

Chapter 1

Budget Request Basics

1.1 CONTEXT FOR STATE AGENCY BUDGET REQUESTS

The state’s economy continues its steady, modest growth and is forecast to continue to outperform slow U.S. economic growth over the next two biennia. Employment growth, modest wage growth and growth in the housing markets are indicators of continuing strength in Washington’s economy. State revenue collections have rebounded from the Great Recession at a much slower pace than after previous recessions. As a result, demands on the state’s resources — including mandatory caseload and cost growth and spending increases for education and other services — continue to outpace revenue growth. This structural fiscal gap includes continuing costs of major K-12 funding enhancements made in the current biennium and the final phasing in of legislative commitments to decrease K-3 class sizes in the 2017–19 biennium.

In addition, the state must further increase state funding of K-12 school employee compensation at a cost of several billion dollars next biennium (*McCleary v. State of Washington*). Meeting the state’s constitutional duty to fully fund K-12 education is an enormous challenge and the top budget priority. In addition, the state continues to face cost pressures to address state workforce and vendor compensation needs and to meet other policy issues.

Agencies must find ways to manage budgets without increased funding

While meeting the extraordinary state funding needs of education in the next biennium may require increased state revenues, state agencies and their local partners should otherwise expect to manage within current projected state resources. Competition for available resources will be intense. While agencies should always strive to reduce costs and find new ways to save resources, these efforts will be especially important over at least the next two biennia. Requests for new funding should be limited and focused on the highest priority services that deliver significant performance improvements and outcomes for the citizens of Washington.

In reviewing agency budget requests, OFM will ask these questions:

- What strategies and activities will be most effective in achieving agency and statewide goals and priorities?
- Given financial or other constraints, how can we maximize the outcomes of our highest priority services and activities?
- How else can the state meet desired outcomes more cost effectively?

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.

Strategic framework — focus on results and strategic plans

Agency budget requests should reflect Gov. 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 – For 2017–19 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 2017–19 budget recommendations.

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

Compelling Budget Requests — Dos and Don’ts

The detailed budget instructions that follow contain changes from prior biennial instructions. The changes are intended to generate more comprehensive and detailed decision packages and to provide better information to OFM, the Governor and the Legislature for decision making.

Fiscal detail is now required for the ensuing four fiscal years, as OFM and the Legislature have moved to four years of fiscal detail in our budget systems.

We have moved to a Microsoft Word-based decision package template and format. This will enable agencies to more easily provide greater detail and justifications for decision packages, and facilitate greater use of tables, charts, graphs, maps and other graphics that can help agencies articulate budget requests and expected outcomes more clearly. Agencies are encouraged to limit budget requests and ensure that those requests are comprehensive and capable of withstanding a highly competitive fiscal environment.

Do:

- Look for ways to save resources.
- Develop options to meet your highest priorities in the most cost-effective manner.
 - How else can we accomplish this?
 - What can we reprogram to meet our need?
 - How can we reduce the cost?
- Focus intensely on performance and outcomes.
 - What will the decision package accomplish?
 - Who will be served? At what level?
 - How will we know?
 - What are our performance targets?
 - How likely are the targets to be met?
- Spend your time on the most critical things.
- Look forward to the future, not back to the past.

Don't:

- Request restoration of prior cuts; in most cases, agencies are not entitled to a prior level of funding.
- Request a prior “share” of the budget (there is no such thing).
- Request past unfunded inflationary or other cost increases.
(These are not compelling arguments for limited resources. If resources are needed, make your strongest case based on articulated need, performance, outcomes and results.)
- Request a new program or initiative without a comprehensive and realistic plan to fund its full implementation in the future.
- Try to bury policy-level requests in maintenance level; when in doubt, ask.

1.2 THE BUDGET IN TWO VIEWS

Decision packages are the 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.

Agency decision packages are summarized in the Recommendation Summary Report. The Budget Development System (BDS) assists agencies in developing budget decision packages which are finalized as a Word document. BDS produces the required RecSum Report.

Major budget categories help to organize the request

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

- **Carry-forward level**
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 legislative and agency staff, determines the carry-forward level and communicates these control amounts to agencies as soon as possible after these instructions are published. *(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 represent changes in discretionary workload, the nature and scope of services, or alternative strategies and outcomes. *(Chapter 6 has more detail.)*

The Activity Inventory view of the budget 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 performance targets of Results Washington?

Agencies must prepare and submit an activity view of the budget in addition to the traditional decision package described in Chapters 3 through 6. 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 goal area to which the activity contributes
- Secondary statewide goal 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>

1.3 WHAT ARE THE SUBMITTAL REQUIREMENTS?

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

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

Additional requirements for higher education institutions

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

Some agencies provide budget data at the program level

OFM reviews most RecSums 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, agencies must include program-level RecSums with your agency request:

- 010 Bond Retirement and Interest
- 107 Health Care Authority
- 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

Required Budget Submittal Components (notebooks)

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.

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|--------------|--|
| TAB A | <input type="checkbox"/> Agency Organization Chart
<input type="checkbox"/> Agency Activity Inventory Report – <i>BDS report (Chapter 2 and Chapter 10.1)</i>
<input type="checkbox"/> Performance Measure Incremental Estimates Report – <i>BDS report (Chapter 10.2)</i>
<input type="checkbox"/> Indirect Cost Allocation to Activities Description (<i>Chapter 2.2</i>)
<input type="checkbox"/> Agency Strategic Plan |
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| TAB B | <input type="checkbox"/> Recommendation Summary at Agency Level – <i>BDS report (Chapter 4)</i>
<input type="checkbox"/> Recommendation Summary at Program Level – <i>BDS report (Chapter 4, only for agencies listed in Chapter 1.2)</i> |
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| TAB C | <input type="checkbox"/> Decision Package Summary – <i>BDS report (Chapter 3)</i> |
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<input type="checkbox"/> Individual Decision Packages – <i>BDS entry form and report (Chapter 3)</i>
TAB D <input type="checkbox"/> Summarized Revenues – <i>BDS report (Chapter 8.1)</i> <input type="checkbox"/> Proposed Fee Changes – <i>Excel Spreadsheet (Chapter 9)</i> <input type="checkbox"/> Working Capital Reserve (B9-1) (<i>only fund administrators</i>) (<i>Chapter 8.4</i>) <input type="checkbox"/> Revenue Transfer Reconciliation Statement (<i>Chapter 8.3</i>) <input type="checkbox"/> Federal Fund Estimates/State Match – <i>OFM template (Chapter 14.2)</i> <input type="checkbox"/> Additional Federal Receipts Reporting Requirements– <i>OFM Template (Chapter 14.3)</i> <input type="checkbox"/> Nonbudgeted Local Fund Summary (B10) – <i>OFM template (Chapter 14.1)</i> <input type="checkbox"/> Puget Sound Action Agenda: List of Decision Packages and Capital Project Requests (<i>Chapter 14.4</i>) <input type="checkbox"/> JLARC Audit Responses (<i>Chapter 1.4</i>)
TAB E <input type="checkbox"/> 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) <input type="checkbox"/> Electronic Decision Package Confirmation (Appendix A-3)

Required Budget Submittal Components (email)

- Indirect cost allocation. Send an electronic copy of indirect cost allocation to activities information to Linda Swanson at ofm.budget@ofm.wa.gov (*Chapter 2.2*)
- 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 no later than their agency budget due date. . (*Chapter 14.5*)

How many copies must we submit?

With the exceptions noted below, all agencies must submit **six 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-2.*)

Operating exceptions:

- The **Department of Social and Health Services** must submit four additional copies, for a total of 10 complete copies.
- The **Health Care Authority** must submit one additional copy, for a total of seven complete copies.
- **Higher education institutions** must submit two additional copies, for a total of eight 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 additional copies, for a total of 10 complete copies. **The Washington State Patrol and Department of Licensing** must each submit three additional copies for a total of nine complete copies. **All other transportation agencies** must submit one additional complete copy for a total of seven complete copies.

Capital:

- All agencies submitting capital budget proposals must submit five 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 ½ x 11 paper.
- Three-hole punch all materials and assemble each copy of the budget in a standard size notebook supplied by the agency.
- Organize and tab the material as detailed above.

Electronic submittal of decision packages

Agencies are 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. Documents must conform to ADA accessibility compliance standards. Guidance may be found [here](#) and [here](#). Note: Agency posting is the preferred method.
- 2) Absent an agency posting, forward Word version decision packages via email to OFM.Budget@ofm.wa.gov.

Agencies must attest to electronic submittal requirements. See Appendix A-3 for a sample confirmation form.

What is the submittal address?

Office of Financial Management
300 Insurance Building
3rd 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. BDS data, and where applicable, Capital Budget System (CBS) and Transportation Executive Information System (TEIS) data are successfully released to OFM
3. Electronic submittal of decision packages pursuant to Appendix A-3 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: Agencies may not amend their request after initial submittal unless prior authorization is received from OFM. The submittal requirements outlined above apply to all approved revisions or amendments.

1.4 OTHER GENERAL PREPARATION REQUIREMENTS

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 numerals.
- Round FTE amounts to the nearest tenth.

Note: 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 were provided in a [May 5, 2016, memo](#) to agency directors from the Governor’s Office. Proposed departmental request legislation will be reviewed with the Governor this fall. Agencies must include decision packages in the budget submittal for any proposals with revenue or expenditure impacts.

Ensure that other agencies affected by your agency’s proposed legislation are aware of the request, as 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 in July 2016

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

Chapter [43.88.090\(1\) RCW](#) 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 SYSTEMS

Here are key features of Budget and Accounting Support System (BASS) systems that support development of the 2017–19 budget:

- 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 export to their Decision Package to explain and justify the agency’s request. The system also generates many of the budget reports required in the submittal.
- Agencies can attach documents to decision packages; however, BDS does not facilitate transmittal of attachments to OFM.
- BDS exports an extract of your decision package in Word with the package metadata, financial detail and RecSum text for completion outside the system in the Word template.
 - [Decision Package Template](#)
 - [BDS Data Extract – Example](#)



- Agencies may cut and paste this information to the proscribed decision package format for submittal in the agency notebook. **NOTE:** BDS can capture only FY 2018-19 detail; FY 2020-21 detail must be maintained outside the system and hand keyed to the decision package template. All decision packages, regardless of budget level, must contain the *four-year* financial detail.
- Activity Inventory data elements are not tied to budget versions, which allows simplified reporting (both budget and performance measure reporting) and ensures that all versions have accurate and up-to-date activity description information.
- For agencies with one activity, decision package amounts are automatically applied to that activity.
- Agencies must use the Results through Performance Management (RPM) system to submit their 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 WaTech Solutions Center at 360-407-9100 or solutionscenter@watech.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 or for Fortress users at https://fortress.wa.gov/ofm/bass/BASSLogon_pr/logon.aspx.