: Step 1	<ul style="list-style-type: none"> <li>• Reduction or elimination of current programs to meet OFM instructions regarding re-basing of Near GF-S budgets</li> </ul>
Performance Changes: Step 2	<p>Prioritized:</p> <ul style="list-style-type: none"> <li>• Restoration of reductions or eliminations of programs in Performance Step 1</li> <li>• Discretionary workload in current programs</li> <li>• New programs or services</li> <li>• Significant changes in fund sources</li> <li>• Additional reductions or eliminations of programs (if any)</li> </ul>
<b>Total Budget Request</b>	Sum of above items

## 3.2 WHAT ARE THE SUBMITTAL REQUIREMENTS?

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### **The Recommendation Summary report has a required format.**

The Recommendation Summary displays the requested dollars by fund and the number of average annual FTEs for the biennium for each significant change between the current biennium and the ensuing biennium budget request. Each change item in the carry-forward, maintenance, and performance levels is listed as a separate line item with its own Recommendation Summary code and description. An example is provided at <http://www.ofm.wa.gov/budget/forms.asp>.

### **BDS will generate the Recommendation Summary.**

The agency is able to generate the Recommendation Summary directly from the Budget Development System (BDS) once it has entered its decision package information.

### **Recommendation Summary reports submitted to OFM must contain OFM-approved current biennium and carry-forward level amounts.**

Carry-forward decision packages prepared in BDS will not be released to OFM. OFM will instead use its calculated carry-forward level as the base data. However, OFM and legislative staff do refer to the Recommendation Summary reports provided by agencies in their budget submittals. **These reports must show the OFM-approved current biennium and carry-forward level, or OFM will ask agencies to resubmit correct reports. Agencies will not be able to electronically release the budget from BDS when the carry-forward level does not match OFM's carry-forward level control numbers.**

### **Most agencies submit the Recommendation Summary at the agency level.**

Agencies must submit a Recommendation Summary at the agency level unless they are required to submit budgets at a lower level. Agencies listed in Chapter 1.2 must submit a Recommendation Summary at the program (or category) level.

### **Use approved codes to designate change items.**

Agencies must use valid Recommendation Summary (RecSum) codes to identify each incremental change. (RecSum codes are called decision package codes in BDS.) Chapters 5 and 6 and Appendix A-3 also note OFM-designated codes that must be used for certain types of maintenance and performance level changes. These codes are shown in BDS at the bottom of the decision package code listing.

## Chapter 4

# Decision Packages

## 4.1 WHAT IS A DECISION PACKAGE?

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### What is a decision package?

Decision packages are the key set of building blocks to construct the budget request. The decision package is the place for the agency to make a persuasive case for any proposed changes. OFM will rely upon this information when evaluating the request.

Decision packages organize and describe proposed cost changes in a way that highlights the budget decisions. The decision package consolidates financial information, supporting justification and statement of impact for a specific action or policy proposed in the budget. One decision package describes a proposed item of change listed on the Recommendation Summary.

The Budget Development System (BDS) assists agencies in developing all components of budget decision packages. 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 decision package report.

### When is a decision package needed?

Decision package narrative is required for all incremental changes to the current biennial budget except for changes for carry-forward, OASI, inflation, the I-732 COLA increase, and the transaction to recast maintenance level to activities.

### Agency request legislation decision packages must be submitted with the budget.

If an agency submits proposed agency request legislation with a budget impact, a corresponding decision package must be included in the agency budget submittal. Decision packages should be prepared at the required budget level (agency level except for those agencies listed in Chapter 1.2), but should always describe which programs and activities are affected by the request.

### Decision packages should represent significant, discrete decisions.

Each decision package will appear as one line with a **positive** or **negative** amount in the Recommendation Summary and should represent a significant, discrete budget decision. Craft your decision packages so related items are grouped together, but do not obscure or combine separate decisions. The budget decision hinges on the stated performance objective or outcome being addressed.

*Example:* Seven new driver's license examining stations are proposed to expand geographic coverage and reduce client waiting time. The performance objective in this case is singular (i.e., 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 decision package.

Contact your [assigned budget analyst](#) if you have questions about how best to organize budget requests into decision packages.

### **Budget requests should be anchored to the agency's strategic plan.**

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

### **Use Plain Talk principles.**

Your decision packages 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. Find more information at [Plain Talk Guidelines](#).

### **Be clear and complete, and anticipate questions.**

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

## **4.2 THE REQUIRED ELEMENTS OF THE DECISION PACKAGE**

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### **The decision package has required elements.**

Decision packages are comprised of elements for key information OFM needs to analyze the request. We expect justification materials to vary in length and complexity, depending on the proposal. The Budget Development System (BDS) facilitates the entry of all of the following required components:

- **Decision package (RecSum) code**

Decision packages are identified with unique, two-digit decision package codes (also called RecSum codes). Agencies choose codes from the list provided in BDS. Agencies must use alpha-alpha codes, except for certain types of maintenance and performance level changes. Those codes are designated by OFM and can be found in Chapters 5 and 6.

- **List decision packages in priority order**

List performance-level decision packages in priority order on the Decision Package Summary. BDS allows agencies to reprioritize decision packages once their budget development is complete. See Appendix A-3 for additional information.

- **Decision package title**

The title is a first impression. It must accurately describe what is being purchased or not purchased, or the issue being addressed. The title will appear on the Recommendation Summary report and should be as descriptive as possible within the limit of 35 characters.

BDS also offers the option of entering a longer, more descriptive title for other purposes. However, this longer title will not be transmitted to OFM nor printed in required reports.

- **Recommendation Summary text**

Each decision package must have a brief description of its purpose, written in complete sentences. This text will be loaded into the OFM WinSum budget system and will serve as the starting point for OFM text that describes items funded in the Governor's budget.

Recommendation Summary text must succinctly answer three questions:

1. What problem, opportunity, or priority is the agency trying to address?
2. What would this item actually buy or no longer buy?
3. What outcomes does the agency expect as a result?

We expect enormous pressure on General Fund resources. In addition to submitting budget reduction decision packages, agencies should severely limit requests for new or expanded programs or for new budget initiatives. Think in terms of buying what you need – not buying back what you had.

### **OFM uses Recommendation Summary reports to brief executive decision-makers.**

Make your text **concise** and compelling. Avoid jargon and acronyms. The text should be clear to an audience that is not expert on the issue. We suggest that agencies limit this text to 100 words.

We urge agencies to look at examples in the last budget for guidance on the kind of summary information desired at <http://www.ofm.wa.gov/budget09/recsum/default.asp>.

- **Fiscal detail**

BDS automatically displays operating expenditures by account and objects of expenditure; staffing detail by FTEs; and revenue detail by account that agencies have entered into the system for each decision package. BDS provides the option to print the fiscal detail at the agency level, with program detail (required for agencies appropriated by program listed in Chapter 1.2). Additional charts of the fiscal impacts into the future can be attached.

- **Package description**

Keep in mind that the decision package has multiple audiences: OFM analysts, OFM management, the Governor and his senior staff, legislative staff, legislators, the public, and the media.

Use the package description section to answer these three questions:

1. What is the problem, opportunity, or priority the agency is addressing? This description should allow OFM and the Legislature to understand the nature of the proposal, including what is driving it and why it is important to address it.
2. Exactly how does the agency want to address this problem, opportunity, and priority, and why?
3. What will the package funding actually buy or not buy?

Describe what the money would purchase (e.g., reduce or add X FTEs to do X, consultant services to do X, X kind of equipment for X.) The later section on revenue and expenditure calculations and assumptions provides more detail on these items.

At the end of this section, provide contact information for the agency's subject matter expert so OFM can call with any questions.

- **Narrative justification and impact statement**

The core of the decision package justifies the change being requested, i.e., the business case for making this investment. BDS is structured to elicit information for each of the following elements of the decision package.

- **What specific performance outcomes does the agency expect?**

Describe and quantify the specific performance outcomes the agency expects as a result of this funding change. As appropriate, answer:

- ◆ What outcomes and results will occur?
- ◆ What undesired results will be reduced or mitigated?
- ◆ Will efficiency increase? How?
- ◆ Will outputs change? How?
- ◆ What is the expected impact on clients? On services provided? On citizens? On other agencies or governments?

- **Performance measure detail**

If one or more activity performance measures the agency reports in the Results through Performance Management (RPM) system are affected by the decision package, identify the expected incremental change in annual performance targets for each measure and for each applicable fiscal year if the decision package is enacted. BDS provides tools to identify incremental impacts for these measures.

If the decision package will contribute to a new activity result that we would be interested in tracking over time, the agency should establish a new measure in the system for that activity.

Do not create a new performance measure in RPM solely to discuss the expected results of the decision package. That discussion should be provided in the section noted above.

Refer to Chapter 10.2 for more information on identifying performance measure increments.

- **Is this decision package essential to implement a strategy identified in the agency's strategic plan?** If so, describe.
- **Does this decision package provide essential support to one or more of the Governor's Results Washington priorities?** If so, describe.
- **What other important connections or impacts are related to this proposal?**  
Use this section to describe other important information decision-makers would want to know about funding this package, for example:
  - ◆ Which stakeholders have concerns about the changes related to this proposed investment or reduction?
  - ◆ Which stakeholders support this proposal?
  - ◆ Is this related to a legal matter?
  - ◆ Is this related to a task force, Results Washington forum or audit recommendation?
- **What alternatives were explored by the agency and why was this alternative chosen?**  
Discuss the pros and cons of the alternatives, why they were not selected, and why the recommended alternative was chosen. This section is particularly important for putting reduction packages in the context of other agency priorities. In this section, anticipate logical questions your budget analyst might have.

For example, did you consider:

- ◆ Approaches with different budget impacts?
- ◆ Regulatory or statutory changes to simplify, reduce, and streamline requirements that must be fulfilled by the agency process(es) affected by this budget change?
- ◆ Resource redeployment options to maximize the efficiency of existing agency financial, staffing, capital, or technology resources devoted to the problem this budget change is designed to address?

- **What are the consequences of adopting or not adopting this package?**

Describe the consequences to desired outcomes and stakeholders if the decision package is adopted as requested.

- **What is the relationship, if any, to the state capital budget?**

If the decision package requires new space, alterations to existing space, or increased maintenance, these items should be described. Also note if the proposal reduces facility requirements.

If an agency capital budget request supports the decision package, it should be referenced by the same project title, number, cost, and fund source in both places if possible. If this decision package is related to a separate decision package for operating lease adjustments, reference that package here.

- **What changes would be required to existing statutes, rules, or contracts to implement the change?**

Indicate any proposed agency request legislation related to this decision package.

- **Expenditure and revenue calculations and assumptions**

Agencies should display the calculations (e.g., unit costs and formulas) used to arrive at expenditure, revenue, and workload estimates connected with the decision package. Identify the factual basis of any policy or workload assumptions and how the cost estimates are derived from these assumptions. Describe the classification and number of staff assumed in the calculations.

- **Which costs, savings, and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?**

Describe and include the dollar amount for how much of the request is one-time funding (such as for equipment or a study). Also discuss future effects on expenditures, FTEs, fund sources, and revenue.

- **Objects of expenditure**

This portion of the report is automatically inserted into the decision package from the Object Detail worksheet created by the agency in BDS. While the agency's base budget is not required to be submitted by object, OFM analysts find it very helpful in understanding how the new funding requested in the decision package will be used.

Do not include estimates for the cost of goods sold in the cost of the agency budget submittals, although this information may be described in the decision package.

**Decision package example in Appendix A-2.**

A model decision package example is included in Appendix A-2 to show the level of information expected.

**Other decision package information requirements.**

Refer to Chapter 12 for information on IT portfolios and additional information elements that must be included in relevant decision packages.

Refer to Chapter 9 for information that must be included for new or increased fees.

Refer to Chapter 14.4 for information requirements that relate to requests related to Puget Sound recovery.

## Chapter 5

# Carry-Forward and Maintenance Levels

## 5.1 WHAT IS THE CARRY-FORWARD LEVEL?

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### What is the carry-forward level?

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

### OFM calculates and provides carry-forward level to agencies.

In consultation with legislative staff, OFM calculates the carry-forward level for each agency and provides agencies with a worksheet indicating the amount by account that must be placed in budget submittals. OFM budget analysts will discuss these calculations with agencies as soon as possible after passage of the 2014 supplemental budgets. We expect carry-forward levels to be finalized in June 2014.

At the agency and fund level, the carry-forward level in the agency budget submittal must match the total for each account-appropriation type on the OFM carry-forward cost worksheet. Agency budget submittals should display at least one incremental step between the current biennium and carry-forward level to reflect total changes. Since the OFM budget database will already contain all the incremental items that belong in carry-forward level, it is not necessary for an agency to create a decision package for each item.

OFM uses Recommendation Summary (RecSum) codes to summarize common items of change at the statewide level. These codes are identified on the report sent to agencies that indicate carry-forward level amounts by account. Agencies should consider using these codes in their own budgets for consistency and comparative purposes.

### How OFM calculates the carry-forward level.

The OFM calculation starts with the 2013-15 expenditure authority as represented by current appropriations, compensation or other allocations, and the nonappropriated funds assumed in the legislative budget. Governor's Emergency Fund allocations are considered nonrecurring costs and are not typically 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. These ensuing biennium revisions generally match legislative assumptions of "bow wave."

Unanticipated receipts received and approved in 2013-15 that will continue in 2015-17 are also considered part of carry-forward level if approved prior to the finalization of the carry-forward cost calculation. (See Chapter 5.3.)

### Examples of carry-forward level adjustments.

- **Legislatively directed workload changes**

Only those changes already recognized by the legislative appropriation level in 2013-15 (or for nonappropriated accounts through a change in the legislative budget database or allotments) 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 2013-15.

- **Legislatively directed changes in level of services**

Again, only the carry-forward of those changes recognized by the Legislature through revised appropriations are included in carry-forward level. 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 carry-forward level. Agency-generated savings would be shown as negative adjustments in maintenance level.

### **Some changes will not be part of carry-forward.**

Increases in the 2013-15 biennial expenditure levels not specifically authorized by the Legislature, such as agency reallocation of dedicated funds, are excluded from the bow wave calculation for carry-forward level.

### **Recommendation Summary reports submitted must contain OFM's carry-forward level amount.**

Carry-forward decision packages prepared in BDS will not be released to OFM; OFM will use its calculated carry-forward level as the base data. However, OFM and legislative staff do use the Recommendation Summary reports provided by the agency in its budget submittal. **These reports must match the OFM-approved carry-forward level or OFM will ask agencies to resubmit correct reports. Agencies will not be able to electronically release the budget from BDS when the carry-forward level for the version does not match OFM's carry-forward level.**

## **5.2 WHAT IS MAINTENANCE LEVEL?**

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### **What is maintenance level?**

Maintenance level 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. Agencies will notice that BDS splits maintenance level into two different levels to indicate different kinds of maintenance level costs.

### **Who prepares maintenance level?**

Agencies prepare the maintenance level component of the budget submittal. Like the carry-forward level, maintenance level is a reference point for budget consideration. It is not a guarantee of that amount of funding.

### **Maintenance Level 1 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 maintenance level changes are entered as Maintenance Level 1 items in BDS.

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.

## **Maintenance Level 2 includes inflation and other rate changes.**

Costs related to inflation and mandatory rate changes are included in BDS as Maintenance Level 2 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 performance/policy level budget request.

Also included in Maintenance Level 2 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 the policy/performance level.

## **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 maintenance level 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 performance/policy level. Merit System salary increments should not be added for exempt or Washington Management Service staff.

## **Nonappropriated expenditure adjustments.**

Unless they are part of a performance/policy level decision package, budgeted/nonappropriated expenditures beyond current allotment belong in the Maintenance Level 2 category. Decision packages for nonappropriated accounts that reflect a policy change should be requested in the performance level of the agency's budget.

The 2015-17 budgeted level for nonappropriated funds will become the Expenditure Authority (EA) control numbers for the 2015-17 allotment of those accounts. For this reason, agencies should budget the maximum amount they anticipate spending in the ensuing biennium.

## **Agencies must use OFM-specified RecSum codes for selected maintenance level items.**

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

Budget Level	RecSum Code	Description
<b>Workload, caseload and utilization type adjustments</b>		
ML1	8A	Federal requirements workload, DSHS
ML1	93	Mandatory caseload adjustments (for officially forecasted caseloads only)
ML1	94	Mandatory workload adjustments (for DSHS, HCA, and DOC)
ML1	95	Enrollment/workload adjustments, SPI
ML1	96	Utilization changes (DSHS and HCA)
<b>Wage and compensation type adjustments</b>		
ML1	9C	Initiative 732 COLA
ML2	8C	Minimum wage adjustments
ML2	97	Merit system increments (Only for agencies with fewer than 100 FTEs)
ML2	99	OASI adjustments
ML2	9P	Pension adjustments, other than rate changes
ML2	8R	Retirement buyout costs
<b>Budget structure change, cost allocation and transfer type adjustments</b>		
ML2	8D	Budget structure changes (LEAP-approved)
ML2	9T	Transfers (between programs, agencies, years or funds)
ML2	8Y	Cost allocation adjustment (cost must net to zero in the agency)
<b>Specific cost type adjustments</b>		
ML2	8F	Fuel rate adjustments
ML2	8L	Lease rate adjustments (Also see: 8V – Lease Adjustments > 20,000 sq. ft.)
ML2	8M	Mileage rate adjustments
ML2	8P	Postage rate adjustments
ML2	8U	Utility rate adjustments (for non-Department of Enterprise Services utility billings)
ML2	8V	Lease Adjustments > 20,000 sq. ft. (See Chapter 11) 
ML2	9E	Other Fund Adjustments
ML2	9F	Federal Funding Adjustment
ML2	9H	FMAP match adjustment
ML2	9I	K-12 inflation
ML2	9J	Nonappropriated Fund Adjustment
ML2	9K	Levy equalization update (SPI only)
ML2	9L	Local Funding Adjustment
ML2	9Q	Equipment Maintenance/Software Licenses
ML2	9S	Equipment Replacement Costs
ML2	9U	Unanticipated Receipts not in Carry-Forward Level
ML2	9V	Operating costs for just-completed capital projects (costs previously planned)
ML2	9W	Operating costs for proposed capital projects
ML2	9M	Medical inflation
<b>Summary and recast type adjustments</b>		
ML1	90	Maintenance level revenue (all maintenance level revenue not related to individual expenditure decision packages)
ML2	9Z	Recast to activity
<b>OFM use only</b>		
ML2	91	Workers compensation changes (OFM use only)
ML2	92	Central service agency charges (OFM use only)
ML2	98	General inflation (OFM use only)
ML2	9D	Pension rate changes (OFM use only)
ML2	9X	Self-insurance premium (OFM use only)

**How to treat payments to central service agencies in maintenance level.**

Do not include maintenance level changes for payments for the central service accounts listed in Chapter 13.1 in the agency budget submittal. They will be added by OFM in the fall when decisions have been made on these central service agency budgets. 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. (See Chapter 13 for more information.)

**5.3 HOW TO TREAT UNANTICIPATED RECEIPTS**

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**What are unanticipated receipts?**

Unanticipated receipts are monies received from the federal government or other non-state 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 2015-17 budget requests. This will enable the Legislature to consider the activity as part of the regular budget process.

OFM will confirm if the item should be included in carry-forward or other budget level. You must use the federal or private/local appropriation type rather than an unanticipated receipt appropriation type for these items.

## Chapter 6

# Policy and Performance Level

## 6.1 WHAT IS THE POLICY AND PERFORMANCE LEVEL?

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Incremental expenditure changes that do not fall under the definitions of carry-forward or maintenance levels are considered policy or performance changes. These changes may represent revised strategies or substantial differences in program direction, and will include proposed program reductions. Each significant change to current performance must be justified in a decision package. Examples of policy and performance level items include:

- **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 Recommendation Summary at the policy level. (See Chapter 1.4.)
- **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 item.

### **Include related revenues in the same decision package.**

Revenue changes related to a policy level item should be included in the same decision package with the expenditures.

### **Performance level decision packages must be allocated by activity.**

Each performance level decision package must indicate the costs and FTEs by activity. (See Chapter 2.2 for more information).

**All performance level decision packages must be coded in accordance with the schema described in Appendix A-3.**



## Chapter 7

# Salary, Pension and Insurance Data

## 7.1 AGENCY COMPENSATION DATA COLLECTION AND UPDATE

### The salary data collection process for collective bargaining has concluded.

The Governor's Office, supported by the OFM Labor Relations unit, 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 also is 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 2015-17 collective bargaining salary negotiations and budgeting for all state employee salaries and benefits concluded on May 30, 2014.

## 7.2 VALID PENSION SYSTEM CODES

The following table reflects all valid pension system codes for the 2013-15 biennial budget.

Retirement Systems	Description
H1	Higher Education System – 5% Contribution Rate
H2	Higher Education System – 7½% Contribution Rate
H3	Higher Education System – 10% Contribution Rate
J2	Judicial Retirement System (capped)
R1	Judicial Retirement Account Plan I
R2	Judicial Retirement Account Plan II
L1	Law Enforcement Officers and Fire Fighters – Plan I
L2	Law Enforcement Officers and Fire Fighters – Plan II
N2	Public Safety Employees' Retirement System
P1	Public Employees' Retirement System (PERS) – Plan I
P2	Public Employees' Retirement System (PERS) – Plan II
P3	Public Employees' Retirement System (PERS) – Plan III
T1	Teachers' Retirement System (TRS) – Plan I
T2	Teachers' Retirement System (TRS) – Plan II
T3	Teachers' Retirement System (TRS) – Plan III
S1	Washington State Patrol Retirement System – Plan I
S2	Washington State Patrol Retirement System – Plan II

## 7.3 OTHER COMPENSATION COST NOTES

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### **Salaries.**

In developing decision packages, agencies should use base salaries from the salary schedules published by OFM/HR at: <http://www.hr.wa.gov/CompClass/Compensation/Pages/SalarySchedules.aspx>.

Discuss the use of any other compensation plan with your OFM 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 decision packages for workers compensation in the biennial budget request.

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

## Chapter 8

# Agency Revenues and Fund Balance Reports

## 8.1 SUMMARIZED REVENUES REPORT

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### Who must submit revenue projections?

Agencies must provide revenue projections for monies that they collect, deposit, distribute or transfer for any budgeted account whether or not they spend out of the account. 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; and the State Treasurer, instead of individual agencies, should report interest earnings (Source 0408).

**Revenue projections are reported on the Summarized Revenue by Account and Source Report.**

### How are the data used?

The Governor must propose a balanced 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 2015-17 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 (<http://www.ofm.wa.gov/policy/75.30.htm#75.30.50>). The report also includes Recommendation Summary text for each entered revenue-related decision package. (An example of this report is available under "Examples of Budget Forms" at <http://www.ofm.wa.gov/budget/forms.asp>.)

### 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. Although it is typical for a capital project to take several biennia to complete, the revenue estimates should be limited to the 2015-17 biennium.

### What information is required?

Agencies must submit maintenance level and policy level revenue estimates for the 2015-17 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 estimates for revenue. Total maintenance level revenue for the 2015-17 biennium should be entered in a single step as one revenue-only decision package in Maintenance Level 1 with the RecSum code of 90. There is one exception: The revenue adjustments related to an individual maintenance level item should be included in the same decision package as the expenditures for that item, and not included in the M1-90 decision package.

Agencies may choose to enter information at the current biennium and carry-forward levels in BDS, but this information will be rolled together as a maintenance level total on the Summarized Revenue Report upon submission to OFM.

Policy level revenue items must be submitted in a policy decision package. Related expenditures, if any, should be included in the same decision package. Review Chapter 9 if you have any new or increased fees.

### **Explain assumptions in the decision package.**

In a decision package 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 is 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 non-budgeted 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.

### **Reminder about 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 Veterans Affairs. These funds are Medicaid dollars booked at HCA but spent in support of veterans' homes in Retsil and Orting.
- Department of Veterans Affairs, 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. Carry forward fund balance from previous biennium.
- Washington State Department of Transportation/Bond Retirement and Interest, Fund 389-Toll Facility Bond Retirement Account. For the federal GARVEE bonds, Washington State Department of Transportation 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:

- Criminal Justice Training Commission, Fund 03M-Municipal Criminal Assistance Account. Carry forward fund balance from previous biennium.
- DSHS, Fund 001-General Fund Private/Local. After expenditures are settled, match revenue.

The Budget Development System (BDS) will produce a warning if federal or private/local revenues and expenditures are not in balance on the pre-release edit report.

### **Use BDS for preparing the report.**

Agencies must use BDS to prepare the Summarized Revenue Report. BDS will generate the report based on the revenue entered in the decision packages. Contact the DES Solutions Center at (360) 407-9100 or [SolutionsCenter@des.wa.gov](mailto:SolutionsCenter@des.wa.gov) 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 the State Administrative and Accounting Manual 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.

## **8.2 FUND SUMMARY AND FUND BALANCING**

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### **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 2013-15 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 2015-17 biennium.

If you have questions about which agency is considered the fund administrator, consult the Fund Reference Manual that lists the administrator for each account, in addition to other information at <http://www.ofm.wa.gov/fund/default.asp>.

## 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 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 AFRS or the ‘cash’ or ‘book’ balances in TMS\$. 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) and all Expenditure (65xx) codes and the following fund balance general ledger (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 within 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/Non-cash 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 nonspendable 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

**8.3 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 (i.e., 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:		
<u>Fiscal Year Amount</u>	<u>To Account</u>	<u>Purpose</u>
SOURCE 06XX — TRANSFERS OUT:		
<u>Fiscal Year Amount</u>	<u>From Account</u>	<u>Purpose</u>

## 8.4 WORKING CAPITAL RESERVE (B9-1)

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### 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. (An example is available at <http://www.ofm.wa.gov/budget/forms.asp>.)

### Use BDS for preparing the report.

Agencies use the Budget Development System (BDS) to prepare this report. BDS 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, 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.

## 8.5 REMINDERS FOR PREPARING REVENUE SUBMITTALS

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- 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 Chapter 8.1 for a list of 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.
  - ◆ Do not include interest earnings (Source 0408), which are part of the Treasurer's Office estimates.
  - ◆ Do not include transfers or revenue distributions executed by the Treasurer's Office.

## Chapter 9

# Fee Information

## 9.1 APPROVAL FOR NEW OR INCREASED FEES

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

As required by [RCW 43.135.055](#), unless otherwise exempted, fees may only be imposed or increased 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 specific instructions for agency request legislation in June. Request legislation is not required for any new fee or increased fee if an agency already has existing statutory authority to impose or increase that fee.

New fees, extensions of existing fees, and all fee increases, whether or not legislation is required, 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 2015-17 biennium. Include the justification in the decision package related to the expenditure increase, or create a separate decision package if not submitting an expenditure increase request. The decision package should include the following information:

1. Fee name
2. Current fee rate (FY 2015)
3. Proposed fee rate
  - ◆ FY 2016
  - ◆ FY 2017
4. Incremental rate change for each year
  - ◆ FY 2016
  - ◆ FY 2017
5. Expected implementation date
6. Estimated additional revenue generated by the increase
  - ◆ FY 2016
  - ◆ FY 2017
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 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, a proposal should be submitted as part of the agency request legislation process.

## 9.2 SUBMITTAL PROCESS

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### **Excel template for fee data.**

An Excel template, available at [Budget Forms](#), captures the requested new, extended, or increased fee data. Instructions for completing the form and an example are also provided. The spreadsheet is a summary of the information provided in your decision package and should be shown at the level for which you need legislative authority. For example, new and renewal licenses should be shown together on the spreadsheet, but if they have different rates, should be detailed in the decision package.

### **Include fee information as part of agency budget request.**

Print and include the decision package and the Excel spreadsheet as part of the agency budget request paper document. Send an electronic copy of the Excel spreadsheet to: [Shane.Hamlin@ofm.wa.gov](mailto:Shane.Hamlin@ofm.wa.gov)

Some fee increases will not match up to expenditure changes on the Recommendation Summary, examples include fees necessary to support the 2015-17 carry-forward level or fees that support non-budgeted funds. Regardless, justification for new fees and **all** fee increases must be submitted as part of the agency budget request document.

## Chapter 10

# Performance Measures

## 10.1 ACTIVITY PERFORMANCE MEASURE TARGETS

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### Why is performance measurement important?

Performance measurement makes accountability possible. It attempts to answer a simple question: “Are we making progress toward achieving our targeted results?” A credible answer to this question is backed 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 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. For more details, see <http://www.results.wa.gov/>.

### Submit performance measure target information for each activity.

Agencies are required to propose at least one performance measure for every major activity (RCW [43.88.090](#)). The measures should be able to determine if the agency is achieving or making progress toward the purpose of that activity and statewide priorities. For the most part, measures telling the story about whether an activity is achieving its purpose will be found in the middle range of the logic model. The OFM [Performance Measure Guide](#) provides examples of logic models. For the budget submittal, agencies must specify targets for these activity measures.

### Required totals for each performance measure.

For each performance measure linked to an activity in the Budget Development System (BDS), use the Results through Performance Management (RPM) system to:

- Report actual performance levels attained for FY 2013 and 2014, and the target for FY 2015.
- Provide performance level targets for FY 2015, 2016 and 2017, assuming all the agency’s proposed decision packages are enacted. Each decision package that affects the measure should also note the incremental effect on the performance level.

### Each activity must have at least one performance measure or statement of expected result.

RCW [43.88.090](#) now requires each major activity in the agency’s Activity Inventory to have at least one performance measure. If the agency and OFM agree that it is not possible to identify an appropriate quantitative performance measure for an activity, the agency must at least provide a narrative description of the intended outcome for the activity in the “expected results” text box provided in the system. **The agency will not be able to submit its budget to OFM unless each activity is linked to at least one performance measure or has an expected results statement.** The performance measure and

expected results information will be printed on the Activity Inventory report that the agency must include in its budget submittal.

### **Agencies should incorporate suggestions from OFM performance assessments.**

OFM conducts regular formal reviews of the performance measures it receives from agencies to determine if they demonstrate progress toward the purpose of the designated activity and toward statewide priorities. These reviews include recommendations to agencies about how to improve the quality of current performance measures, including additional or alternative measures. OFM expects the agency to incorporate these recommendations wherever feasible.

### **FAQs about performance measures.**

#### **Q. Is each activity required to have a unique measure?**

No. An agency may have several activities that are all targeted toward achieving the same outcome. The system allows you to link one measure to multiple activities. However, make sure that measures linked to an activity indicate whether the agency is achieving or making progress toward the purpose of that activity and toward statewide priorities.

#### **Q. Is it acceptable for an activity to have both performance measures and an expected result statement?**

Yes. The combination of outcome description and quantitative measures will more clearly express the contribution the activity makes in achieving agency goals and statewide results.

#### **Q. Are we required to create a performance measure for each decision package?**

No. You are required to describe the expected outcome of funding the investment in the narrative justification portion of the decision package under the heading “What specific performance outcomes does the agency expect?” However, that doesn’t mean a unique performance measure should be created for each package in the Results through Performance Management system. For each decision package, ask:

- Will this investment affect one or more of the activity performance measures reported by the agency in the Results through Performance Management (RPM) system? If yes, identify the expected incremental change in annual performance targets for each measure and for each applicable fiscal year if the decision package is enacted. BDS provides the tools to identify the incremental impacts for these measures.
- If the answer to the first question is no, but the decision package will contribute to another significant ongoing activity outcome, we suggest that the agency establish a new measure in the system for that activity.
- If the decision package is expected to generate some other performance change that would not be relevant as an ongoing measure of activity results, do not create a new measure in RPM.

#### **Q. Why do we have to develop activity-related measures?**

OFM asks for activity-related performance measures to help assess the results achieved for budget investments. The Legislature also finds this perspective helpful, and it amended RCW 43.88.090 to require agencies to report at least one performance measure for every major activity in the agency’s activity inventory. Each measure should be able to be used to determine if the agency is achieving or making progress toward the purpose of that activity and toward statewide priorities.

**Q. May we modify the activity-related measures we are reporting now?**

If you want to propose alternative measures, you must submit the new or modified measures to OFM via the Results through Performance Management (RPM) system. OFM can then review and either approve them or follow up with the agency on a suggested alternative. You will need to submit new measures to OFM prior to releasing your agency budget so they can be approved and available in BDS for the Performance Measure Incremental Estimate Report.

If your agency has received recommendations for improving activity-related performance measures in an OFM performance measure assessment, implement those improvements wherever feasible.

**Performance measure resources.**

Refer to the OFM Performance Measure Guide at

<http://www.ofm.wa.gov/budget/instructions/other/performancemeasureguide.pdf>

Contact your [OFM assigned budget analyst](#) with any questions about performance measures, to review proposed agency measures, or to obtain information about performance measure training.

## 10.2 PERFORMANCE MEASURE INCREMENTAL ESTIMATES REPORT

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**Indicate the effect of decision packages on activity performance.**

As discussed in Chapter 4.2, a decision package should describe the change in performance that can be expected from the investment. If this change in performance is a change in one of the activity performance measures reported in the system, agencies should indicate the incremental change in the performance measure related to that decision package. If the decision package will contribute to another ongoing activity result, the agency should establish a new measure in the system for that activity. Any activity performance measure descriptions established in BDS will be available on the selection list in the decision package screen.

If the decision package is expected to bring about another kind of performance change that would not be relevant as an ongoing measure of activity results, do not create a performance measure for the sole purpose of describing the effect of a decision package. This information should be described, and if possible quantified, in the decision package narrative. Consider including a logic model illustrating the linkage between the decision package and relevant Results Washington or RPM performance measures. (See example of a decision package in Appendix A-2.)

These incremental changes recorded in the BDS decision package console will be listed in the Performance Measure Incremental Estimates report required as part of the budget submittal.

## Chapter 11

# Facility Leases and Facility Maintenance

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

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### What additional information is required in a decision package related to a facility lease?

In addition to the decision package information requirements in Chapter 4, for **all** lease rate decision packages (regardless of ML or PL), attach a spreadsheet that contains the following information for all current and projected leased facility costs:

- Action (new, renew, change, close)
- Address (street address, where available, and city)
- Square feet
- Current lease start date and end date
- Services included in the lease
- FY 2015 funded level
- Renewal increase (in percent)
- Projected FY 2016 and FY 2017 need
- Requested one-time costs (total dollars)
- Any relevant notes

A maintenance level lease rate decision package (**8L**) may include renewal, lease rate adjustments, and new space projects **less** than 20,000 square feet.

A maintenance level lease rate decision package (**8V**) may include new space and relocation projects **greater** than 20,000 square feet.

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 performance/policy level budget request following the criteria found in Chapter 1, and the coding and prioritization outlined in Appendix A-3.

A template is available at [Budget Forms](#) 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 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 ten-year capital plans. To comply with this law, OFM will provide a list of major lease projects through the 2013-21 Six-Year Facilities Plan published by OFM in conjunction with the 2013-15 budgets. A major lease project is defined as a new space or relocation project over 20,000 square feet. Agencies shall provide a separate operating budget policy level decision package for major lease projects (see Appendix A-3). While this budget decision

package may contain multiple projects over 20,000 square feet, it needs to fully describe the business need for **each** new space, provide the general location and square footage along with completing all decision package questions. For relocation, also provide the current lease information and the current lease end date.

Market rate data is available upon request from OFM Facilities Oversight. Contact information is available at [Facilities Contacts](#).

### **Decision packages with space-related costs should be 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 facility plan for the state of Washington by January 1 of each odd-numbered year. This document includes state agency space requirements and other pertinent data necessary for cost-effective facility planning. This planning process and the resulting product are expected to improve the oversight, management, and financial analysis of state agency facilities. The development of this six-year facilities plan is directed by [RCW 43.82.055](#).

The six-year facilities plan will include:

- Lease renewals
- Leased and owned relocations
- New facilities projects

See the [2015-21 Implementation Approach](#) for more information about the plan and plan scope. Visit the [OFM Facilities Oversight website](#) for information about the planning process and related tools.

### **Questions?**

If you have questions or need assistance, contact your assigned OFM Facilities Analyst. Contact information is available at [Facilities Contacts](#).

## Chapter 12

# Statewide Enterprise Approach for Information Technology Operation and Investment

## 12.1 INFORMATION TECHNOLOGY PLANNING AND BUDGET REQUESTS

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This chapter will discuss specific items that are required in preparation for budget submissions related to information technology (IT) investments including:

- Consulting requirements with the Office of the Chief Information Officer (OCIO)
- IT addendum, to inform the OCIO's IT Investment Priority List
- Agency's IT investment priority ranking table
- Utility-based infrastructure services
- State Data Center service waiver requests
- State Interoperability Executive Committee (SIEC) approval for Radio over Internet Protocol (RoIP) and public safety communication systems investments

The OCIO and Budget Division will work together to develop the Governor's 2015-17 IT budget that supports implementation of the state's strategic IT plan and strategies to optimize IT resource usage.

The format of the Governor's 2015-17 IT budget will be an appendix to the budget proposal that will include the following information:

- Agency detail of all current IT expenditures. If available, this data will be pulled from the technology business management program (currently Apptio). Otherwise, information will be pulled from data coded in the Agency Financial Reporting System as Project X and Y.
- Proposed IT expenditures recommended for funding in the Governor's 2015-17 budget using information contained in the agency's IT investment priority ranking table (see Section 12.4).

Agency chief financial officers and chief information officers should ensure that IT accounting and other data are accurate as it will be used to develop the Governor's 2015-17 IT budget.

## 12.2 CONSULTING REQUIREMENTS WITH OFFICE OF THE CHIEF INFORMATION OFFICER

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Agencies must complete a conceptual review on all IT-related decision packages before the agency budget submittal.

In preparation for concept review meetings with the OCIO, agencies should complete a concept briefing document for each IT-related decision package using the template posted as Appendix B, under Procedures for Policy #121: <http://www.ocio.wa.gov/policies/121-it-investments-approval-and-oversight/121-procedures>.

During the conceptual reviews, the OCIO IT policy team will provide agencies with relevant strategic consultation and policy guidance for each IT-related decision package. The conceptual reviews will also help the OCIO IT policy consultants gain a deeper understanding of each IT-related decision package,

which will help them be better prepared to brief the scoring panels during the OCIO decision package prioritization process.

For more information on OCIO policies and standards, visit <http://www.ocio.wa.gov/policies>.

### **12.3 INFORMATION TECHNOLOGY ADDENDUM AND CRITERIA FOR THE OCIO IT INVESTMENT PRIORITY LIST**

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In addition to the standard budget decision package for IT-related budget requests, agencies are required to submit a separate IT addendum for each IT-related decision package. IT decision packages without an IT addendum will not be considered for funding in the 2015-17 budget development process.

**E-mail an electronic copy of all IT decision packages, IT addendums, agency IT investment priority ranking tables, and associated attachments to the OCIO at [budgetrequest@ocio.wa.gov](mailto:budgetrequest@ocio.wa.gov) no later than the agency budget submission deadline.**

The Chief Information Officer is required by RCW [43.88.092](#) to evaluate proposed IT expenditures and establish priority ranking categories of the proposals. Using the Decision Lens tool and the IT addendum, the OCIO will review and prioritize every IT-related decision package based on specific criteria at <http://www.ocio.wa.gov/it-decision-package-ranking-criteria>.

Please carefully address every question in the IT addendum and include the completed addendum with the associated decision package. Questions in the IT addendum align directly with the OCIO prioritization criteria.

The template for the IT addendum can be found at OFM [Budget Forms](#).

### **12.4 AGENCY'S IT INVESTMENT PRIORITY RANKING TABLE**

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Section 129(8) of the 2014 supplemental operating budget ([Chapter 221, Laws of 2014](#)) requires that agency budget requests for IT expenditures include the agency's priority ranking of each IT request; the estimated cost for the current biennium; the estimated total cost of the request over all biennia; and the expected timeline to complete the request. Agencies should provide this information for all IT-related decision packages in a single table with their budget submittal.

A template for this table is available at OFM [Budget Forms](#).

### **12.5 REQUESTS FOR UTILITY-BASED INFRASTRUCTURE SERVICES**

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Except for institutions of higher education, state agencies must move toward using Consolidated Technology Services (CTS) as their central service provider for all utility-based infrastructure services. As part of the OCIO migration strategy, an agency IT-related decision package must include documentation that utility-based infrastructure services offered by CTS have been considered.

Utility-based infrastructure services include personal computer and portable device support, servers and server administration, security administration, network administration, telephony, e-mail, and other information technology services commonly utilized by state agencies.

For decision packages that include a request for utility-based infrastructure services offered by CTS, the package also must include a cost estimate created in consultation with CTS. To avoid delays, agencies must work with CTS early in the budget cycle on all requests that include utility-based infrastructure.

## 12.6 DATA CENTER SERVICE WAIVER REQUIREMENTS

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An agency decision package that includes a request for new servers or server upgrades must include documentation that either State Data Center (SDC) Managed Services or SDC Co-Location Services have been considered:

- **State Data Center Managed Services** include provider-managed homogeneous environments providing services such as shared and dedicated virtual servers, storage, networks, security, and email.
- **State Data Center Co-Location Services** include provision for space, racks and power for tenant-managed servers, and other IT equipment.

If a decision package includes a server request related to SDC Managed and/or Co-Location Services, it must also include a cost estimate created in consultation with CTS. To avoid any delays, agencies must work with CTS early in the budget cycle on all requests that include servers.

If an agency's decision package includes a proposal to use servers outside the SDC, the decision package must include a waiver from the OCIO. Waivers must be based upon written justification from the requesting agency citing specific service or performance requirements for locating servers outside the state's common platform.

## 12.7 STATE INTEROPERABILITY EXECUTIVE COMMITTEE APPROVAL FOR CERTAIN INVESTMENTS

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### **State Interoperability Executive Committee (SIEC)/OCIO approval is required for radio, Radio over Internet Protocol (RoIP), and public safety communication systems investments.**

Agencies must receive written approval from the SIEC before beginning any major investment in radio, Radio over Internet Protocol, or public safety communication systems development, enhancement, or acquisition. (For a definition of a major project, refer to: <http://www.ocio.wa.gov/policies/121-it-investments-approval-and-oversight>.)

Approval is required regardless of the funding source or whether the request is for additional funding or for a previously approved or funded effort.

### **Investments must fit with state plans.**

The approval process focuses on how well the proposed investment fits with the Technical Implementation Plan (TIP) ([http://siec.wa.gov/pubs/files/tip/TIP\\_v8.0\\_FINAL\\_11302005.pdf](http://siec.wa.gov/pubs/files/tip/TIP_v8.0_FINAL_11302005.pdf)) and the State Communication Interoperability Plan (SCIP) (<http://siec.wa.gov/plan/files/SCIP.pdf>).

If the SIEC finds that an agency lacks the information to determine if a system will involve a significant investment in radio or RoIP technology, the agency may be asked to study its needs further and resubmit its request at a later time.

Wherever possible, agencies are asked to consider common solutions rather than invest in agency-unique solutions.

However, the SIEC recognizes that alternative strategies may be necessary to accommodate urgent agency business needs that do not coincide with the established scope and schedule of the TIP and SCIP. Please note that requests to approve systems without a primary or significant focus on TIP and SCIP business processes are likely to be denied or substantially restricted unless they contribute to the state's strategic direction for interoperable public safety communications systems.

## Chapter 13

# Central Service Agency Charges, Risk Management and Self-Insurance Premiums

## 13.1 CENTRAL SERVICE CHARGES HANDLED BY OFM

Central service charges listed in the table below are globally handled by OFM when building the Governor's proposed budget. **OFM will determine maintenance level (ML) updates** to agency budgets. **Agencies do not need to submit separate decision packages for incremental ML changes to these charges.**



Agency	Charge	Service Provided
SOS	Archives and Records Management	Archival and records management services provided by the Secretary of State.
SAO	Auditing Services	Audit services provided by the State Auditor.
AGO	Legal Services	Legal services provided by the Attorney General.
OCIO	OCIO Services	Statewide information technology policies and oversight provided by the state Chief Information Officer.
OAH	Administrative Hearings	Administrative hearings services provided by the Office of Administrative Hearings.
CTS	Security Gateway	This service provides secure access to state government network (SGN) websites.
CTS	Security Infrastructure	This service protects the SGN from hackers and viruses.
CTS	Secure File Transfer	This service transfers data securely between any two online locations.
DES	Access Washington	The Department of Enterprise Services (DES) maintains the state's Access/Inside Washington website.
DES	Campus Rent, Utilities, and Parking	DES charges state agencies for maintenance and operation of state-owned buildings, and a small portion of the costs to maintain employee parking spaces.
DES	Capital Project Surcharge	A surcharge to cover the cost of DES-managed capital projects based in Thurston County.
DES	Financing Cost Recovery	Charges related to the construction, renovation and occupancy of certain space owned and managed by DES in Thurston County.
DES	HRMS Debt Service (formerly called "HRMS Production Support")	This charge covers the debt service related to the Human Resource Management System (HRMS).
DES	Public and Historic Facilities and Visitor Services	DES manages public areas of the Capitol Campus and operates the Visitor Services Office.
DES	Lease Renewal Services	DES provides lease renewal services to client agencies.
DES	Risk Management Services	DES administers the state self-insurance liability program and charges an administration fee.

Agency	Charge	Service Provided
DES	Small Agency Client Services	DES provides small agencies with financial and human resources management services, such as accounting, payroll, etc.
DES	Enterprise Systems Fee	This fee includes access and support for the statewide financial, budget, contract, procurement, reporting and payroll systems.
DES	GIS Rate	DES provides geographic information system services to clients for a fee.
DES	Personnel Services	DES provides personnel services to state employees such as training, layoff resources, and the Employee Assistance Program.
DES	Perry Street Day Care	This charge is used for the maintenance of a facility contracted out by DES to a licensed child care provider for use by state employees.

**Performance level change requests for services must be in both client and provider agency budget requests.**

If a client and service provider agency determine a need to increase the type or utilization level of service, both the client and provider agency must include a performance level request for the increase in their budget submittal. This is important to help OFM keep these requests synchronized in the budget.

**Central service agency amounts are estimates.**

Central service agency amounts included in client agency budgets are estimates, and the actual billings from the service agencies will be based on services rendered. It is expected that client agencies will pay these billings in a timely manner and in full as they would pay bills from other vendors.

**Notify service provider agencies about 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. This approach will enable service agencies to include an appropriate estimate and cost of the service to be provided.

## 13.2 CENTRAL SERVICE CHARGES NOT HANDLED BY OFM

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The following central service charges are **not** handled by OFM. Budgeting for these charges is the responsibility of the client agency:

Agency	Charge	Service Provided
OFM	Personnel Services Charge	This charge is used to fund many of the statewide human resources services. Agencies with classified positions must pay this charge.
OFM	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.
DES/CTS	Fee-for-Service Charges	DES and CTS provide a wide array of other services to agencies for a use fee, charged when the service is used.

### 13.3 FUND SPLIT ADJUSTMENTS FOR THE CENTRAL SERVICE MODEL

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Fund splits represent how OFM and the Legislature will allocate central service costs among different agency funds. Some agencies may need to adjust fund splits for the 2015-17 central service model.

OFM will provide agencies with a spreadsheet with the latest fund split information and information about recent legislative changes that may impact fund splits. Update the spreadsheet and provide a short description explaining proposed updates. Fund split adjustments are due at the same time as the agency budget submittal.

Regardless of whether fund splits are changing or remaining the same between 2013-15 and 2015-17, OFM still requires written confirmation. Send updated fund split information to your [Assigned Budget Analyst](#) with a copy to [Christopher.Stanley@ofm.wa.gov](mailto:Christopher.Stanley@ofm.wa.gov).

### 13.4 OTHER INFORMATION REQUIRED OF CENTRAL SERVICE PROVIDER AGENCIES

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Central service agencies must provide an agency billing list for the current biennium and for the proposed 2015-17 budget. This list should include the estimated annual amounts to be charged each user agency, and, if a direct staff service, the FTE staff involved with each user agency. In addition, each maintenance or performance level decision package must provide an example of the increased charges to small, medium, and large agencies. This will help OFM evaluate the cost implications of the decision package on other agencies. The total billing amount must be reconcilable to the agency's revenue estimate submitted in the budget.

*OFM will provide a formatted spreadsheet and instructions to the central service agencies for their use in preparing this list.*

### 13.5 RISK MANAGEMENT AND SELF-INSURANCE PREMIUMS

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#### **Risk management is a key strategy for reducing costs and improving outcomes.**

Risk is defined as anything that poses a potential barrier to an agency achieving its mandated and strategic objectives/goals on time. Risk management refers to the practices an agency uses to manage its risks.

Enterprise Risk Management (ERM) is a coordinated method of performing risk management that considers all risks that affect an agency's goals across all parts of the agency. ERM allows an agency to identify, measure, prioritize, and respond to its risks. This approach can create cost savings and enhance efficiency by identifying resources and linking them to agency goals and action plans. This section of the budget submittal offers a means to describe agency ERM strategies, programs, activities, and needs.

#### **Self-Insurance Premiums.**

When available, preliminary estimates for self-insurance premium cost changes for 2015-17 will be posted at: <http://des.wa.gov/services/Risk/AboutRM/Pages/agencyBudgetRiskManagement.aspx>

**Agencies do not submit self-insurance premium decision packages for self-insurance premium adjustments.** OFM will update agency budgets for self-insurance premium adjustments in the fall when those costs are finalized.



**Request extraordinary risk management funding separately.**

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 policy-level decision package.

**An enterprise risk management update must be submitted.**

Agencies must submit an enterprise risk management update with their budget submittal and to the Department of Enterprise Services' Office of Risk Management (ORM). The update should be a one-page submittal describing three major risks that could impact 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 the enterprise risk management update, do not include confidential information related to specific claims or lawsuits. Seek advice from agency legal staff if there are questions about confidentiality issues.

Email a copy of the update to ORM at [desmiriskmanagement@des.wa.gov](mailto:desmiriskmanagement@des.wa.gov).

**Resources.**

- The Department of Enterprise Services' Office of Risk Management can provide a loss history profile of agency losses, including pending claims. For additional risk management information and resources, visit the ORM website at: <http://des.wa.gov/services/Risk/AboutRM/Pages/agencyBudgetRiskManagement.aspx>.
- ORM staff members are available to assist you with interpreting loss trends and developing risk management goals. Contact ORM at (360) 407-9199.

## Chapter 14

# 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 <http://www.ofm.wa.gov/budget/forms.asp>.

## 14.1 NON-BUDGETED LOCAL FUND SUMMARIES

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### Non-budgeted local fund summaries (RCW [43.88.030\(1\)\(f\)](#)).

The Non-Budgeted Local Fund Summary is used to summarize financial data for non-budgeted (nonappropriated/nonallotted) local funds outside the State Treasury. Data can be entered in an Excel spreadsheet available from OFM. This information will be displayed in the Governor's budget document.

#### Instructions:

- a) Narrative description: In account code number sequence, list all non-budgeted 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 Non-Budgeted Local Format Summary form. List each non-budgeted local fund by fund code sequence.

The fund balances shown for June 30, 2013, and June 30, 2015, should be reported on a modified GAAP basis. (Refer to Chapter 8.2.)

## 14.2 STATE MATCHING REQUIREMENTS FOR FEDERAL FUNDING

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### 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 includes:

- Federal catalog number (CFDA)
- Activity inventory number for the most significant activity(s) using the grant in the operating budget
- Grant amount shown by federal and state fiscal year
- State match amount required in each of four state fiscal years (2014-2017), and
- Account code of state match source.

An Excel template for this requirement may be found at: [Budget Forms](#).

## 14.3 ADDITIONAL FEDERAL RECEIPTS REPORTING REQUIREMENTS

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Substitute Senate Bill 5804 ([Chapter 32, Laws of 2013](#)) requires that designated agencies submit additional information related to receipt of federal funds. The requirements include:



- a) Reporting the aggregate value of federal receipts the agency estimated for the ensuing biennium,
- b) Developing plans for operating the designated state agency if there is a reduction of:
  - i. Five percent or more in the federal receipts that the agency receives; and
  - ii. Twenty-five 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 (the report by OSPI shall include the information required for each school district within the state)

An Excel template for this requirement may be found at: [Budget Forms](#).

## 14.4 PUGET SOUND RECOVERY

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### **Additional reporting requirements to OFM and Puget Sound Partnership (Partnership).**

Agencies must follow additional steps in developing and submitting budget requests if any part is devoted to activities or projects to implement any part of the Partnership Action Agenda. These steps, described in more detail below, include:

- Providing specified information in operating decision packages submitted to OFM
- Entering summary information about Puget Sound budget requests in a compilation template
- Providing additional copies of Puget Sound budget requests to OFM and the Partnership
- Consulting with the Partnership in advance of submitting packages
- Reporting to the Partnership the total cost of implementing the Action Agenda

Per Section 311(2) of 3ESSB 5034 (Chapter 4, Laws of 2013, 2nd Special Session) and as amended by ESSB 6002 (Chapter 221, Laws of 2014), the Partnership must provide the Governor with a single, prioritized list of state agency 2015-17 budget requests related to Puget Sound by October 1, 2014. The primary criterion used by the Partnership to prioritize state agency budget requests is how strongly they align with the Partnership's Action Agenda. More specifically, points are given to budget requests that are strongly tied to a strategic initiative, near-term action or sub-strategy (see below for more information).

The Puget Sound Leadership Council is also required to provide recommendations for funding necessary to implement the Action Agenda in the 2015-17 biennium to the Governor and the appropriate legislative fiscal committees by September 1, 2014. In addition, these estimates are reported and published in the Partnership's *State of the Sound* publication (see below for more information).

### Operating decision packages.

All agencies requesting operating budget changes related to Action Agenda implementation must link decision packages to the Action Agenda as follows:

- In the Recommendation Summary, agencies should include the statement, “Related to Puget Sound Action Agenda Implementation.”
- Agencies should also include in the narrative justification under “Other important connections” the applicable strategic initiative, sub-strategies, and near-term actions or key ongoing programs identified in the Action Agenda, and explain how the request relates to these.
  - ◆ This may also include monitoring or program-evaluation requests that are linked to Puget Sound targets or actions, as well as research identified in the biennial science work plan. This information will help inform the budget request ranking process that the Puget Sound Partnership is required to prepare for the Governor.
- Decision packages with Puget Sound components of statewide activities should provide detailed information about the Puget Sound portion of the request, including dollar amounts, FTEs, fund sources by fiscal year, and the narrative justification information described above. “Statewide activities” impact multiple geographic areas.
  - ◆ Examples include shoreline master program updates and forest practices regulation. Decision packages that include multiple near-term action or sub-strategy components should provide detailed information for each near-term action to help distinguish the portion of the package that pertains to each near-term action including dollar amounts, FTEs, fund sources by fiscal year, and the narrative justification information described above.

To facilitate Partnership input to OFM on Action Agenda-related budget requests, please send an e-mail with copies of all Action Agenda-related operating and capital requests to [Linda Steinmann](#) at OFM and [Ginger Stewart](#) at the Partnership by your designated budget submittal due date. Agencies will also be asked to complete a template summarizing all Puget Sound requests. OFM and the Partnership will provide instructions for the summary template in June. Their full contact information is provided later in this section.

### Spring/summer 2014 consultation with the Partnership.

To ensure coordinated budget proposals that align well with the Action Agenda, all agencies requesting operating budget changes that impact the Action Agenda are required (by statute) to consult with the Partnership prior to submitting their budget requests to OFM. Agencies should seek Partnership concurrence in proposed funding levels. Partnership staff will be working closely with agencies to assist them in reviewing their programs and actions in the updated Action Agenda and identifying potential priorities for inclusion in budget packages. **Early consultation is recommended** during July and early August, allowing time for agencies to respond to Partnership feedback while meeting budget submittal due dates. During June 2014, the Partnership will transmit specific instructions to affected agencies about the requirements and timelines of the 2014 budget consultation process.

## More about Partnership Action Agenda and reporting requirements for near-term actions.

The Partnership's Action Agenda guides recovery and protection efforts of federal and state agencies, as well as local and tribal governments in the Puget Sound basin. As part of the budget development process, statute directs state agencies to work closely with the Partnership and OFM on current and proposed activities and projects.

As required by RCW [90.71.320](#), all agencies that implement any portion of the Action Agenda, including new or ongoing programs and activities, **must provide estimates of their costs to implement Near-Term Actions for the 2015-17 biennium.** Agencies must use the Excel template provided by the Partnership to report the information. While statute requires this information to be submitted by June 1 of even-numbered years, this deadline has been moved to **July 31, 2014**, to accommodate the May 2014 adoption of the Action Agenda update by the Partnership's Leadership Council. In June the Partnership will transmit specific instructions and schedule a meeting with affected state agency staff to review the methodology.

As required by RCW [90.71.370\(1\)](#), the Puget Sound Leadership Council must provide recommendations for funding necessary to implement the Action Agenda in the 2015-17 biennium to the Governor and the appropriate legislative fiscal committees by **September 1, 2014**. This information is collected annually and reported to the Ecosystem Coordination Board and Leadership Council as well as published biennially in the *State of the Sound* report on Puget Sound Recovery (see below for web link).

If a state agency submits an amount different from the amount identified in the September 1, 2014, *State of the Sound* report, the agency and Partnership must jointly identify the amount and reason for the difference, and submit this information to OFM.

### Summary Timeline

Event	Deadline
Action Agenda adopted	May 2014
Partnership instructions to agencies for reporting the total estimated cost to implement the Action Agenda	June 2014
Partnership consultation/feedback to agencies on budget requests	Spring/Summer 2014
Agency submittal of total estimated cost information for near-term actions to Partnership via Excel template	July 31, 2014
Agency budget submittals to OFM; Agencies e-mail Puget Sound decision packages/capital project requests to OFM and Partnership	September 2014
Agencies complete template of Puget Sound requests	September 2014
Partnership funding recommendations and gap analysis to OFM	September 2014
Partnership prioritized list of budget requests to OFM	October 1, 2014

### Contact Information.

Ginger Stewart, Chief Financial Officer  
Puget Sound Partnership  
360-464-1218  
[Ginger.Stewart@psp.wa.gov](mailto:Ginger.Stewart@psp.wa.gov)

Linda Steinmann, Budget Assistant to the Governor  
Office of Financial Management  
360-902-0573  
[Linda.Steinmann@ofm.wa.gov](mailto:Linda.Steinmann@ofm.wa.gov)

## References

Puget Sound Partnership Action Agenda Update:  
[http://www.psp.wa.gov/2014\\_action\\_agenda\\_update.php](http://www.psp.wa.gov/2014_action_agenda_update.php)

2013 State of the Sound, Appendix A: 2012 Action Agenda – Near Term Action Financial Estimates,  
All Owners: <https://app.box.com/s/aubp3d07hacnt3a26pud>

Puget Sound Vital Signs: <http://www.psp.wa.gov/vitalsigns/>

## 14.5 OTHER BUDGET REPORTS AND DATA

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### Updated agency descriptions.

Agency descriptions and missions must be published as part of the budget document. We will send agencies a template in August that contains the most recent agency description and mission statements. Agencies wanting to make changes should return the updated template to Laurie Lien at [ofm.budget@ofm.wa.gov](mailto:ofm.budget@ofm.wa.gov) no later than their agency budget due date.

## Appendix A-1

### AGENCY BUDGET SUBMITTAL DATES

#### No later than September 12, 2014:

080	Office of the Lieutenant Governor	185	Horse Racing Commission
082	Public Disclosure Commission	190	Board of Industrial Insurance Appeals
086	Governor's Office of Indian Affairs	205	Board of Pilotage Commissioners
087	Commission on Asian Pacific American Affairs	220	Board for Volunteer Firefighters
090	Office of the State Treasurer	227	Criminal Justice Training Commission
095	Office of the State Auditor	228	Traffic Safety Commission
099	Commission on Salaries for Elected Officials	305	Department of Veterans Affairs
100	Office of the Attorney General	315	Department of Services for the Blind
101	Caseload Forecast Council	340	Student Achievement Council
104	Economic and Revenue Forecast Council	341	LEOFF Plan 2 Retirement Board
110	Office of Administrative Hearings	351	School for the Blind
116	Washington State Lottery	353	Center for Childhood Deafness and Hearing Loss
117	Gambling Commission	355	Department of Archaeology and Historic Preservation
118	Commission on Hispanic Affairs	390	Washington State Historical Society
119	Commission on African-American Affairs	395	Eastern Washington State Historical Society
120	Human Rights Commission	406	County Road Administration Board
124	Department of Retirement Systems	407	Transportation Improvement Board
126	State Investment Board	410	Transportation Commission
140	Department of Revenue	411	Freight Mobility Strategic Investment Board
142	Board of Tax Appeals	460	Columbia River Gorge Commission
147	Office of Minority & Women's Business Enterprises	462	Pollution Liability Insurance Program
160	Office of the Insurance Commissioner	467	Recreation and Conservation Funding Board
163	Consolidated Technology Services	468	Environmental and Land Use Hearings Office
165	Board of Accountancy	471	State Conservation Commission
167	Forensic Investigations Council	701	Treasurer's Transfers
179	Department of Enterprise Services	705	Treasurer's Deposit Income
		740	Contribution to Retirement Systems

#### No later than September 15, 2014 (Due date for Local Fund Statements):

106	Economic Development Finance Authority	515	Fruit Commission
148	Housing Finance Commission	521	Hardwoods Commission
346	Higher Education Facilities Authority	522	Hop Commission
356	Life Sciences Discovery Fund Authority	524	Puget Sound Gillnet Salmon Commission
412	Materials Management and Financing Authority	525	Potato Commission
500	Apple Commission	526	Strawberry Commission
501	Alfalfa Seed Commission	528	Mint Commission
502	Beef Commission	529	Red Raspberry Commission
503	Blueberry Commission	530	Seed Potato Commission
505	Bulb Commission	532	Turf Grass Seed Commission
506	Asparagus Commission	533	Tree Fruit Research Commission
507	Cranberry Commission	534	Wine Commission
508	Canola and Rapeseed Commission	535	Grain Commission
510	Dairy Products Commission	545	Beer Commission
512	Dry Pea and Lentil Commission	599	Health Care Facilities Authority

**No later than September 19, 2014**

001	State Revenues for Distribution	225	Washington State Patrol
005	Federal Revenues for Distribution	235	Department of Labor and Industries
010	Bond Retirement and Interest	240	Department of Licensing
011	House of Representatives	245	Military Department
012	Senate	275	Public Employment Relations Commission
013	Joint Transportation Committee	300	Department of Social and Health Services
014	Joint Legislative Audit and Review Committee	303	Department of Health
020	Legislative Evaluation and Accountability Program (LEAP) Committee	310	Department of Corrections
035	Office of the State Actuary	350	Office of Superintendent of Public Instruction
037	Office of Legislative Support Services	354	Workforce Training and Education Coordinating Board
038	Joint Legislative Systems Committee	357	Department of Early Learning
040	Statute Law Committee	359	Washington State Charter School Commission
045	Supreme Court	360	University of Washington
046	Law Library	365	Washington State University
048	Court of Appeals	370	Eastern Washington University
050	Commission on Judicial Conduct	375	Central Washington University
055	Administrative Office of the Courts	376	The Evergreen State College
056	Office of Public Defense	380	Western Washington University
057	Office of Civil Legal Aid	387	Arts Commission
075	Office of the Governor	405	Department of Transportation
076	Special Appropriations to the Governor	461	Department of Ecology
085	Office of the Secretary of State	465	State Parks and Recreation Commission
102	Department of Financial Institutions	477	Department of Fish and Wildlife
103	Department of Commerce	478	Puget Sound Partnership
105	Office of Financial Management	490	Department of Natural Resources
107	Health Care Authority	495	Department of Agriculture
195	Liquor Control Board	540	Employment Security Department
215	Utilities and Transportation Commission	699	Community and Technical Colleges

## Appendix A-2

### SAMPLE DECISION PACKAGE - ADDENDUM

<b>Agency:</b>	240 Department of Licensing
<b>Decision Package Code/Title:</b>	PL-DC Enhanced Driver License
<b>Budget Period:</b>	2013-15
<b>Budget Level:</b>	PL - Performance Level

#### Agency Recommendation Summary Text:

Implementation of an Enhanced Driver License and identity card (EDL/ID) was authorized by the Legislature in the approved 2013-15 Biennium budget. \$8,872,000 in funding was provided for EDL/ID implementation. This funding was authorized based on Department estimates of the costs for creating a license capable of satisfying federal requirements under the Western Hemisphere Travel Initiative (WHTI). The estimate addressed costs that were known at that time. This supplemental request provides an additional \$4,135,000 in funding to address necessary implementation costs to conform to these federal requirements. The increased costs are due primarily to a significant shortening of the timeframe for delivery of the EDL/ID product from May of 2008 to January of 2008, the resulting costs associated with hiring staff for the implementation of the EDL/ID several months sooner, and increased technology development costs to meet the delivery timeframe. (Highway Safety Fund-State)

#### Fiscal Detail

Operating Expenditures	<u>FY 2008</u>	<u>FY 2009</u>	<u>Total</u>
106-1 Highway Safety Fund-State	131,000	4,004,000	4,135,000
<b>Total Cost</b>	<b>131,000</b>	<b>4,004,000</b>	<b>4,135,000</b>

Staffing	<u>FY 2008</u>	<u>FY 2009</u>	<u>Annual Average</u>
FTEs	3.4	18.4	10.9

#### Package Description:

##### Background

Prior to development of last year's Border Crossing Security decision package, the Department had been exploring means to improve the process of validating foundational identity documents for the issuance of driver licenses and identity cards. Driver licensing staff lacked appropriate technology that could help them quickly detect fraudulent or altered documents, and federal authorities did not have a sufficient level of confidence that the current Washington driver license would be reliable as an alternative to a U.S. passport or other approved document for purposes of re-entry to the United States.

The Legislature recognized the importance of increasing the security of the border through the use of highly reliable, secure and convenient travel documents that in turn preserve and encourage travel, trade and cultural exchange with British Columbia. The leadership that Washington State has demonstrated has also been recognized around the nation. Several states, including Texas, New York, Arizona, Vermont and Ohio have expressed interest in the Washington model as a template for their own development of enhanced driver license and identity card (EDL/ID) documents that will satisfy federal requirements: <http://buffalo.bizjournals.com/buffalo/stories/2007/07/23/daily2.html>.

Vermont recently reached an agreement with the federal Department of Homeland Security (DHS) to develop an EDL/ID, citing the work being done in Washington State.

## Current Situation

Since adoption of ESHB 1289 (RCW 46.20.202) by the 2007 Legislature, the Department has worked closely with federal, state and private partners to implement the provisions of the statute. As a result of these efforts and negotiations, the Department has determined that its EDL/ID business model requires funding beyond that originally appropriated. The primary reasons for increased funding are the following:

- A shift in timing of EDL/ID implementation from May 2013 to January 2013, to coordinate with Western Hemisphere Travel Initiative (WHTI) land and sea rule implementation, and by agreement with DHS.
- Addition of DHS requirements to include additional checks and balances in the applicant screening and qualification process, to better ensure the integrity and reliability of the process and the EDL/ID.
- Modification of the Department's deployment plans for the number of offices and staff authorized to issue EDL/ID by increasing public access at ten (10) more licensing offices throughout the state, for a total of twenty-one (21) offices.

Negotiations with DHS were ongoing through the spring of 2013. In order to maximize the security and integrity of the document, as well as to protect the privacy of document applicants, several additional features of both the document and the document issuance process were agreed upon. These include the use of radio frequency identification (RFID) tags and machine readable zones (MRZ) on the document, and attenuating sleeves to ensure privacy during shipment of the document to the customer. The issuance process will include separation of duties in field offices between foundational document intake and document review. In addition, the issuance process will include a one-on-one interview between the applicant and specially trained Department staff.

## Proposed solution

These factors caused the Department's business model for EDL/ID implementation to change, resulting in the increased costs for:

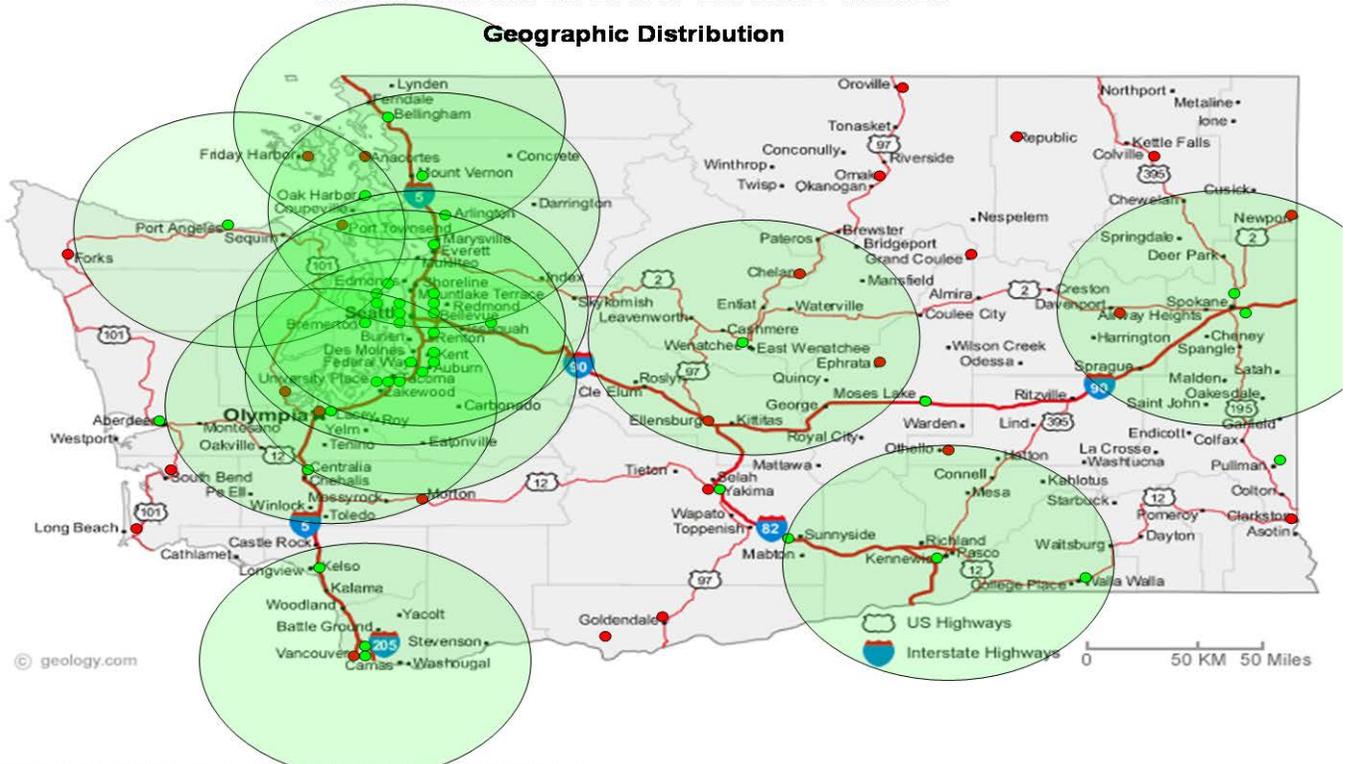
- Recruitment and training of additional field staff to conduct applicant interviews.
- The compressed implementation schedule increased costs for information system software development, testing, and deployment.
- Integration of DHS requirements for EDL/ID design features, security features to deter forgery and counterfeiting, and DHS and DOL system use. Such features include the use of RFID tags, MRZs, and attenuating sleeves.
- The Department's need to raise public awareness of the EDL/ID purpose and use, its availability, its security and privacy protection, and its benefits for expediting border crossings between the United States, Canada, Mexico, the Caribbean, and Bermuda by land and sea.
- Modification of licensing office facilities to ensure the privacy of the applicant interview and qualification process.

In addition, the Department recognizes the need to expand the number of licensing service offices that would have the capability to offer EDL/ID to customers. The current level of funding will allow an initial deployment to eleven offices; funding included in this package will allow further deployment to

ten additional offices. This expanded deployment will significantly increase our geographic coverage statewide; ensuring that over 97 percent of our customers will have an EDL/ID location within 50 miles of their home, as well as increased coverage in population centers to improve our ability to meet anticipated demand. The following two charts illustrate the proposed geographic coverage of the initial deployment and the planned additional deployment.

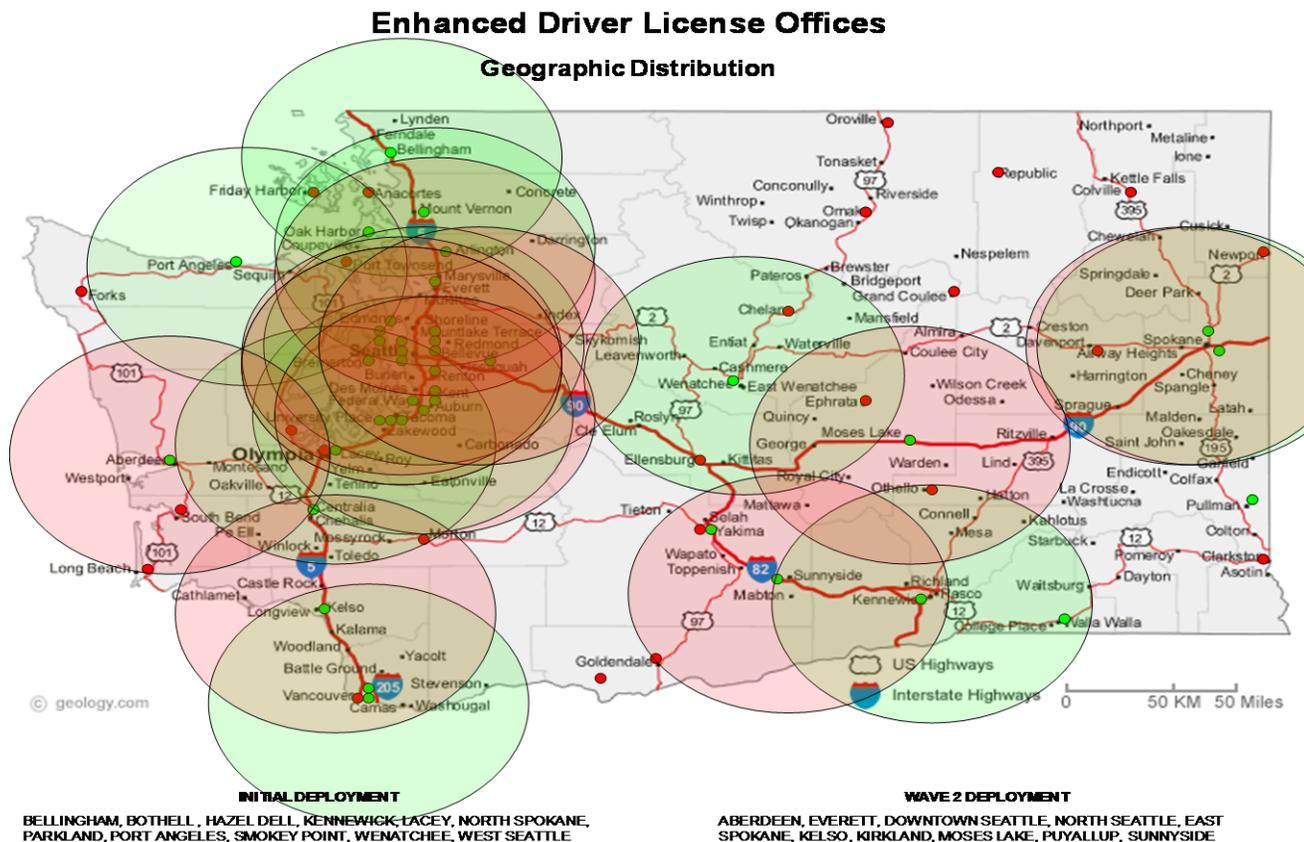
**Table I – Initial Deployment of EDL/ID to Eleven Offices**

**Initial Enhanced Driver License Offices  
Geographic Distribution**



BELLINGHAM, BOTHELL, HAZEL DELL, KENNEWICK, LACEY, NORTH SPOKANE, PARKLAND, PORT ANGELES, SMOKEY POINT, WENATCHEE, WEST SEATTLE

**Table II – Proposed Deployment of EDL/ID to Ten Additional Offices**



**NARRATIVE JUSTIFICATION AND IMPACT STATEMENT**

**What specific performance outcomes does the agency expect?**

Effective January 2015, the Department will implement the use of an enhanced drivers license and identification card (EDL/ID) as alternate documents in compliance with the Western Hemisphere Travel Initiative (WHTI) requirements for land and sea border crossing.

Department staff will be fully trained and authorized to successfully complete the applicant screening, interview, and citizenship determination processes. The public will have the ability to apply for an EDL/ID at 21 driver licensing offices throughout the state, including ten additional offices that will be capable of EDL/ID issuance by the fall of 2015.

The driver license is a nationally accepted means of identification. The use of the state-issued EDL/ID for border crossing purposes will enable Washington to maintain the level of free trade and tourism that has been of significant benefit to both Washington and British Columbia citizens.

**Performance Measure Detail**

Development of the EDL/ID is a new and significant policy initiative for the Department and Washington State. Because of the unique nature and precedent of this initiative, a number of potential performance measures will be tracked to gauge the success of the program. These will include:

- total number of enhanced card applications,
- total percent of applications denied,
- total volumes by office, and
- the type of source documents received that establish EDL/ID eligibility.

The Department will be working closely with the Office of Financial Management and the Legislature to evaluate which measures provide the best information for measuring the success and outcomes of this initiative.

**Is this decision package essential to implement a strategy identified in the agency’s strategic plan?**

This package addresses the Department’s goal in the 2015-17 strategic plan to improve public safety.

Activity: Improve Public Safety

**We . . .**

Hire staff; conduct IS system software development, testing and deployment; raise public awareness of the EDL/ID program; modify facilities; and issue EDL/ID cards

OUTPUTS

**. . . so that . . .**

The department will improve public access to EDL/ID cards & Decrease the potential for fraudulent licenses being issued

IMMEDIATE OUTCOME

**. . . so that . . .**

We better facilitate secure border crossings between the U.S. & Canada by land and sea

INTERMEDIATE OUTCOME

**. . . so that . . .**

We improve public safety & facilitate economic trade and tourism

ULTIMATE OUTCOME

State and Federal Initiative Program

**Reason for change.**

The need for additional funding is the outcome of negotiations between the state of Washington and DHS to develop the prototype model for delivering a WHTI compliant document. Since these discussions were still ongoing in the spring of 2014, the costs of components and business processes that were agreed to were not fully captured in the initial Border Crossing Security decision package.

**Does this decision package provide essential support to one of the Governor's priorities?** Yes. The proposal supports improved public safety and facilitates economic trade and tourism.

**Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?**

Yes. Improved public safety, trade, and tourism contribute to the safety result and economic vitality result.

**What are the other important connections or impacts related to this proposal?****Impact on clients and services.**

The applicant interview process for the EDL/ID will require additional personnel and will add an estimated 7 to 30 minutes to the application approval process.

The public will have the opportunity to apply for an EDL/ID in January 2008. By the fall of 2008 the public will have the ability to apply for an EDL/ID in ten (10) more licensing offices throughout the state.

**Impact on other state programs:**

This will benefit the Washington State Patrol and local and national law enforcement in their efforts to identify and deter fraudulent acquisition of driver licenses and ID cards for illegal purposes. The Department of Health (DOH) will establish a process for the online verification of birth certificates for those persons born in Washington. The Department entered into an agreement with DOH on May 1, 2007 that will allow us to electronically verify the authenticity of WA birth certificates at no cost through December of 2008. DOH has agreed to collect data on volume of inquiries for six months before developing a payment model for DOL to be implemented after December of 2015. The potential costs of this service are unknown at this time.

**What alternatives were explored by the agency, and why was this alternative chosen?**

The steps taken in this package are necessary to ensure timely implementation and broader public access to the use and benefits of an EDL/ID for land and sea border crossing. This budget package was developed collaboratively after fully negotiating its implementation requirements with our state, federal and private partners. The Department has evaluated alternatives that include curtailed or postponed deployment, and found that these alternatives were not in the best interests of the state's citizens and its commerce.

**What are the consequences of not funding this package?**

Non-funding will limit the department's capability to deploy the EDL/ID as broadly throughout the state. This could impair the Department's ability to deliver the EDL/ID in an efficient and timely manner, and with the level of convenience and access expected by the public.

**What is the relationship, if any, to the state's capital budget?**

None

**What changes would be required to existing statutes, rules, or contracts, in order to implement the change?**

None

**Expenditure and revenue calculations and assumptions:****Revenue Calculations and Assumptions:**

No additional revenue is associated with this decision package.

**Expenditure Calculations and Assumptions:**

The additional funding requested in this package is the result of the compressed implementation timeframe, additional document features required by DHS and deployment of EDL/ID capability to additional field offices. Table 3 includes a side-by-side comparison of current appropriation assumptions and requested supplemental appropriation assumptions.

**Compressed implementation timeframe**

The package that is currently funded in the Department's budget assumed a May 2008 implementation date. During the development of that package the Department did not have a clear indication from DHS regarding the effective date of land and sea rules for WHTI. The state and DHS subsequently agreed to a January 2008 implementation date to adequately prepare for a WHTI implementation date later in the spring. The compressed timeframe creates additional costs in several areas:

- Field office staff that were going to be hired in the spring of 2008 will be hired in the late fall of 2007 so that necessary training can take place before the January 2008 launch.
- Successful implementation of the EDL/ID initiative is highly dependent on information systems changes. Additional contract programmers, department testers and project management capacity are required.
- Washington State is leading the nation in the development of an acceptable alternative document that will satisfy WHTI requirements. In that role, extraordinary demands have been placed on Department resources to negotiate complex and original agreements with federal and international jurisdictions. Funding is included for a three member project implementation team for one year.

**Additional document features to satisfy DHS requirements**

In order to proceed with development of the EDL/ID the state will be required to incorporate several new document features. Inclusion of these features will satisfy DHS requirements that were developed in the spring of 2014. These features include:

- Development of a unique card design to clearly denote citizenship.
- Inclusion of a radio frequency identification (RFID) tag. This passive vicinity RFIP technology will not contain or transmit any personal data, only a unique reference number provided by DHS and assigned by the Department at time of issuance.

- Inclusion of a machine readable zone (MRZ) on the back of each document. The MRZ will facilitate border crossings at locations that are not equipped to read a reference number off of an RFID tag.

### Deployment of EDL/ID capability to additional field offices

Negotiations with DHS also lead to some significant changes in the proposed service delivery model. Initially the Department intended to allow EDL intake at all field offices, then perform processing and acceptance duties at separate locations. To meet DHS requirements, however, the business model has been reconfigured to place specially trained staff in certain locations and to accept and process EDL/ID applications at only those offices. This model will provide a significant level of internal control on the process.

The current level of appropriation will allow the Department to deploy EDL/ID capability to eleven field offices. In order to maximize customer access to EDL/ID documents, resources in this package will enable to Department to deploy EDL/ID capability to ten additional offices around the state. Refer to Tables I and II above for a graphic representation of proposed coverage.

The following tables summarize the comparison of current funding to request funding for project implementation and deployment to ten additional offices.

**Table III – Comparison of Additional Funding Requirements / Current Funding Level**

	2007-09 Biennial Funding	2007-09 Biennium Projected Expenditures	Difference
<b>FTE</b>			
Driver Services	17.9	26.0	8.1
State & Federal Initiatives	0.0	1.5	1.5
Information Services	3.9	5.3	1.4
Management Support Services	2.4	2.3	0.1
<b>Total</b>	<b>24.2</b>	<b>35.1</b>	<b>11.0</b>
<b>Salaries</b>			
Driver Services	1,412,000	2,301,089	889,089
State & Federal Initiatives	0	250,100	250,100
Information Services	454,000	725,418	271,418
Management Support Services	215,000	213,116	(1,884)
<b>Total</b>	<b>2,081,000</b>	<b>3,489,723</b>	<b>1,408,723</b>
<b>Contracts</b>			
Digimarc Validation Suite	806,400	357,098	(449,302)
Biometrics	2,000,600	1,284,540	(716,060)
Applicant Interview Questions	0	225,000	225,000
Card Design, Software Update, Image Utility	0	183,465	183,465
IS Personal Service Contracts	0	561,820	561,820
<b>Total</b>	<b>2,807,000</b>	<b>2,611,923</b>	<b>195,077</b>
<b>Goods and Services</b>			
Card Production Costs	0	839,000	839,000
Contract Programmers	474,439	1,454,636	980,197
Contingency	263,000	263,000	0
Marketing	0	500,000	500,000
Rent and Improvements	448,091	448,091	0
Other Goods and Services	203,470	485,328	281,858
<b>Total</b>	<b>1,389,000</b>	<b>3,990,055</b>	<b>2,601,055</b>
<b>Equipment</b>			
Document Scanners	484,554	194,925	(289,629)
Handheld Scanners	1,383,446	0	(1,383,446)
<b>Total</b>	<b>1,868,000</b>	<b>194,925</b>	<b>(1,673,075)</b>
<b>Travel</b>	<b>32,000</b>	<b>103,450</b>	<b>71,450</b>
<b>2005-07 Biennium Purchases</b>			<b>(200,000)</b>
<b>Agency Total</b>	<b>8,872,000</b>	<b>11,314,170</b>	<b>2,442,170</b>

**Table IV – Future Deployment Costs (10 Offices)**

		<b>2007-09 Biennium Projected Expenditures</b>
Salaries and Benefits		\$1,122,540
Hardware/Software		370,834
Facilities		200,000
<b>Total</b>		<b>\$1,693,374</b>

Thus, the total request of \$2,442,170 plus \$1,693,374, or \$4,135,544.

<u>Object Detail</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Total</u>
A Salaries and Wages	\$547,000	\$1,696,000	\$2,243,000
B Employee Benefits	\$176,000	\$540,000	\$716,000
E Goods and Services	\$1,058,000	\$1,349,000	\$2,407,000
G Travel	\$23,000	\$48,000	\$71,000
J Capitalized Equipment	(\$1,673,000)	\$371,000	(\$1,302,000)
<b>Total</b>	<b>\$131,000</b>	<b>\$4,004,000</b>	<b>\$4,135,000</b>

<b>Six-Year Estimates</b>				
<u>Revenue</u>		<u>07-09 Total</u>	<u>09-11 Total</u>	<u>11-13 Total</u>
Revenue Total		\$0	\$0	\$0
<u>Expenditure Estimates</u>				
106 Highway Safety Fund		\$4,135,000	\$7,901,000	\$7,969,000
Expenditure Total		<b>\$4,135,000</b>	<b>\$7,901,000</b>	<b>\$7,969,000</b>
FTEs		10.9	30.9	30.9

**Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?**

**Distinction between one-time and ongoing costs:**

Initial expenditures for scanning and imaging equipment will be one-time costs, although replacement dollars will be required in future biennia. Staffing costs, card production, and system's, facilities, and equipment maintenance costs will be ongoing.

**Budget impacts in future biennia:**

Following January 2008 implementation, the Department's needs will include continued funding for information systems maintenance and component replacement, staff salaries, and benefits, and ongoing marketing efforts.

If demand for the EDL/ID exceeds the capacity of the requested deployment to 21 licensing offices, funding for additional staff, equipment, and office capacity will be requested.

# Appendix A-3



## REQUIRED POLICY LEVEL REC SUM / DECISION PACKAGE CODES

The Budget Development System (BDS) used by agencies to develop and submit their budgets utilizes two character Decision Package codes to uniquely identify each step in an agency budget. OFM and the Legislature retain these codes in our respective budget systems but they are called Recommendation Summary (RecSum) Codes. The two terms are interchangeable.

In the past, agencies could use any allowable code with the exception of prescribed codes for certain maintenance level items common to multiple or all agencies. (See Chapter 5.2 Maintenance Level Recsum/Decision Package Codes.)

To display the targeted reductions and priority order investments described in Chapter 1.1, a modification of the Recommendation Summary Code schema for agency policy-level budget requests is required.

### Targeted Reductions.

Decision Packages required to reach targeted reductions of 15 percent of the agency’s unprotected maintenance level budget must be coded with an alpha character of A through M and a numeric character 0 through 9. It is recognized that most agencies will submit multiple decision packages in order to reach their target.

Decision packages must be coded in ascending order of priority, based on impacts or consequences. For example: Item A0 would be the first package proposed for reduction, is generally more simple to implement, and has relatively less or no impact on clients and/or services. At the other end of the spectrum, an M9 reduction item would be the last package proposed for reduction, is expected to be more difficult to implement, and would more substantially impact clients and/or services.

**The following allowable RecSum/DP codes and sort order must be used for each targeted reduction package and may only be utilized for policy level decision packages:**

A0	B0	C0	D0	E0	F0	G0	H0	I0	J0	K0	L0	M0
A1	B1	C1	D1	E1	F1	G1	H1	I1	J1	K1	L1	M1
A2	B2	C2	D2	E2	F2	G2	H2	I2	J2	K2	L2	M2
A3	B3	C3	D3	E3	F3	G3	H3	I3	J3	K3	L3	M3
A4	B4	C4	D4	E4	F4	G4	H4	I4	J4	K4	L4	M4
A5	B5	C5	D5	E5	F5	G5	H5	I5	J5	K5	L5	M5
A6	B6	C6	D6	E6	F6	G6	H6	I6	J6	K6	L6	M6
A7	B7	C7	D7	E7	F7	G7	H7	I7	J7	K7	L7	M7
A8	B8	C8	D8	E8	F8	G8	H8	I8	J8	K8	L8	M8
A9	B9	C9	D9	E9	F9	G9	H9	I9	J9	K9	L9	M9

**Priority Investments and Buybacks:**

Decision packages for priority investments and buybacks of reduction items must be coded with an alpha character of N through Z and a numeric character 0 through 9 in descending order of priority. For example: Item N0 would represent the agency’s first and highest priority for investment. At the other end of the spectrum, a Z9 item would represent the agency’s last and least important investment proposal.

**The following allowable RecSum/DP codes and sort order must be used for each priority investment decision package and may only be utilized for policy level decision packages:**

N0	O0	P0	Q0	R0	S0	T0	U0	V0	W0	X0	Y0	Z0
N1	O1	P1	Q1	R1	S1	T1	U1	V1	W1	X1	Y1	Z1
N2	O2	P2	Q2	R2	S2	T2	U2	V2	W2	X2	Y2	Z2
N3	O3	P3	Q3	R3	S3	T3	U3	V3	W3	X3	Y3	Z3
N4	O4	P4	Q4	R4	S4	T4	U4	V4	W4	X4	Y4	Z4
N5	O5	P5	Q5	R5	S5	T5	U5	V5	W5	X5	Y5	Z5
N6	O6	P6	Q6	R6	S6	T6	U6	V6	W6	X6	Y6	Z6
N7	O7	P7	Q7	R7	S7	T7	U7	V7	W7	X7	Y7	Z7
N8	O8	P8	Q8	R8	S8	T8	U8	V8	W8	X8	Y8	Z8
N9	O9	P9	Q9	R9	S9	T9	U9	V9	W9	X9	Y9	Z9

## Appendix A-4


**BUDGET DISTRIBUTION AND ROUTING**


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DISTRIBUTION	OPERATING NORMAL	DSHS OPERATING	OPERATING HIGHER ED	TRANSPO	CAPITAL HIGHER ED	CAPITAL NORMAL
Operations - Linda Swanson	1	1	1	1	1	1
SBA Staff	1	1	1	1		
Policy Analyst	1	1	1	1	1	1
Operating Analyst	(HCA 2) 1	5	1	(DOT 4) 1	1	1
Capital Analyst & SBA					2	2
House Appropriations MS: 40600	1	1	1			
House Capital Budget MS:40600					1	1
Senate Ways & Means MS: 40466	1	1	1		1	1
Washington Student Achievement Council MS: 43430			1		1	
Council of Presidents			1		1	
House Transportation Committee MS: 40600				1		
Senate Transportation Committee MS: 40468				1		
Joint Transportation Committee MS:40937				1		
<b>Total Copies</b>	(HCA 7) 6	10	8	(DOT 10) 7	9	7



# Appendix A-5

## ELECTRONIC SUBMITTAL CONFIRMATION FORM

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**Agency Number:** \_\_\_\_\_

**Agency Name:** \_\_\_\_\_

Agencies are required to provide electronic access to each decision package in their budget request as part of the submittal process. Confirm Option 1 or 2 below:

Option 1:

This agency posts all decision packages for our 2015-17 budget request to our public facing website at the following URL:

URL: http:// \_\_\_\_\_

Option 2:

This agency does not post decision packages and has forwarded copies via e-mail to [OFM.Budget@ofm.wa.gov](mailto:OFM.Budget@ofm.wa.gov).

These decision packages conform to our agency’s ADA accessibility compliance policy.

Agency Contact: \_\_\_\_\_

Contact Phone: \_\_\_\_\_

Contact E-mail: \_\_\_\_\_

Date: \_\_\_\_\_

*This form is available at: [Budget Forms](#).*





