



2019-21

OPERATING BUDGET INSTRUCTIONS



Office of Financial Management
Budget Division

June 2018

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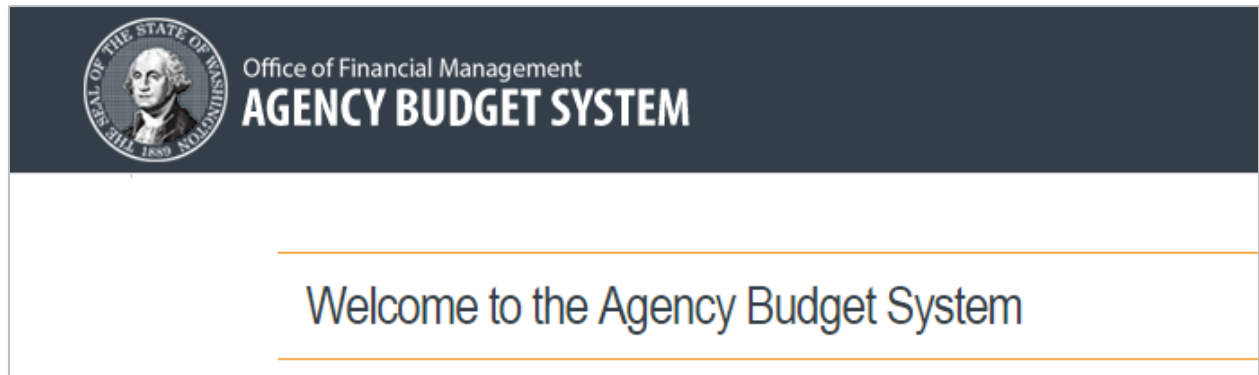
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CHAPTER 1

BUDGET REQUEST BASICS

The Office of Financial Management (OFM) rolls out the new Agency Budget System (ABS) for the 2019 supplemental and 2019-21 biennial budget requests



To learn about the Agency Budget System, system help and tutorials are found [here](#).

Other components of the 2019-21 budget Instructions

- 2019–29 Capital Plan [Instructions](#)
- Higher Education Capital Project Evaluation [System](#)
- 2019–21 Higher Education Operating Budget Instructions [Addendum](#)
- 2019–21 Transportation Operating Budget Instructions [Addendum](#)
- Strategic Plan [Guidelines](#)
- Activity Inventory [Guidelines](#)
- Performance Measure [Guidelines](#)
- [Glossary](#) of Terms
- [Forms](#)

Context for state agency budget requests

The state's economy continues to grow, and is forecasted to continue to outperform U.S. economic growth over the next two biennia. Strong employment and modest wage growth, continued expansion of housing markets, and manufacturing activity are indicators of the strength of Washington's economy.

State revenue collections rebounded from the Great Recession at a slow but steady pace over the past eight years. If the economy performs as forecasted, the recovery will be the longest period of sustained growth since at least the 1940s. This steady economic performance, combined with revenue increases, allowed the state to maintain important services to Washingtonians while also providing billions more dollars to state K-12 funding as required under the *McCleary v. State of*

Washington decision. Despite the strong economy, agencies are reminded that the 2017–19 biennial budget required both major tax increases and use of one-time reserves to balance.

For the 2019–21 biennium, forecasted revenue growth is not likely to meet current demands on the state’s resources, including mandatory caseload and cost growth, maintenance of the K-12 and health care systems, and spending increases for critical mental health programs, employee compensation and other services. Washington continues to face a structural budget gap because the state’s tax and revenue system does not keep pace with the increasing demands for services of a growing population.

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

As has been the case for several budget cycles, our structural deficit has once again left the state with some holes to fill and problems to fix in the underlying budget. Those will have to be addressed before we can consider new spending.

Over the past six years, as the state phased in McCleary funding, demand grew for new and expanded programs in other areas. With so many pent-up needs, competition will be fierce for 2019–21 and 2021–23 resources in virtually every part of the state budget. Meanwhile, with the next round of collective bargaining underway, the extent to which state employee compensation increases will compete for limited resources is unknown.

OFM will be working with state agencies to understand their budget needs and priorities throughout the summer and fall. Many state agencies are articulating clear budget priorities and developing detailed options to meet them. Governor Inslee has made it clear he wants to review budget options in a number of policy areas; we will be working on these priorities with state agencies and others this summer and fall. The Governor knows he will face challenging fiscal choices among his own priority policy goals and that agencies will be putting forward additional proposals. All agencies should be aware that it will not be possible to fund many, or even most, of the budget requests.

Agencies should always strive to reduce costs and find ways to save resources. This will be especially important as pent-up demand for budget enhancements outpaces revenue collections. As always, there are many obstacles to raising new revenue. And there will likely be targeted tax exemption proposals for particular policy goals that will result in revenue reductions.

It is essential that agencies consider the state’s long-term outlook in developing their 2019–21 budget requests. Washington’s economy is cyclical, and the current growth cycle will eventually slow. Risks to state revenue growth include potential disruption of international trade, fiscal policy uncertainty at the federal level, stock market volatility leading to slower household spending, and geopolitical risks including those associated with North Korea, Russia and the Middle East. This winter, members of the Governor’s Council of Economic Advisers were asked the probability of a recession by 2023. The average probability of those who responded was 88 percent.

Rigor and prioritization are key to successful budget proposals

Requests for new funding should be restrained and focused on the highest-priority services that deliver significant performance improvements and outcomes for the citizens of Washington. As always, agencies are expected to understand and be able to articulate and justify their budget request prioritizations. Successful requests for the 2019–21 biennium will be more thoroughly explained

than in the past, include detailed budget models and spending plans, and provide well-developed scalable options. Budget requests should be thoroughly vetted with other involved agencies.

Strategic framework: focus on results and strategic plans

Agency budget requests should reflect the Governor’s statewide strategic goals articulated through [Results Washington](#) and agency-specific strategic plans.

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

Agency strategic plans. For 2019–21 biennial budget requests, OFM is again requiring agencies to submit strategic plans. Budget DPs should align closely with agency strategic plans, goals and performance measures.

OFM will use Results Washington goals, outcome measures and action plans – along with agency strategic plans, strategies and performance measures – to prioritize spending requests as we work with the Governor to develop his 2019–21 budget recommendations. As always, the Governor expects all agencies to improve efficiency and streamline operations.

Compelling budget requests – dos and don’ts

The budget instructions that follow contain changes from prior biennia. Generally, OFM found that the DP template was too mechanical, which often resulted in agency budget requests that were repetitive or lacked compelling narrative. Changes are intended to generate more comprehensive and detailed DP descriptions and to provide better information to OFM, the Governor and the Legislature for decision making.

OFM and the Legislature must prepare four-year budget outlooks, so agency budget requests must reflect details for the ensuing four fiscal years.

For the state’s operating budget, OFM is deploying the new Agency Budget System (ABS). ABS will fully automate the budget submittal process – replacing the traditional “notebook” with an Internet repository and enhanced transfer of agency data and information to internal OFM and Legislative budgeting systems. This will enable agencies to easily supply detail and justifications for DPs, and to facilitate more tables, charts, graphs, maps and other graphics that help agencies justify budget requests and expected outcomes. **Again, agencies are encouraged to limit budget requests and ensure that those requests are comprehensive and can be justified.**

Please do:

- Look for ways to save resources.
- Develop scalable **options** to meet your highest priorities in the most cost-effective manner.
 - » How else can we accomplish this?
 - » What can we reprogram to meet our need?
 - » How can we reduce the cost?
- Build and share detailed working fiscal and workload models, and spending plans that drive and back up your proposed spending levels.
- Collaborate with other involved entities, including other state agencies.

- Focus intensely on performance and outcomes.
 - » What will the DP accomplish?
 - » Who will be served? At what level?
 - » How will we know?
 - » What are our performance targets?
 - » How likely are the targets to be met?
- Be prepared to operate effectively and efficiently if no new resources are provided. Agencies should have concrete, viable backup plans in the event budget requests are not funded.

Please don't:

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

The budget in two views

DPs are the budget building blocks

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

Major budget categories help to organize the request

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

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

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

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

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

While the DPs show the incremental changes to the agency budget, the activity inventory describes what the agency does:

- What are the activities of the agency?
- What does it cost to perform them?
- What are the products and outcomes of each activity?
- How do activities connect to agency strategic plans and the statewide goals and performance targets of Results Washington?

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

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

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

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

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

Resources

OFM Activity [Guide](#)

OFM Performance Measure [Guide](#)

What are the submittal requirements?

Submit your agency's **capital budget** request in a notebook. See the Capital Budget [Instructions](#) for more information.

All elements of the agency operating budget request are submitted through ABS. No paper or "notebooks" are required nor accepted in lieu of electronic submittal.

Additional requirements for **transportation agencies** are in the transportation budget instructions [addendum](#).

Additional requirements for **higher education institutions** are available in the higher education budget instructions [addendum](#).

Some agencies provide budget data at the program or category level

OFM reviews most RecSums at the agency DP level. However, we ask for some program detail from agencies. For agencies listed below that are appropriated at program (or category) level, submittals must include program or category-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** Washington State Department of Transportation
- 406** County Road Administration Board
- 407** Transportation Improvement Board
- 411** Freight Mobility Strategic Investment Board

Required agency description and mission statement

Agency descriptions and missions will be published as part of the Governor’s budget recommendation. OFM will supply agencies with a template in August containing the most recent agency description and mission statements. Agencies needing to make changes, should return the updated template to [OFM](#) no later than their agency budget due date. (Appendix 1)

How many copies must we submit and what is the required format?

For all **operating** budget submittals: none. All operating budget requests are developed and submitted through the new ABS. ABS eliminates the need for paper documents and notebook binders. All budget documentation is generated directly within the ABS system or attached. This data and information is deposited into an Internet repository and to OFM and legislative internal budgeting systems.

For all **capital** budget submittals:

- Submit five copies of your budget proposal.
- Number all pages.
- Reduce oversized materials by photocopier whenever possible, meaning, if legible, use 8 ½ x 11 paper.
- Three-hole punch all materials and assemble each copy of the budget in a standard size notebook supplied by the agency.
- Organize and tab the material as detailed in the capital budget [instructions](#).

When is the budget submittal complete?

Your budget submittal is complete when:

- For capital budgets:
 - » The required number of capital budget hard copies are received by OFM, and
 - » Capital budget-request data from CBS is successfully released to OFM.

- For operating budgets:
 - » ABS data is successfully released to OFM and, where applicable,
 - Transportation project system data are successfully released to OFM, and
 - Transportation fund balance data are successfully released to OFM.

OFM and the Legislature need both the capital budget notebooks and the operating budget system data released from ABS to begin analysis of agency budgets. All are due to OFM no later than the dates listed in Appendix 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.

CHAPTER 2

DECISION PACKAGES

What is a decision package?

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

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

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

When is a DP needed?

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

DPs requiring law changes

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

DPs should represent discrete decisions

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

DPs must stress outcomes

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

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

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

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

Anchor budget requests to the agency's strategic plan

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

Use plain talk principles in your writing

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

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

Required elements of a DP

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

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

Use approved codes to designate change items

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

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

DP codes require two attributes new to the ABS system

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

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

- DP cost type
 - » One-time
 - » Ongoing

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

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

DPs require point of contact information new to ABS

Required ABS point of contact information includes:

- First name
- Last name
- Email address
- Phone

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

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

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

Other general preparation requirements

Rounding protocols for dollars and FTEs

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

Note: ABS and Enterprise Reporting (ER) reports will be accepted as produced.

Display of negative numbers

Use parentheses to indicate numbers reflecting expenditure decreases.

Required fund code conventions for budget documents

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

General Fund

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

- 001-1** General Fund-State. Appropriation Type 1.
- 001-2** General Fund-Federal. Appropriation Type 2.
- 001-5** General Fund-Other Federal Fixed Grants (DSHS and DOH only). Appropriation Type 5.
- 001-7** General Fund-Private/Local. Appropriation Type 7.
- 001-8** General Fund-Federal (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 through BATS, consistent with the agency budget submittal due dates. Agency request legislation instructions will be available on OFM's budget [webpage](#) when issued. Proposed agency request legislation will be reviewed with the Governor this fall. Agencies must include DPs in the budget submittal for any proposals with revenue or expenditure impacts.

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

The Legislative Evaluation and Accountability Program (LEAP) will approve (or deny) budget program structure change requests in mid-June 2018

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

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

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

See JLARC [audits and studies](#). Agencies should also be prepared to provide information to JLARC.

2019-21 Biennial Budget Decision Package

Agency: Agency number and name

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

Budget period: Session for which funding is proposed

Budget level: ML or PL

Agency RecSum text: Brief description of your proposal. A cogent “elevator pitch” including a concise problem statement, proposed solution and outcomes affected by the proposal. Agencies should strive not to exceed 100 words. Summary text should not repeat references to cost or FTEs, displayed directly below in the fiscal detail.

Fiscal detail:

Operating Expenditures	FY 2020	FY 2021	FY 2022	FY 2023
Fund AAA-X	Xxx	yyy	zzz	Aaa
Fund BBB-Y	Xxx	yyy	zzz	Aaa
Total Expenditures	Xxx	yyy	zzz	Aaa
Biennial Totals	###,###,###		###,###,###	
Staffing	FY 2020	FY 2021	FY 2022	FY 2023
FTEs	x.y	x.y	x.y	x.y
Average Annual	x.y		x.y	
Object of Expenditure	FY 2020	FY 2021	FY 2022	FY 2023
Obj. X	Xxx	yyy	zzz	Aaa
Obj. X	Xxx	yyy	zzz	Aaa
Obj. X	Xxx	yyy	zzz	Aaa
Revenue	FY 2020	FY 2021	FY 2022	FY 2023
Fund AAA-X	x.y	x.y	x.y	x.y
Fund BBB-X	x.y	x.y	x.y	x.y
Total Revenue	Xxx	yyy	zzz	aaa
Biennial Totals	###,###,###		###,###,###	

Package description

Your detailed package description should elaborate upon the RecSum description provided above. This detailed description should provide the Governor, OFM, the Legislature and the public an understanding of the problem you are addressing.

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

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

High-quality narrative descriptions will address the following questions:

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

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

What is your proposed solution?

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

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

- What will this funding package actually buy?
- What services and/or materials will be provided, when and to whom?
- How will these purchases achieve the desired outputs, efficiencies and outcomes?

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

- What are the consequences of not funding this proposal?
- Describe the pros/cons of alternatives. Explain why this request is the best option.
- What other options did you explore? For example, did you consider:
 - » Options with lower costs.
 - » Services provided by other agency or unit of government.
 - » Regulatory or statutory changes to streamline agency processes.
 - » Redeployment of existing resources to maximize efficient use of current funding.
 - » Option to maintain the status quo.

Assumptions and calculations

You must clearly display the caseload/workload/service-level changes and cost/savings assumptions and calculations supporting expenditure and revenue changes proposed. Please attach an electronic version (Excel) of detailed fiscal models and/or fiscal backup information.

The intent here is not to repeat the fiscal detail summarized above, but to expand and provide all underlying assumptions and calculations associated with this proposal. All calculations must include impacts to the 2019-21 *and* 2021-23 biennia and must support the fiscal summary detail.

Expansion or alteration of a current program or service

If this proposal is an expansion or alteration of a current program or service, provide detailed historical financial information for the prior two biennia (2015-17 and 2017-19).

Detailed assumptions and calculations

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

Workforce assumptions

Include FTE information by job classification, including salary and benefits costs.

Strategic and performance outcomes

Strategic framework

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

Performance outcomes

- Describe and quantify the specific performance outcomes you expect from this funding change.
- What outcomes and results will occur? What undesired results are reduced, eliminated or mitigated?
- Explain how efficiencies are optimized.
- Identify all Lean initiatives and their expected outcomes.
- Include incremental performance metrics.

Other collateral connections

Intergovernmental

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

Stakeholder response

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

Legal or administrative mandates

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

Changes from current law

Describe in detail any necessary changes to existing statutes, rules or contracts. Where changes in statute are required, cabinet agencies must provide agency request legislation as an attachment to this DP and submit it through BATS.

State workforce impacts

Describe in detail all impacts to existing collective bargaining agreements, compensation or benefits.

State facilities impacts

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

Puget Sound recovery

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

Other supporting materials

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

Information technology (IT)

ABS will pose the question below for *each* DP. If the answer is yes, you will be prompted to attach an IT addendum. (See Chapter 10 of the budget instructions for additional requirements.)

Information Technology

Does this DP include funding for any IT-related costs, including hardware, software (including cloud-based services), contracts or IT staff?

No

Yes

Please download the [IT-addendum](#) and follow the directions on the bottom of the addendum to meet requirements for OCIO review. After completing the IT addendum, please upload the document to continue.

CHAPTER 3

ACTIVITIES AND PERFORMANCE

What are the budget submittal requirements for activities?

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

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

Allocate ML to activities

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

Allocate each PL DP to activities

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

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

The due date to request to add, delete or edit activities for the 2019 supplemental or the 2019-21 biennial budget proposals has passed.

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

Include the activity inventory report in the budget submittal

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

How to treat administrative costs in the activity inventory

Activity costs include related administrative costs essential to support activity

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

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

Definitions

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

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

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

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

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

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

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

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

Certain agencies are not required to have a separate administrative activity

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

How to allocate indirect costs to activities

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

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

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

Provide allocation information to OFM

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

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

Use this [form](#) and attach to your ABS submittal. ABS will enforce inclusion of this form as required to release your budget request.

What are the budget submittal requirements for performance measures?

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

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

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

Performance measure incremental estimates

Indicate the effect of each DP on performance

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

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

CHAPTER 4

RECOMMENDATION SUMMARY VIEW

What is the recommendation summary?

The recommendation summary (RecSum) summarizes the incremental expenditure portion of the budget request — your budget at a glance. This is a step table format that summarizes the incremental expenditure change information. It begins with legislative spending authority in the current biennium and lists the incremental changes in the carry-forward (CFL), maintenance (ML) and policy levels (PL) to arrive at the agency’s 2019–21 request. Each budget line on the RecSum represents a single budget policy decision in the form of a decision package (DP).

Conceptual description of the RecSum

Budget Level	Appropriate Items
Current biennium	Legislatively authorized appropriation level and nonappropriated expenditure level
CFL changes	<ul style="list-style-type: none"> • Biennialization of legislatively directed workload and program changes • Shifting of any continuing unanticipated federal and private/local expenditures to anticipated appropriation type • Negative adjustments for nonrecurring costs
ML changes	<ul style="list-style-type: none"> • Mandatory caseload, workload and enrollment changes only. Typically tied to official forecasts, rate changes, such as lease, fuel and postage • Central service agency charges and other rate adjustments • Specific compensation adjustments: OASI, merit increments (only for agencies with fewer than 100 FTEs) and retirement buyout costs • Inflation • Changes to nonappropriated accounts beyond current allotted levels • Other mandatory cost increases outside agency control • Replacement of existing, but worn-out equipment • Operating costs of just-completed capital projects • Transfers between programs or agencies, or between years for dedicated accounts • Unanticipated receipts not included in CFL • Federal, private/local and dedicated fund adjustments <p>Note: See Chapter 5 for further details on ML.</p>
PL changes	Prioritized: <ul style="list-style-type: none"> • Discretionary workload in current programs • New programs or services • Reductions or eliminations of programs or services • Reallocation of existing resources • Significant changes in fund sources
Total budget request	Sum of above items

RecSum submittal requirements

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

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

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

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

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

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

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

CHAPTER 5

CARRY-FORWARD, MAINTENANCE AND POLICY LEVELS

What is carry-forward level?

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

OFM calculates and provides CFL to agencies

In collaboration with legislative staff, OFM calculates and provides CFL to each agency. OFM budget analysts will discuss these calculations with agencies as soon as possible after passage of the 2018 supplemental budgets. We expect CFL to be finalized in June 2018 when the Agency Budget System (ABS) goes live.

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

How OFM calculates the CFL

The OFM calculation starts with the 2017–19 expenditure authority as represented by current appropriations, compensation or other allocations, and the nonappropriated funds assumed in the legislative budget. The Governor’s Emergency Fund allocations are considered nonrecurring costs and not added to the base. Adjustments are then made for biennialization of workload and service changes directed by the Legislature and for deletion of costs that the Legislature considered nonrecurring. Nonappropriated funds are adjusted to match allotments through the agency recast process.

Unanticipated receipts received and approved in 2017–19 that will continue in 2019–21 are also considered part of CFL if approved prior to the finalization of the CFL cost calculation.

Examples of CFL adjustments

- **Legislatively directed workload changes.** Only those changes already recognized by the legislative appropriation level in 2017–19 (or for nonappropriated accounts through a change in the legislative budget database or allotments/recast) are included. Examples include staffing for opening of new facilities and biennialization of the cost of mandatory caseload, enrollment or population growth that occurred during 2015–17.
- **Legislatively directed changes in level of services.** Again, only the CFL of those changes recognized by the Legislature through revised appropriations are included in CFL. Examples include a change from annual to semi-annual inspections or an increased resident-counselor ratio.
- **Nonrecurring costs.** Nonrecurring costs usually reflect deletions of what the Legislature has identified as projects or other short-term expenditures. Legislatively directed nonrecurring costs are eliminated in CFL. Agency-generated savings would be shown as negative adjustments in ML.

What is maintenance level?

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

Who prepares ML?

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

ML includes mandatory caseload and enrollment changes

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

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

ML includes inflation and other rate changes

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

Also included in ML are:

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

Merit system salary increments

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

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

Nonappropriated expenditure adjustments

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

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

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

ML Code	DP Code	Description
Workload, caseload and utilization type adjustments		
	93	Mandatory caseload adjustments (for officially forecasted caseloads only)
	94	Mandatory workload adjustments (for DSHS, HCA and DOC)
	95	Enrollment/workload adjustments (OSPI)
	96	Utilization changes (DSHS and HCA)
Wage and compensation type adjustments		
	9C	Initiative 732 COLA
	8C	Minimum wage adjustments
	97	Merit system increments (only for agencies with fewer than 100 FTEs)
	99	OASI adjustments
	9P	Pension adjustments, other than rate changes
	8R	Retirement buyout costs
Budget structure change, cost allocation and transfer type adjustments		
	8D	Budget structure changes (LEAP-approved)
	9T	Transfers (between programs, agencies, years or funds)
	8Y	Cost allocation adjustment (cost must net to zero in the agency)
Specific cost type adjustments		
	8F	Fuel rate adjustments
	8L	Lease rate adjustments (Also see: 8V – lease adjustments > 20,000 sq. ft.)
	8M	Mileage rate adjustments
	8P	Postage rate adjustments
	8U	Utility rate adjustments (non-Department of Enterprise Services utility billings)
	8V	Lease adjustments > 20,000 sq. ft. (<i>See Chapter 17</i>)
	9E	Other fund adjustments
	9F	Federal funding adjustment
	9H	FMAP match adjustment
	9I	K-12 inflation (OSPI only)
	9J	Nonappropriated fund adjustment
	9K	Levy equalization update (OSPI only)
	9L	Local funding adjustment
	9Q	Equipment maintenance/software licenses
	9S	Equipment replacement costs
	9U	Unanticipated receipts not in CFL
	9V	Operating costs for just-completed capital projects (costs previously planned)
	9W	Operating costs for proposed capital projects
	9M	Medical inflation
Summary and recast type adjustments		
	90	ML revenue (all ML revenue not related to individual expenditure DPs)
	9Z	Recast to activity
OFM use only		
	98	General inflation
	9D	Pension rate changes

How to treat payments to central service agencies in ML

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

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

What is policy level?

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

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

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

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

Unanticipated receipts

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

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

CHAPTER 6

SALARY, PENSION AND INSURANCE DATA

Agency compensation data collection and update

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

OFM data collection for 2019–21 collective bargaining salary negotiations and budgeting for all state employee salaries and benefits concluded May 18, 2018.

Valid pension system codes

The following table reflects all valid pension system codes for the 2019–21 biennial budget.

Retirement Systems	Description
H1	Higher education (HE) system - 5% contribution rate
H2	2-year HE system - 7.5% contribution rate
H3	2-year HE system - 10% contribution rate
H4	4-year HE system - 7.5% rate capped at 6%
H5	4-year HE system - 10% rate capped at 6%
J2	Judicial Retirement System (capped)
JA	Judicial Retirement Account Plan/PERS 1
JB	Judicial Retirement Account Plan/PERS 2/3
L1	Law Enforcement Officers' and Fire Fighters' - Plan I
L2	Law Enforcement Officers' and Fire Fighters' - Plan II
NE	Not-eligible/unknown system
P0	Retired-rehired
N2	Public Safety Employees' Retirement System
P1	Public Employees' Retirement System - Plan I
P2	Public Employees' Retirement System - Plan II
P3	Public Employees' Retirement System - Plan III
T1	Teachers' Retirement System - Plan I
T2	Teachers' Retirement System - Plan II
T3	Teachers' Retirement System - Plan III
S1	Washington State Patrol Retirement System - Plan I
S2	Washington State Patrol Retirement System - Plan II

Other compensation cost notes

Requesting funding for pay increases

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

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

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

WMS and exempt staff: Agencies seeking funding for pay adjustments for WMS or exempt employees should continue to **submit decision packages (DPs)** with their budget requests. They should also send an electronic copy of the proposal to [State HR](#). **Changes resulting from the statewide project on IT restructuring are an exception.** State HR and OFM budget will work with agencies on addressing the impact of this restructuring.

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

Salaries

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

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

Workers' compensation costs (medical aid and industrial insurance)

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

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

CHAPTER 7

AGENCY REVENUES AND FUND BALANCE REPORTS

Summarized revenues report

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

How are the data used?

The Governor must propose a budget in which all funds are balanced. Revenue estimates from agencies for the ensuing biennium are combined with beginning budget fund balances, working capital reserves, current biennium revenue actuals and estimates, and proposed expenditure data to determine each account's estimated 2019–21 ending fund balance for the proposed budget.

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

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

Remember to include both the capital and operating budget revenues

Revenue estimates related to the capital budget should be included with estimates for the operating budget on the summarized revenue by account and source report form. Although it is typical for a capital project to take several biennia to complete, the revenue estimates should be limited to revenues collected in the 2019–21 biennium.

What information is required?

Agencies must submit maintenance level (ML) and policy level (PL) revenue estimates for the 2019–21 biennium by fiscal year, account, major source and source. Revenue estimates should be reported on a GAAP basis.

OFM does not require current biennium or carry-forward level (CFL) estimates for revenue. Total ML revenue for the 2019–21 biennium should be entered in a single step as one revenue-only DP in ML with the RecSum code of 90. There is one exception – the revenue adjustments related to an individual ML item should be included in the same DP as the expenditures for that item and not included in the M-90 DP.

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

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

Explain assumptions in the DP

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

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

What if an account is only partially budgeted?

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

Balancing federal and private/local revenues and expenditures

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

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

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

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

Known exceptions to the “private local match by agency” rule include:

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

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

Use ABS for preparing the report

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

Use prescribed revenue and source codes

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

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

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

Fund summary and fund balancing

Reserve fund balance for compensation and other changes

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

Fund administrators must coordinate with other agencies on projected 2017-19 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 2019–21 biennium. If you have questions about which agency is the fund administrator, consult the Fund Reference Manual that lists the [administrator](#) for each account.

Beginning budget fund balances

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

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

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

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

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

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

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

Revenue transfer reconciliation statement

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

Here is a sample format for the transfer reconciliation statement:

SOURCE 06XX — TRANSFERS IN:

Fiscal Year	Amount	To account	Purpose
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SOURCE 06XX — TRANSFERS OUT:

Fiscal Year	Amount	From account	Purpose
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Working capital reserve (B9-1)

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

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

What to consider when estimating a reasonable working capital reserve

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

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

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

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

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

Reminders for preparing revenue submittals

- Do you have a clear method(s) for estimating revenue that your agency collects? Have there been recent changes that would impact your revenue collections?

- Do federal and private/local revenue match the combined expenditures of both the operating and capital budgets for the biennium? (See Chapter 7 for a list of known exceptions.)
- Did you include all revenue collected by your agency, even if spent by another agency? Check to see what actual revenues are reported by your agency in AFRS.
- Did you include revenue estimates for changes or new sources resulting from recently passed revenue legislation?
- Did you reduce revenues available for transfer or distribution for the amount of new expenditures proposed from those funds?
- Are there sufficient revenues to cover dedicated account expenditures?
- Did you reserve enough fund balance to cover possible compensation or central service agency charge adjustments by OFM?
- Will you send revised revenue estimates to OFM in the fall for agency dedicated fund forecast changes?
- Did you remember that you do **not**:
 - » Submit estimates for revenue that is collected by another agency.
 - » Include interest earnings (Source 0408), which are part of OST's estimates.
 - » Include transfers or revenue distributions executed by OST.

CHAPTER 8

FEE INFORMATION

Approval for new or increased fees

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

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

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

Justification for new or increased fee requests

Provide justification for any new, extended or increased fee proposed for the 2019–21 biennium. Include the justification in the decision package (DP) related to the expenditure increase or create a separate DP if not submitting an expenditure increase request. The DP should include the following information:

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

Submittal process

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

Include fee information as part of agency budget request

Regardless of fee increases contained in individual DPs, agencies must complete the Excel fee request [form](#) summarizing all fee increases proposed in the 2019-21 biennium. The fee request form must be an ABS attachment at submittal. Send an electronic copy of the Excel spreadsheet to [Bill Hesketh](#).

Some fee increases will not match up to expenditure changes on the RecSum. Examples are fees necessary to support the 2019–21 carry-forward level or fees that support nonbudgeted funds. Regardless, you must submit justification for new fees and *all* fee increases as part of the agency budget request.

CHAPTER 9

FACILITY LEASES AND FACILITY MAINTENANCE

Lease renewal and rate adjustments, major lease requests and six-year facilities plan

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

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

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

A ML lease rate DP (**8L**) may include renewal, lease rate adjustments and new space projects **less** than 20,000 square feet. A ML lease rate DP (**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 PL budget request following the criteria found in Chapter 1.

A template is available on the budget forms [webpage](#) to assist you in submitting this information.

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

What additional information is required for major leases?

RCW [43.82.035](#) requires major leases to be included in the 10-year capital plans. To comply with this law, OFM will provide a list of major lease projects through the 2017-23 six-year facilities plan published by OFM in conjunction with the 2019–21 budgets. A major lease project is defined as a new space or relocation project over 20,000 square feet. Agencies must provide a separate operating budget PL DP for major lease projects.

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

Contact information is available on the facilities oversight contacts [webpage](#).

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

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

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

What is a six-year facilities plan?

OFM, with the cooperation of state agencies, develops and publishes a statewide six-year facility plan 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 resulting product improve the oversight, management and financial analysis of state agency facilities. The development of this 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 [2019–25 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

Contact your assigned OFM facilities [analyst](#).

CHAPTER 10

INFORMATION TECHNOLOGY

Information technology planning and budget requests – a statewide enterprise approach

Information technology (IT) is a common part of most initiatives or investments, and the state recognizes that there is a fundamental difference between standard IT expenditures and IT projects. The Legislature has clearly indicated a desire for transparency in all IT expenditures, yet the degree to which these expenditures are separately scrutinized will depend on the type and purpose of the investment.

Per RCW [43.105.020](#):

“Information technology” includes, but is not limited to, all electronic technology systems and services, automated information handling, system design and analysis, conversion of data, computer programming, information storage and retrieval, telecommunications, requisite system controls, simulation, electronic commerce, radio technologies, and all related interactions between people and machines.

“Telecommunications” includes, but is not limited to, wireless or wired systems for transport of voice, video, and data communications, network systems, requisite facilities, equipment, system controls, simulation, electronic commerce, and all related interactions between people and machines.

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

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

All decision packages (DPs) with IT costs must include a completed IT addendum.

The IT addendum has three parts:

- **Part 1** is the itemized breakdown of costs.
- **Part 2** is three questions to help the agency, OFM and the Office of the Chief Information Officer (OCIO) determine whether each DP constitutes an IT project:
 1. Does this DP fund the development or acquisition of a new or enhanced software or hardware system or service?
 2. Does this DP fund the acquisition or enhancements of any agency data centers? (See OCIO [Policy 184](#) for definition.)

3. Does this DP fund the continuation of a project that is, or will be, under OCIO oversight?
(See OCIO [Policy 121](#))

If the answer to any of these three questions is “yes,” OCIO will evaluate and prioritize the DP as an IT project/system/investment as required by RCW [43.88.092](#).

Note: OCIO will review all DPs containing any IT costs. Through this process, other DPs may be identified to be included in review or additional criteria to remove items from the prioritization process. In cases where a DP is determined to be an IT project but no IT addendum was submitted, OCIO will contact the agency to request the IT addendum.

- **Part 3** contains the questions relating to the criteria used to evaluate and prioritize IT DPs. If an agency has answered yes to any of the three questions in **Part 2** above, then the additional questions listed in **Part 3** must be answered to provide details and context about how the DP addresses the evaluation criteria.

DPs submitted in the Agency Budget System (ABS) with an IT addendum will be retrieved by OCIO to complete the evaluation and prioritization process. Agencies will not have to perform additional work to intersect with OCIO DP evaluation process.

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

Agencies must screen all DPs with IT costs using the three criteria above. If the DP meets any of those three criteria, it tentatively meets the threshold for requiring review and prioritization by OCIO.

Coordination with OCIO prior to final submission of DP. Agencies are strongly encouraged to meet with OCIO prior to developing their DP in order to ensure that it aligns with state IT strategy and best practice. Meeting with OCIO for guidance will help to ensure the highest quality DPs are proposed, and that the state is set up in the best possible way for long-term success.

OCIO will facilitate training sessions related to the Enterprise Technology Strategic Plan that agencies can attend. These training opportunities will provide transparency on OCIO’s DP evaluation process and allows agencies to ask specific questions regarding their DP and the state’s IT strategic plan.

Agencies can find a posted copy of the criteria used to evaluate DP on OCIO’s [website](#).

Enterprise technology impact review before final submission of DP. Additionally, if the proposed DP contains technology components as outlined in the three questions above, the agency must submit the draft DP or plan to Consolidated Technology Services (WaTech) to obtain estimates and other impacts. The outcome of this review will provide documentation summarizing the understanding of the project and the impacts considered, which may include budgetary estimates for WaTech services.

IT investments must comply with IT statutes and policies

All IT investments — projects and non-project expenditures — are expected to comply with IT statutes and policies. OCIO can provide a more comprehensive [list](#), but some of the most frequently used requirements are listed here for convenience.

Use of the State Data Center (SDC). State Technology [Policy 184](#) - Data Center Investments outline the requirements for agencies to locate physical servers and related equipment in the SDC. The policy describes the limited nature of equipment that may be housed at agency locations. These requirements do not apply to cloud based services. Any agency proposing to locate servers not allowed by policy outside the SDC must request and receive approval for a waiver from the OCIO as specified in [Policy 103](#). An agency proposing to use cloud services does not need a waiver from OCIO, but must still provide a comparable cost estimate from WaTech. (OCIO [Policy 184](#) and RCW [43.105.375](#)).

Radio, radio over internet protocol and public safety communications investments. Agencies must receive written approval from the State Interoperability Executive Committee (SIEC) before beginning any significant investment in radio, Radio over Internet Protocol or public safety communication systems development, enhancement or acquisition. For the purpose of these instructions, significant investments shall be defined as greater than or equal to \$250,000. Approval is required regardless of the funding source, any previous approval, or funding. OCIO can provide more information about this requirement upon request. Contact [SIEC](#) (RCW [43.105.331](#)).

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

This approval must be obtained prior to submission of a DP and an approval letter attached to the DP. To initiate a request, agencies may submit an IT project [assessment](#) and include a note in the description that this is related to a proposed DP or send an email request to the OCIO Policy and Waiver [mailbox](#). The table on the following page contains administrative and financial system categories and functions, and is available on OCIO's website under administrative and financial systems [definitions](#).

Administrative/Financial Category	Function
Finance	Government accounting, general ledger, capital asset management/fixed asset management, accounts payable, accounts receivable, cash flows, general ledger reconciliation
Management accounting	Cost estimate, cost management and control, cost accounting/activity based costing (ABC)
Budgeting	Budgetary control, performance budgeting
Human resources	Appointment change, benefits management, diversity management grievance, hiring, job application, job classification, payroll, recruitment, HR reporting, business intelligence, and HR visual analytics, retirement, separation/termination, strategic workforce planning, succession planning, telework/flexible work, time and attendance, training/development, travel management, wellness and safety information, scheduling
Enterprise risk management	Enterprise risk management
Grant management	Grant management
Procurement	Purchasing, contracting, vendor management, planning, inventory management, inventory control
Performance audit	Performance audit

Statewide IT plan and technology budget

OCIO and the budget division will work together to develop the Governor’s 2019–21 IT plan and technology budget, as required by RCW [43.88.092](#). This document will be an appendix to the Governor’s budget proposal that will include the following information:

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

Agency chief financial officers and chief information officers should ensure that IT accounting and other data are accurate, as it will be published in the Governor’s 2019–21 IT plan and technology budget.

CHAPTER 11

CENTRAL SERVICE CHARGES, RISK MANAGEMENT AND SELF- INSURANCE PREMIUMS

What are central services?

Commonly called “central services,” agencies receive funding to cover changes in their costs for a certain limited set of core services that have statewide impacts (e.g., legal services, state data network, campus rents, workers compensation). During the Governor’s budget development process, the Office of Financial Management (OFM) works with the administering agency for each service on adjustments to the existing funding base that agencies currently have. Typically, central service funding changes are applied to the pot of existing funding to reflect the most recent information about each agency’s use of services or account for something new that will change the amount of services they provide. For example, the Office of the Attorney General (ATG) could ask OFM to increase their funding for a state agency to pay them in response to a new lawsuit that has emerged.

Agency	Central Service Fee	Service Provided
Secretary of State	Archives and records management	Archival and records management services
State Auditor	Auditing services	Audit services
ATG	Legal services	Legal services
Administrative Hearings	Administrative hearings	Administrative hearings services
Consolidated Technology Services (CTS)	Enterprise systems rates	Access and support for statewide financial, budget, contract, procurement, reporting and payroll systems.
	Global Information Systems (GIS)	State’s shared geographic information system.
	Office of the Chief Information Officer (OCIO)	OCIO funds the Office of Privacy and Data Protection, sets statewide IT policies and strategic direction, and manages major information technology projects.
	Office of Cyber Security (OCS)	OCIO, through OCS, establishes cyber-security policy and provides full coverage and protection of state information technology including securing the state’s networks and digital infrastructure from external cyber-attacks.
	State Data Center (SDC)	Debt service for the SDC shared by state agencies.
	Security gateway	Secure access for public to state government network (SGN) websites.
	State network	Provides maintenance, operations and improvements to the state network.

Agency	Central Service Fee	Service Provided
Department of Enterprise Services (DES)	Campus contracts	This fee funds the cost of fire services provided by the Olympia Fire Department, security for the capital campus provided by the Washington State Patrol, and elevator maintenance for buildings located on the capital campus.
	Campus rent, utilities and parking	This fee supports the operations and maintenance of facilities located on the capital campus. A small portion of this fee supports the operations and maintenance of the parking facilities on campus.
	Capital project surcharge	This surcharge supports the cost capital projects.
	Enterprise applications fee	Fee to cover the cost of enterprise systems that support all agencies.
	Financing cost recovery	Debt service related to the construction, renovation and occupancy of certain space owned and managed by DES.
	Perry Street Day Care	Owned by DES and operated by a non-profit organization, this allocation funds the maintenance of the capital campus child care center.
	Personnel services	DES provides personnel services to state employees such as the Employee Assistance Program (EAP), recruitment and training.
	Public and historic facilities and visitor services	Public and historic fee pays for the maintenance and operations of the public spaces on capital campus. A small portion of this fee also support the capitol campus Visitor Services Program.
	Real estate services	DES provides lease renewal services to client agencies.
	Risk management administration	The administrative fee supports statewide risk management activities and the staff who provide these services as well reviewing and processing tort claims.
	Self-Insurance Liability (SILA) Premiums	The SILA pays for tort claims filed against the state and related legal costs.
	Small agency financial services	DES provides small agencies with budget, accounting and payroll services.
	Small agency human resources	DES provides small agencies with human resource services.
Department of Labor and Industries (L&I)	Workers' compensation	L&I charges agencies for workers compensation insurance.
OFM	Central service	Covers certain agency facing services at OFM.
	Enterprise resource planning (ERP)	Funding for One Washington, which is the state's major ERP project.
	Enterprise applications fee	Funding to cover statewide forecasting systems owned by OFM.

Charges not included in the central service model

Agencies do not receive funding for all central service costs. Agencies have the choice of deciding how much to utilize certain services. Funding for these services is not typically included in the central service model. Information about these charges is below. For more information about each, please contact the agency that administers the fee. Budgeting for these charges is the responsibility of the client agency:

Agency	Charge	Service Provided
OFM	Personnel services charge	This charge funds many 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 on a fee for service basis.

How do I receive funding for these services?

OFM uses a worksheet called the Central Service Model to provide agencies with funding for any adjustments to their existing funding levels. The output of this worksheet feeds adjustments for these services into agency budgets. In anticipation of performing an update to the existing estimates, OFM works directly with agencies that administer central service fees for all routine or maintenance level (ML) adjustments (such as minor changes in service utilization, increased costs due to benefits at the administering agency). Your agency does not need to submit a separate decision package (DP) to cover routine adjustments for the changes in costs to the agency that administers the central service fee. If your agency has a new unfunded need concerning a central service above and beyond your existing service level, please submit a DP at policy level (PL) and be sure to work with the administering agency to ensure that DP estimates align for your agency and the central service agency. The most common example is a new legal service from the ATG.

The Governor's budget is the earliest version of the budget process that includes central service changes. Additional changes to central service funding levels will likely occur throughout the budget process until a final budget is in place. Central service funding at the end of each budget becomes the new base for the next budget.

Central service billings

Some central service funding included in client agency budgets uses the billing agency's best estimate of the services that they will provide as its basis. Other services are billed using the output of the central service model. Actual billings may vary from estimates as billings are from the customer agency's use and cost of actual services provided by the service agency. Customer agencies shall pay these billings in a timely manner and in full as they would pay bills from other vendors.

Immediately notify service provider agencies of extraordinary service needs

Agencies that anticipate requiring an unusual or extraordinary level of service should contact the appropriate service agency to discuss the anticipated nature and scope of the need. This approach enables service agencies to plan an appropriate estimate of funding they need to cover the cost of the services they expect to provide.

What fund split does my agency receive for these services?

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 2019–21 central service model. OFM will provide agencies with a spreadsheet with the latest fund split information and information about recent legislative changes that may affect 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 from 2017–19 to 2019–21, OFM still requires written confirmation. Send updated fund split information to your assigned budget [analyst](#) with a copy to [Bryan Way](#).

Required information for central service provider agencies

Agencies that administer central service fees must provide OFM with a worksheet detailing proposed charges by agency and a detailed explanation of significant changes that have occurred since the last adjustment to the model. For accounts where the central service fee is the only funding source, total revenues must match estimated billing costs. OFM will provide a formatted spreadsheet and instructions to the central service agencies for their use in preparing this list.

Risk management and self-insurance premiums

DES administers the state’s risk management and self-insurance liability programs. For more information about these programs, please [contact](#) DES Risk Management.

Self-insurance premiums

Actuaries prepare estimates for self-insurance premiums and any cost changes for 2019–21 will be shared when available. Agencies do not need to submit DPs for routine self-insurance premium adjustments as any cost changes will be process through the central service model and distribute appropriately to agency budgets as necessary.

Request extraordinary enterprise risk management (ERM) 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 PL DP.

An ERM update must be submitted

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

Resources

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

CHAPTER 12

OTHER BUDGET REPORTS

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

Nonbudgeted local fund summaries

Nonbudgeted local fund summaries (RCW [43.88.030\(1\)\(f\)](#))

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

Instructions

- A. Narrative description.** In account code number sequence, list all nonbudgeted local accounts in the agency. Include the full title of each account, a brief description of the purpose and source of revenue and the statutory authority.
- B. Summary financial statement.** In addition to the narrative descriptions described above, prepare a summary financial statement of fund balances on the nonbudgeted local format summary [form](#). List each nonbudgeted local fund by fund code sequence.

The fund balances shown for July 1, 2015, and June 30, 2017, should be reported on a modified GAAP basis. (Refer to Chapter 7.)

An Excel template for this requirement is available on the budget forms [webpage](#).

State matching requirements for federal funding

State matching requirements for federal funding (RCW [43.88.090\(1\)](#))

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

The data include:

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

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

An Excel template for this requirement is available on the budget forms [webpage](#).

Additional federal receipts reporting requirements

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

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

Designated state agencies subject to this requirement are:

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

An Excel template for this requirement is available on the budget forms [webpage](#).

Puget Sound recovery

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

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

Per section 311 of the 2017-19 enacted operating budget and as amended by [ESSB 6032](#), the PSP must provide the Governor with a single, prioritized list of state agency 2019–21 capital and operating budget requests related to Puget Sound by October 15, 2018. The primary criterion used by the PSP to prioritize agency budget requests is how strongly the requests align with the Action Agenda. More specifically, greater consideration is given to budget requests that directly support implementation of priority Action Agenda near term actions (NTAs), either [2016 adopted](#) or

[2018 submitted](#)), ongoing programs, associated [regional priority approaches](#) and [2016-18 Biennial Science Work Plan](#) actions.

In accordance with RCW [90.71.320](#), and to facilitate the PSP’s mandated budget request prioritization process, all agencies requesting budget changes related to Action Agenda implementation must provide information and engage with OFM and the PSP, as described below. These requirements apply to both operating decision packages and capital project requests.

Submittal to OFM:

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

Submittal to the PSP

- To aid PSP prioritization, complete a cloud-based template for all your agency’s Puget Sound-related budget requests submitted to OFM. The PSP will email a link to the template and instructions to affected agencies by mid-July, along with criteria for PSP prioritization and updated information about the 2018 Action Agenda update, which is in process.
- To ensure Puget Sound budget requests align with the Action Agenda, all agencies requesting operating and capital budget changes that implement the Action Agenda or affect Puget Sound recovery are required to consult with the PSP prior to submitting their budget requests to OFM. PSP staff will contact agencies to schedule meetings to discuss the budget process and proposed budget requests during the summer of 2018.

Action Agenda implementation – additional financial reporting requirements to the PSP

Near-term actions. Every August, state agencies are required to provide the PSP with their estimates of Action Agenda NTA costs, budgeted amounts and expenditures, pursuant to RCW [90.71.370](#). Agencies implementing NTAs will receive a request from the PSP by late June with detailed instructions related to this reporting requirement.

Ongoing programs. A [2016 report](#) of the Joint Legislative Audit and Review Committee (JLARC), recommended that the PSP create a more complete inventory of recovery actions and funding. In response to this recommendation, the PSP and OFM have begun to engage affected agencies to develop the process for collecting this information.

Agencies implementing ongoing programs can expect further engagement with the PSP and detailed instructions in early 2019 related to this reporting requirement. See the contacts below for assistance.

[Diamatris Winston](#), Chief Financial Officer, PSP, 360-464-1231

[Leslie Connelly](#), Budget Assistant to the Governor (operating), OFM, 360-902-0543

[Myra Baldini](#), Budget Assistant to the Governor (capital), OFM, 360-902-0525

Other budget reports and data

Updated agency descriptions

Agency descriptions and missions must be published as part of the budget document. OFM will send agencies a template in August that contains the most recent agency description and mission statements. Agencies wanting to make changes must [return](#) the updated template to OFM no later than their agency budget due date. (Appendix 1)

APPENDIX 1

Agency budget submittal dates

No later than Sept. 12, 2018:

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 Sept. 12, 2018 (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
506 Asparagus Commission
507 Cranberry Commission
508 Canola and Rapeseed Commission
510 Dairy Products Commission
512 Dry Pea and Lentil Commission

532 Turf Grass Seed Commission
533 Tree Fruit Research Commission
534 Wine Commission
535 Grain Commission
545 Beer Commission
599 Health Care Facilities Authority

No later than Sept. 14, 2018

001 State Revenues for Distribution
005 Federal Revenues for Distribution
010 Bond Retirement and Interest
011 House of Representatives
012 Senate
013 Joint Transportation Committee
014 Joint Legislative Audit and Review Committee
020 Legislative Evaluation and Accountability Program (LEAP) Committee
035 Office of the State Actuary
037 Office of Legislative Support Services
038 Joint Legislative Systems Committee

040 Statute Law Committee
045 Supreme Court
046 Law Library
048 Court of Appeals
050 Commission on Judicial Conduct
055 Administrative Office of the Courts
056 Office of Public Defense
057 Office of Civil Legal Aid
075 Office of the Governor
076 Special Appropriations to the Governor
085 Office of the Secretary of State
102 Department of Financial Institutions
103 Department of Commerce
105 Office of Financial Management
107 Health Care Authority
195 Liquor Control Board
215 Utilities and Transportation Commission

225 Washington State Patrol
235 Department of Labor and Industries
240 Department of Licensing
245 Military Department
275 Public Employment Relations Commission
300 Department of Social and Health Services
303 Department of Health
307 Department of Children, Youth and Families

310 Department of Corrections
350 Office of Superintendent of Public Instruction
354 Workforce Training and Education Coordinating Board
359 Washington State Charter School Commission
360 University of Washington
365 Washington State University
370 Eastern Washington University
375 Central Washington University
376 The Evergreen State College
380 Western Washington University
387 Arts Commission
405 Department of Transportation
461 Department of Ecology
465 State Parks and Recreation Commission
477 Department of Fish and Wildlife
478 Puget Sound Partnership
490 Department of Natural Resources
495 Department of Agriculture
540 Employment Security Department
699 Community and Technical Colleges

APPENDIX 2

Budget Submittal Components Checklist

Submittal requirements for **all** agencies

Agency information:

- Agency organization chart
- Agency activity inventory report (*Chapter 3*)
- Performance measure incremental estimates report (*Chapter 3*)
- Indirect cost allocation to activities description (*Chapter 3*)
- Agency strategic plan

Recommendation summary:

- Recommendation summary at agency level (*Chapters 1, 4*)
- Recommendation summary at program level (*Chapters 1, 4*)

Decision packages:

- Decision package summaries (*Chapter 2*)
- Individual decision packages (*Chapter 2*)

Agency supporting details:

- Summarized revenues (*Chapter 7*)
- Proposed fee changes (*Chapter 8*)
- Working capital reserve (*Chapter 7*)
- Revenue transfer reconciliation statement (*Chapter 7*)
- Federal fund estimates/state match (*Chapter 7*)
- Additional federal receipts reporting requirements (*Chapter 7*)
- Nonbudgeted local fund summary (*Chapter 12*)
- Puget Sound Action Agenda: list of DPs and capital project requests (*Chapter 12*)
- JLARC audit responses (*Chapter 12*)

Other supporting documents:

- Central services fund split information (*Chapter 11*)
- Extraordinary risk management DP and enterprise risk management updates (*Chapter 11*)

Additional submittal requirements for [transportation](#) agencies:

- Summary of goal-oriented initiatives and investments, expected outcomes (*Chapter 3*)
- Financial plan (for fund administrators) (*Chapter 11*)
- Backlog reduction plan

Additional submittal requirements for the [Washington State Patrol](#):

- Updates to recruitment and retention issues, projected retirements (*Chapter 6*)
- Academy class schedule
- Vehicle/aviation fleet life-cycle analysis and replacement plan

Additional submittal requirements for the [County Road Administration Board](#):

- Supporting statistical information – rural roads, rural bridges, all-weather road programs
- Grant awards table – RAP, CAPP, CFCIP

Additional submittal requirements for the [Transportation Improvement Board](#):

- Supporting statistical information – sidewalks, urban arterials, small city arterial programs
- Grant awards table - SCAP, SCSP, SCPP, UAP, SP, APP

Additional submittal requirement for the [Freight Mobility Strategic Investment Board](#):

- Grant awards table – Freight Mobility Program

Additional submittal requirements for the [Washington State Department of Transportation](#):

- Reappropriations and new awards tables for grant programs
- Ferry-specific information (operating) – vehicle passenger ridership forecast data, level-of-service information
- Capital program 10-year investment plan narratives, contingency cost/risk reserve spreadsheet
- Summary of "section 601" changes (OFM-approved cost changes)
- Nickel, TPA, and Connecting Washington status reports
- Capital facilities TEIS project list
- Funding plan summaries for mega-projects
- Ferry capital – vessel rebuild and replacement plan, project lists

Additional submittal requirements for **higher education** agencies:

Higher education budget forms 2019-21:

- Attachment A-1 locally authorized salary increases
- Attachment A-2a non-faculty exempt CBA template
- Attachment A-2b classified CBA summary
- Attachment A-3 faculty collective bargaining summary
- Attachment B-1 waivers – state supported
- Attachment B-2 waivers – non-state supported
- Attachment B-3 financial aid from non-state sources
- Attachment B-4 student loan debt
- Maintenance and operations for new buildings coming online in 2019-21 (C form)

Other items:

- Local fund summaries (report)
- Fund balance management (report)
- Tuition and enrollment change model data (due to LEAP post-budget submittal)