Budget Instructions, Part 1

Operating
Transportation
Higher education
Strategic plan

2023-25 Biennium

June 2022

Office of Financial Management

Budget Division

BUDGET REQUEST BASICS

Context for state agency budget requests

Although state revenue collections and employment have rebounded after falling sharply early in the pandemic, we continue to face uncertainty as we enter the 2023-25 biennium. The COVID-19 pandemic has slowed, but we've been here before and don't know what path the virus will take. Current economic conditions and world events also require caution. It is essential that agencies consider the state's long-term fiscal outlook in developing their 2023–25 budget requests. As long as revenue projections remain positive, we encourage agencies to address lingering problems while also striving to reduce costs and finding ways to save resources.

The Governor continues his commitment to focus on equity in the upcoming budget. The budget should lead to equitable outcomes for Washingtonians and improve access for people who have been historically or are currently excluded from services or are disadvantaged. To that end, agencies must analyze the impacts on affected communities and how the budget requests achieve equitable access to opportunities and resources that reduce disparities and improve equitable outcomes statewide.

OFM will work with state agencies to understand their budget needs and priorities throughout this summer and fall. The governor knows he will face challenging fiscal choices among the state's needs and policy priorities and that agencies will be putting forward proposals to address the most essential programs and services.

Rigor and prioritization are key to successful budget proposals
Requests for new funding should be focused on the highest-priority services that deliver significant performance improvements and equitable outcomes for the citizens of Washington. Clearly identify, describe, and justify budget request. Successful requests for the 2023–25 biennium will be thoroughly explained, include detailed budget models and spending plans and well-developed scalable options. Agencies should work with stakeholders, especially vulnerable and marginalized communities, when developing budget requests.

Equity focus
Budget requests, also known as decision packages, must be developed through an equity lens. Agencies must analyze how the requests impact equitable outcomes for Washingtonians, identify impacted communities and explain how the communities are affected.

Results Washington
Strategic framework: focus on equity, results, and strategic plans
Agency budget requests should reflect the Governor's statewide strategic goals articulated through [Results Washington](#) and agency-specific strategic plans through an equity lens.

Decision packages *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 2023–25 biennial budget requests, OFM is again requiring agencies to submit strategic plans as part of your budget submittal. Budget DPs should align closely with agency strategic plans, goals, and performance measures.

Compelling budget requests – dos and don'ts

OFM and the Legislature must prepare four-year budget outlooks, and agency budget requests must reflect details for the ensuing four fiscal years. The amounts reflected in the Outlook are the sum of the General Fund State (GF-S), the Education Legacy Trust Account (ELTA), and the Opportunity Pathways Account, the Workforce Education Investment Account (WEIA) and the **Fair Start for Kids Account (FSKA)**. These funds are referred to as the Near General Fund Outlook (NGF-O) funds.

Please:
- Suggest using resources effectively and efficiently.
- Develop scalable options to meet your highest priorities in the most cost-effective manner.
  - » What are other ways to accomplish the same objective?
  - » 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 and state agencies.
- Focus on equity, inclusion, and 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?

Please do not:
- Request a prior "share" of the budget.
- Request past unfunded inflationary or other cost increases. (If resources are needed, make your strongest case based on articulated need, performance, outcomes, and results.)
- Make budget requests the agency is not well prepared to implement effectively and transparently in the next biennium.
- Request "placeholders"
- Request a new program or initiative without a comprehensive and realistic plan to fund its full implementation in the future.
- Obscure policy-level requests in maintenance level; when in doubt, ask the OFM budget analyst.

The budget in two views

Decision packages are the budget building blocks

Agencies must describe and support each requested incremental change to the current budget with a decision package. Decision packages should be used to make a persuasive case for an agency request. Agency decision packages 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 (See Chapter 5 for more detail). The categories are:

Carry-forward level (CFL). How much of the budget proposal is the biennialized cost to continue the workload or services already authorized through legislative budget decisions? OFM, in collaboration with the legislative staff and with agency input, determines the CFL and communicates these control amounts to agencies as soon as possible after these instructions are published.

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

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

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

While the decision packages show the incremental changes to the agency budget, the activity inventory describes what the agency does, including the following:
- What are the activities of the agency?
- What does it cost to perform the activities?
- 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 decision packages described in Chapters 2 and 3.

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

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

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

Resources
- OFM Activity [Guide](#)
- OFM Performance Measure [Guide](#)

How to submit and what are the required elements and format?

Operating budget submittals

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

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

Capital budget submittals

Digital notebooks containing all the elements of your capital budget request is required:
- » Number all pages.
- » Organize the material as detailed in the capital budget [instructions](#).

Your capital budget submittal is complete with a successful release of CBS data and electronic submittal of the capital budget request notebook to OFM.

All 2023-25 budget requests are due to OFM no later than Tuesday, September 20, 2022.

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.

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 rolled up to the selected level (agency or program) for the RecSum report.

An equity-focused approach

The Governor continues the focus on equity in his 2023-25 budget development. Therefore, new questions have been added to ensure that agencies are considering the impacts of budget requests on marginalized communities. Agencies are expected to address these questions thoroughly and fully in their DPs.

When is a DP needed?

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

DPs requiring law changes

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

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.

Budget requests related to compliance with clean buildings law

The Clean Buildings Performance Standard (CBPS) will apply to make state agency requests for facilities over 20,000 sq/ft (see Section 5.11 of the capital budget instructions to learn more). The objective of these laws, passed in 2019 and 2022, are to lower costs and pollution from fossil fuel consumption in the state's existing building stock. If your request is related to the CBPS, begin your DP title with "CBPS:".

Required elements of a DP

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

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

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

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

DP codes require two attributes new to the ABS system
- **DP type**
  - » Central services
  - » Compensation
  - » Transfer, or
  - » Other

The majority of agency budget request will fall under "other". Cost type for global items have predetermined DP types
- **DP cost type**
  - » One-time
  - » Ongoing
  - » Custom. Custom indicates that the request is a mix of one-time and ongoing costs. For example:
    - o A new program implementation has one-time equipment costs associated with ongoing staff costs.
    - o A new program implementation is staged or has ramp-costs.

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

DPs require point of contact information new to ABS
Required ABS point of contact information includes:
- First name
- Last name
- Email address
- Phone

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

Note: ABS and enterprise reporting reports will sort DP codes as follows:
1. AA to ZZ
2. A0 to Z9
3. 00 to 99
4. 0A to 9Z

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

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

Display of negative numbers
Use parentheses to indicate numbers reflecting expenditure decreases.

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

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

001-1 General Fund-State. Appropriation Type 1.

001-2 General Fund-Federal. Appropriation Type 2.

001-5 General Fund-Other Federal Fixed Grants (DSHS and DOH only). Appropriation Type 5.

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

001-8 General Fund-Federal Stimulus. Appropriation Type 8.

001-0 General Fund-Federal: Social Services Block Grant – Title XX (DSHS only). Appropriation Type 0.

001-A General Fund-Federal: Family Support/Child Welfare – Title IV (DSHS only). Appropriation Type A.

001-C General Fund-Federal: Medicaid – Title XIX. Appropriation Type C.

001-D General Fund-Federal TANF. (DSHS only). Appropriation Type D.

001-E General Fund-Federal: Child Care Development Funds (DSHS only). Appropriation Type E.

Other appropriated treasury funds
Identify other appropriated treasury funds by the following appropriation types:

State: Appropriation Type 1

Federal: Appropriation Type 2

Private/Local: Appropriation Type 7

Nonappropriated funds
All nonappropriated funds, regardless of original source of funding, must use Appropriation Type 6.

Agency request legislation proposals with a budget impact
Proposals must be submitted to the Governor's Executive Policy Office through BEARS, 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 2022
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.

2023-25 BIENNIAL BUDGET DECISION PACKAGE

Agency: Agency number and name

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

If your request is related to the Clean Buildings Performance Standard (CBPS), begin your DP title with "CBPS."

Budget period: Session for which a budget change is proposed

Budget level: ML or PL

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

Fiscal detail

Operating Expenditures	FY 2024	FY 2025	FY 2026	FY 2027
Fund AAA-X	Xxx	yyy	zzz	Aaa
Fund BBB-Y	Xxx	yyy	zzz	Aaa
Total Expenditures	Xxx	yyy	zzz	Aaa
Biennial Totals	$###,###,###		$###,###,###	

Staffing	FY 2024	FY 2025	FY 2026	FY 2027
FTEs	x.y	x.y	x.y	x.y
Average Annual	x.y		x.y	

Object of Expenditure	FY 2024	FY 2025	FY 2026	FY 2027
Obj. X	Xxx	yyy	zzz	Aaa
Obj. X	Xxx	yyy	zzz	Aaa
Obj. X	Xxx	yyy	zzz	Aaa

Revenue	FY 2024	FY 2025	FY 2026	FY 2027
Fund AAA-X	x.y	x.y	x.y	x.y
Fund BBB-X	x.y	x.y	x.y	x.y
Total Revenue	Xxx	yyy	zzz	aaa
Biennial Totals	$###,###,###		$###,###,###	

Package description

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

To thoroughly describe the package and its justification, agencies are strongly encouraged to use:
- Detailed narrative descriptions
- Informative tables
- Charts and graphs
- Logic models
- Timelines
- Flowcharts
- Maps or other graphics

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

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

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

How is your proposal impacting equity in the state?
- Which target populations or communities benefit from this proposal? How will the population/community benefit? Include both demographic and geographic communities.
- Describe how your agency conducted community outreach and engagement by relationally partnering with communities and populations who have historically been excluded and marginalized by governmental budget decisions.
- How did your agency revise this proposal based upon the feedback provided through your community outreach and engagement?
- Which target populations or communities are not included, would be marginalized, or disproportionately impacted by this proposal? Explain why and how these equity impacts will be addressed.

What are you purchasing and how does it solve the problem?
- What will this funding package buy, reduce, or eliminate?
- What services and/or materials will be provided, reduced, or eliminated,
  - » When and to whom will these service level changes impact?
- How will these service level changes achieve the desired outputs, efficiencies, and outcomes?

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

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

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

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

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

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

Strategic and performance outcomes

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

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

Other collateral connections

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

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

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

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

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

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

Puget Sound recovery
If this request is related to Puget Sound recovery efforts, see Chapter 13 of the budget instructions for additional instructions.

Other supporting materials

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

Information technology (IT)

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

ACTIVITIES AND PERFORMANCE

What are the budget submittal requirements for activities?

Agencies are required to balance their budget requests to activities so policy makers can 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 assign the costs of some or all ML DPs to activities, but this is not required nor recommended. The Agency Budget System (ABS) supports the balancing of the ML total to activities in a single ML step. Special-use DPs (9Z-Activity) are available for agencies to balance ML activity amounts in ABS. ABS will enforce the requirement that activities be balanced at ML as a submittal edit.

Allocate each PL DP to activities

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

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

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

Include the activity inventory report in the budget submittal

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

How to treat administrative costs in the activity inventory

Activity costs include related administrative costs essential to support activity

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

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

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

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

Types of costs that could be classified as indirect costs may vary from agency to agency, but some examples are:
- Rent costs (if these are not already direct charge)
- Postage costs
- Software development and IT support costs
- Other shared administrative costs closely related to activity levels and size.

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

Types of costs that could be classified as overhead costs also may vary from agency to agency, but examples are:
- Salary and support costs for the agency director.
- Core portions of accounting, budgeting, personnel, communications and receptionist functions.
- Other shared administrative costs that are not closely related to activity levels and size.

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

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

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

Other possible approaches to allocating indirect costs to activities include, but are not limited to:
- Allocating by the number of FTEs in each activity.
- Allocating by the total dollars budgeted for each activity.
- Allocating by one or more bases that serve as good surrogates for the costs caused by each activity; for example, allocating IT staff costs by the number of personal computers or rent costs by the number of square feet.

Provide allocation information to OFM
The allocated costs should be included in the total costs for the activities. Agencies must also provide the following information in the agency budget submittal about the cost allocation approach:
- Total amount of indirect costs allocated.
- Brief description of the allocation method selected.
- Allocation percentage for each activity (percentage of the total indirect cost the agency allocated to each activity).
- Dollar amount allocated to each activity each fiscal year.

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

What are the budget submittal requirements for performance measures?

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

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

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

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

RECOMMENDATION SUMMARY VIEW

What is the recommendation summary?

The recommendation summary (RecSum) summarizes the incremental expenditure portion of the budget request. 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 2023–25 request. Each budget line on the RecSum represents a single budget policy decision in the form of a decision package (DP).

Conceptual description of the RecSum

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

RecSum submittal requirements

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

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

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

The Agency Budget System (ABS) will generate the RecSum. The agency can 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 2022 supplemental budgets. We expect CFL to be finalized in early July 2022.

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 2021–23 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 2021–23 that will continue in 2023–25 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 2021–23 (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 2021–23.
- **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 if 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 identify certain ML items of change at the statewide level. Agencies must use the following RecSum codes for these ML changes. Agencies are free to use other available codes and titles for other ML items.

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

How to treat payments to central service agencies in ML

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

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

What is policy level?

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

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

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

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

Unanticipated receipts

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

Where should they be included in the budget?

OFM will work with agencies to review unanticipated receipts already approved this biennium to determine if there is a realistic expectation that the original funding source support will continue. If the support is expected to continue, and if the activity remains consistent with statewide priorities, the funding should be included in the 2023–25 budget requests. This will enable the Legislature to consider the activity as part of the regular budget process.

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.

Valid pension system codes
The following table reflects all valid pension system codes for the 2023–25 biennial budget.

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

Other compensation cost notes

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

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

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

WMS and exempt staff. Agencies seeking funding for pay adjustments for WMS or exempt employees should continue to **submit decision packages (DPs)** with their budget requests.

Note for higher education institutions. Institutions that conduct their own collective bargaining should continue to submit requests for funding by October 1. For additional information on the funding request process for higher ed institutions, including compensation, please see the section of this document on higher education.

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.

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 2023–25 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 2023–25 biennium.

What information is required?

Agencies must submit maintenance level (ML) and policy level (PL) revenue estimates for the 2023–25 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 2023–25 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.

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

Explain assumptions in the DP
In a DP containing revenue, include the following information in the narrative:
- Key assumptions underlying the estimate of each revenue source.
- Numerical expressions showing how the projected revenue amounts were calculated and derived.
- If the health and continued viability of the revenue source are in question, discuss why and the expected impact.

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

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

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

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

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

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

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

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

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

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

Fund administrators must coordinate with other agencies on projected 2023–25 ending fund balance
Administering agencies for specific accounts need to coordinate with other agencies using that account to ensure that combined budget proposals do not put the account into a projected negative fund balance at the end of the 2021–23 biennium. If you have questions about which agency is the fund administrator, consult the Fund Reference Manual that lists the administrator for each account.

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

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

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

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

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

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

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

Revenue transfer reconciliation statement

When must a revenue transfer reconciliation statement be submitted?

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

Here is a sample format for the transfer reconciliation statement:

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

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

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

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

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

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

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

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

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

Reminders for preparing revenue submittals
- Do you have a clear method(s) for estimating revenue that your agency collects? Have there been recent changes that would impact your revenue collections?
- Do federal and private/local revenue match the combined expenditures of both the operating and capital budgets for the biennium? (See above for a list of known exceptions.)
- Did you include all revenue collected by your agency, even if spent by another agency? Check to see what actual revenues are reported by your agency in AFRS.
- Did you include revenue estimates for changes or new sources resulting from recently passed revenue legislation?

- Did you reduce revenues available for transfer or distribution for the amount of new expenditures proposed from those funds?
- Are there sufficient revenues to cover dedicated account expenditures?
- Did you reserve enough fund balance to cover possible compensation or central service agency charge adjustments by OFM?
- Will you send revised revenue estimates to OFM in the fall for agency dedicated fund forecast changes?
- Did you remember that you do **not**:
  - » Submit estimates for revenue that is collected by another agency.
  - » Include interest earnings (Source 0408), which are part of OST's estimates.
  - » Include transfers or revenue distributions executed by OST.

Chapter 8

FEE INFORMATION

New or increased fees

As required by RCW 43.135.055, unless otherwise exempted, fees may only be imposed or increased if approved by the Legislature. If necessary, submit legislation authorizing new fees or fee increases through the agency request legislation process. New fees, extensions of existing fees, and all fee increases, whether or not legislation is required, must be part of the biennial budget submittal using OFM's Request for New or Increased Fees form. Regardless of fee increases contained in individual DPs, agencies must complete the Excel fee request form summarizing all fee increases proposed in the 2023–25 biennium. The fee request form must be an ABS attachment at submittal.

5-year fee history spreadsheet to be included as part of agency budget request

Pursuant to RCW 43.88.585, OFM must collect a 5-year history of agency fees, which OFM will be collecting annually as part of agency budget submittals. OFM uses this fee information to update the fee database that historically has been maintained at http://fiscal.wa.gov/Fees.aspx. All agency-imposed fees must be entered into the Inventory of State Fees form and uploaded into ABS with the budget submittal when agency budget requests are submitted.

Fee changes in decision packages

Provide justification for any new, extended, or increased fee proposed for the 2023–25 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 2023)
3. Proposed fee rate
   » FY 2024
   » FY 2025
4. Incremental rate change for each year
   » FY 2024
   » FY 2025
5. Expected implementation date
6. Estimated additional revenue generated by the increase
   » FY 2024
   » FY 2025
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.

FACILITY LEASES AND FACILITY MAINTENANCE

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

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

- Action (new, renew, change, close)
- Unique Facility ID (leave blank for new)
- Address (street address, where available, and city)
- Square feet
- Current lease start date and end date
- Services included in the lease
- FY 2022 funded level
- Renewal increase (in percentage)
- Projected FY 2023 and FY 2024 need
- Requested one-time costs (total dollars)
- Any relevant notes

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

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

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

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

What additional information is required for major leases?
RCW [43.82.035](#) requires major leases to be included in the 10-year capital plans. To comply with this law, OFM has provided a list of major lease projects through the [2021-27 six-year facilities plan](#) published by OFM. A major lease project is defined as a new space or relocation project over 20,000 square feet. Agencies must provide a separate operating budget PL DP for major lease projects.

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

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

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

Agency operating budget requests for space-related costs must be consistent with the information the agency provided to OFM as part of the statewide six-year facilities planning process. Space-related costs include:
- existing lease cost changes
- new leases
- one-time costs of acquiring new space or relocating

What is a six-year facilities plan?

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

The six-year facilities plan will include:
- lease renewals
- leased and owned relocations
- new facilities projects

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

Questions

Contact your assigned OFM facilities [analyst](#) or send an email to ofmfacilitiesoversig@ofm.wa.gov.

Statewide enterprise approach for decision packages that include information technology

Information technology planning and budget requests

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

IT definitions per RCW 43.105.020

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

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

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

IT investments must comply with IT policy for reuse

To support the reuse of existing state resources, all IT investments - including project IT expenditures - are expected to comply with IT statutes and policies. For a comprehensive list of state policies and standards, see OCIO technology policies.

Some of the most frequently used requirements are listed here for convenience.

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

Radio, Radio over Internet Protocol (ROIP) 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 these instructions, significant investments are defined as greater than or equal to $250,000. Approval is required regardless of the funding source or whether the request is for additional funding or for a previously approved or funded effort. The OCIO can provide more information about this requirement upon request. The SIEC can be contacted by emailing bill.kehoe@watech.wa.gov. (RCW 43.105.331).

Facial recognition. Agencies must file a notice of intent and an accountability report with the Technology Services Board (TSB) if they are procuring or developing facial recognition technology. Accountability report must include all elements included in RCW 43.386. Information on submitting reports to the TSB can be found at https://ocio.wa.gov/facial-recognition.

Administrative and financial system approval. The Statewide Administrative and Accounting Manual (SAAM) Section 80.30.88 and OCIO Policy 122 require the approval of the OCIO and OFM before an agency invests in a new or existing administrative/financial system. As part of the review process, agencies are required to demonstrate they have performed due diligence and research in investigating similar solutions that are available for reuse in state government. Requests will also be evaluated for their relationship to the One Washington program. This approval is required for new investments and enhancements to existing systems.

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

Administrative/Financial Category	Business Capability
Finance	Government Accounting General Ledger Capital Asset Management/Fixed Asset Management Accounts Payable Accounts Receivable Cash Flows General Ledger Reconciliation
Management Accounting	Cost Estimate Cost Management and Control Cost Accounting/Activity Based Costing (ABC)
Budgeting	Budgetary Control Performance Budgeting
Human Resources	Appointment Change Benefits Management Diversity Management Grievance Hiring Job Application Job Classification Payroll Recruitment HR Reporting, Business Intelligence, and HR Visual Analytics Retirement Separation/Termination Strategic Workforce Planning Succession Planning Telework/Flexible work Time and Attendance Training/Development Travel Management Wellness and Safety Information Scheduling
Enterprise Risk Management	Enterprise Risk Management
Grant Management	Grant Management
Procurement	Purchasing Contracting Vendor Management Planning Inventory Management Inventory Control
Performance Audit	Performance Audit

Decision package content when there are IT costs (see page 1 for definition of IT costs)
Guidance on information to include in the decision package when there are IT costs.
Responses within the body of the decision package will be included in the OCIO evaluation and priority ranking process:

- Within the decision package section entitled **Package Description**, include a description of the feasibility study, market research or other due diligence activities leading to the proposed technology solution. More detailed documentation of these activities should be included as attachments to the decision package.

- Within the detailed **Assumptions and Calculations** section, agencies should provide a summary of assumptions influencing the requested technology amounts.

- Within the **Strategic and Performance Outcomes,** agencies should identify how this proposed IT investment improves business outcomes within your agency. The decision package should provide specific examples of business outcomes in use within your agency, and how those outcomes will be improved because of this technology.

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

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

Guidance on completing the IT addendum
All decision packages with IT costs must include a completed IT addendum. The IT addendum has five parts:

- **Part 1** requires agencies to fill out the 23-25 IT Fiscal Estimate Workbook with an itemized breakdown of information technology costs. This information is needed because the costs noted in the DP are likely a blend of IT and non-IT costs. This allows OFM and the OCIO to meet reporting requirements on the IT costs.

    The itemized 23-25 IT Fiscal Estimate Workbook is also available on the OFM budget forms webpage.

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

- **Part 3** needs to be answered for all IT maintenance level decision packages and contains questions that will be used for reporting by the OCIO as required by RCW 43.88.092.

All policy-level decision packages must answer the additional questions listed in Part 4 and Part 5.

- **Part 4** needs to be answered for all IT policy-level decision packages and contains questions that will be used for reporting as required by RCW 43.88.092.

- **Part 5** must be answered by all policy-level decision packages and contains scoring questions that will be used to evaluate and prioritize IT decision packages.

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

Decision packages submitted in the Agency Budget System (ABS) with an IT addendum and 23-25 IT Fiscal Estimate Workbook will be retrieved from that system by the OCIO to complete the evaluation and prioritization process. Agencies will not have to perform additional work during the OCIO decision package evaluation process.

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

Enterprise Technology Impact Review before final submission of decision package: All policy-level decision packages require a consult with WaTech. For each decision package, the agency must submit a request to WaTech at support@watech.wa.gov with the subject line "DP services consult request for 23-25 Biennium (insert your agency name and decision package title)." In the body of the request, please provide the full name and phone number of the agency point of contact. Also attach copies of all available documents the agency is using to support the decision package request. A consultation will be conducted, and the outcome will include documentation summarizing the understanding of the investment and the impacts considered, which may include budgetary estimates for WaTech services. All consults and meetings must be completed by August 31, 2022.

Decision package criteria

The criteria scoring scale being used by the OCIO to evaluate and rank Decision Packages is available on the OCIO Decision Package Prioritization website. See 23-25 Decision Package Prioritization Criteria.

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

Statewide IT plan and technology budget

The OCIO and OFM Budget Division will work together to develop the Governor's 2023-25 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 2021-23 budget using information contained in the associated decision packages for each project.
- Budget information for existing IT projects under OCIO oversight, as reported by agencies to the OCIO.

Agency chief financial officers and chief information officers should ensure that IT accounting and other data are accurate, as it will be published in the Governor's 2023–25 IT plan and technology budget.

One Washington

Background. One Washington is an OFM business transformation program tasked with modernizing the systems that support enterprise administrative operations (including finance, procurement, budget, human resources/payroll) via Workday, an Enterprise Resource Planning (ERP) system.

One Washington consists of two elements: transformation of business processes and implementation of an ERP to support those business processes.

By implementing an ERP and transforming the processes that support the state's business, One Washington will help ensure decision makers have access to data that is accurate and timely, standardize common business processes across agencies, and enable improvements to citizen service delivery.

One Washington 2023-25 Scope. The primary focus for the 2023-25 One Washington budget build is Phase 1a- Core Financials (Agency Financial Reporting System [AFRS] replacement).

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

One Washington 2023-25 budget request and related agency budget requests. All One Washington-related budget requests, including agency requests, must be submitted to One Washington to be considered for inclusion in the consolidated enterprise-wide One Washington decision package. One Washington-related agency requests will be restricted to the two pools referenced below.

One Washington agency resource requests. One Washington will collaborate with agencies to develop two agency resource pools: Legacy System Remediation (LSR) Pool and Agency Readiness Pool.

Legacy System Remediation Pool. One Washington's LSR and budget teams are working with the 35 agencies who have Phase 1a Workday-impacted systems to determine their remediation work plan(s), schedule(s), and related resource needs. For the purposes of this work, the 35 LSR agencies have been split into 7 groups based on the number of systems and system complexity. This spring and summer, the LSR and budget teams will meet with each group in sequential order. The results of these workshops will be a work plan and schedule for each agency Phase 1a Workday-impacted system, and an estimate of the resources needed to execute the work plan(s) to remediate system(s) in preparation for Workday Phase 1a go-live. Phase 1a LSR agencies will estimate their resource needs using a workbook, provided by the program, customized with their Phase 1a Workday-impacted system(s). As each group completes their work, each agency will be required to submit their workplan(s), schedule(s), and resource workbook to the One Washington program. Due dates are dependent on each group's timeline and will be communicated to agencies at the start of their group's workshops. Due to the complexity of decision package development, late submissions will not be considered.

Over the course of the summer, the One Washington Technology Pool Committee will review each agency's completed work plan(s), schedule(s) and resource workbook. The committee will work with agencies to gather any additional information needed to validate their requests. The committee will determine what LSR agency resource requests are included in the Legacy System Remediation Pool component of the One Washington decision package. The committee is comprised of One Washington business owners, functional (finance, human resources/payroll, budget, and procurement) leads, LSR and technology staff, and OFM IT and WaTech/OCIO staff.

Agency Readiness Pool. The modernization and replacement of AFRS will impact all agencies resulting in readiness, training, organizational change management, and other resource needs. The One Washington program will request a pool of resources to support all agencies especially those who do not have Phase 1a Workday-impacted systems but need resources to prepare for the transition to Workday.

For more information, see the One Washington site, contact your One Washington agency point of contact, or the One Washington Budget Manager Briana Samuela.

CENTRAL SERVICES

Welcome to central services! As of the 2022 supplemental budget, over $1.4 billion was provided to over 100 state agencies to pay for 36 services (sees table at the end of this chapter for more information). This chapter will increase understanding of central services and their requirements for budget submittal. If you have questions on your agency's budget submittal requirements concerning central services, please contact your OFM analyst along with the OFM analyst responsible for the central services model (CSM). We're always happy to help.

What are central services?

Central services (CS) are core services provided by a centralized agency to support other state agencies in conducting their operations and missions. These are services such as administrative hearings, auditing, information technology, legal, statewide financial systems, and worker's compensation, as well as some financial, human resources, and IT services tailored for smaller agencies. By having agencies specialize in the delivery, compliance, and programming of certain services, the services become more cost effective, efficient, and consistent for the entire state. For example, by having a single state internet network for all state agencies to use monitored by a team of cyber security professionals, we prevent the need for every state agency to setup their own internet network and cyber security team, which creates efficiencies and economies of scale.

What is the central services model?

The CSM is a budgeting tool to estimate the spread of funding and costs for central services across state agencies based on CS provider methodologies.

Which agencies are CS providers?

For this chapter's purposes, eight agencies are considered CS providers. The specific central services funded through the state CSM are located at the end of this chapter. In addition to those central services, these agencies provide many other services to achieve their agency missions.

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

Are there CS provider charges not included in the CSM?

Yes, agencies do not receive funding for all activities and services that CS providers offer, particularly for items where the agency has a choice in how much to use the service. Some of the services that fall into this category are usage based so costs can sometimes escalate quickly. A list of examples of these charges is below; however, the list is not all-inclusive. If there is any question regarding invoices, please contact the CS provider for additional information. Budgeting for these charges is the responsibility of the agency receiving the service.

Examples of frequently asked about fee-for-service offerings **not** funded through CS:

AGENCY	CHARGE
Attorney General's Office	**Short-term attorney services.** One-time legal representation is typically funded directly in the agency's budget. Agencies can request and obtain additional representation funded outside of the CSM.
Consolidated Technology Services	**State data center usage.** While the cost of the debt service of the state data center and its general operations are funded through the CSM, the fees charged for server enclosure, power consumed, and related items at the state data center are not funded through the CSM.
Department of Enterprise Services	**Motor pool**. Agencies use the state's centralized fleet service instead of owning their own vehicles. Agencies can decide how much of this service to use; therefore, it is not funded through central services.
Department of Enterprise Services	**Consolidated mail services.** Agencies use the state's centralized mail services to deliver mail instead of doing it themselves. Agencies can decide how much of this service to use; therefore, it is not funded through central services.
Office of Financial Management	**Personnel services charge.** This charge funds many statewide human resources services such as classification, compensation, workforce data, civil service rules, recruitment, and other policy functions. Agencies with classified positions must pay this charge.
Office of Financial Management	**Labor relations fees.** Fees charged by the labor relations unit are for labor relations services, such as biennial contract negotiations and bargaining on grievances and other union issues.

Does my agency receive funding for central services? If so, in which budgets?
State agencies in the legislative, judicial, and executive branches, as well as universities, community, and technical colleges, receive funding in the operating and transportation biennial, first supplemental and carry forward budgets. The capital budget is not adjusted.

Where in the budget would I find my central services amounts?
After the release of the Governor's proposed budget and the enacted legislative budget, OFM posts a report on the OFM website of updated CS funding levels that include each individual agency and a statewide roll-up.

Within the budget, each CS provider agency has their own dedicated budget item code. New funding is found by these budget item codes. Some budget item codes include multiple central services.

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

When are these calculated and when do I receive funding?

The legislative budgets distribute funding to agencies for changes in central services. Central service funding at the end of each budget becomes the new base for the next budget. Funding for central services is adjusted in the biennial, first supplemental budgets, and carry forward budgets but it is **not** adjusted in the second supplemental. At the end of the biennium, an agency could have a positive or negative variance as some CS are allocated estimates and not directly tied to actual usage and cost.

How is my CS budget amount determined?

Each CS has a methodology in how the funding is estimated and distributed through the Central Service Model. Some CS are allocated based on a statewide data point provided by OFM such as the number of staff in Thurston County. Other CS are allocated based on CS provider methodology based on data points such as historical usage or anticipated audits. This creates what is known in the Central Service Model as the Allocation Split. This represents how OFM and the legislature will allocate CS funding and costs among agencies. A table showing the methodology used to distribute each CSM is available at the end of this chapter.

Actual invoices, however, are based on usage and may vary from these estimates. Agencies shall pay these invoices in a timely manner and in full as they would pay any other vendor.

Why are charges spread this way?

Costs for services delivered by the CS provider must be paid in some manner and the methodology used is the CS provider's best way to estimate a fair way to charge.

What if my agency estimates overspending our allocation split amount?

Agencies that anticipate requiring an extraordinary level of service should contact that CS provider to discuss the nature and scope of the need as promptly as possible. This will allow time for consideration before budget decisions are made for both agencies to appropriately cover the costs of the expected services.

When does my agency submit a fund split for CS? Where is the form I use?

Leading up to the biennial budget submittal, OFM will send out a template that agencies must use. Currently, that document is a Microsoft Excel worksheet, and it is important that agencies submit their fund split using this template as it has macros that help compile the data to load into the CSM. Agencies must review the fund splits against how the agency paid the CSM bills and update the spreadsheet as necessary If there are significant changes from your previous fund split or if they do not align with past expenditures, please include reasoning when submitting. Fiscal staff from the legislature and OFM will review your update, looking for significant changes or instances where your past expenditures are different from your update request, and may contact you with questions. Even if your agency's fund split has not changed, OFM still requires written confirmation of the desired fund splits during the biennial budget submittal. Please send updated fund split information to your assigned budget analyst with a copy to Tyler Lentz.

For the supplemental budgets, fund splits are not updated; however, please contact your agency's OFM analyst if you have identified an issue or need to update. OFM and the legislature use the information to ensure that the funding adjustments made in the budget are reflective of the percentages each agency must use for these costs.

How does the Central Service Model work?

The CSM is budgeting tool to spread out costs for CS to align with who is or who is eligible to use the services. It uses the Allocation Split from the CS provider and the Fund Split from the agency to spread out funding for central service items.

For an example, let's say $100 was appropriated to Consolidated Technology Services for an IT training program to serve statewide IT staff. In this case, the methodology of the Allocation Split is the percentage of statewide IT Staff. Therefore, the Department of Social and Health Services would receive $18, because they have 18% of the statewide IT staff. And the funding source of that $18 would be informed by the Fund Split form submitted by the agency during the biennial budget submittal. If the Fund Split submitted was split 50% General Fund State and 50% General Fund Federal DSHS would receive appropriation for $9 GFS and $9 GFF for this item, and so on.

How can I see my base funding and amount by fiscal year?

Unfortunately, the CSM carries forward biennial amounts by state agency but not detail by fiscal year so this data point is not available. OFM and legislative staff are working to make this available in the future. During the allotment process, customer agencies are encouraged to make their best guess based on what they know about how their agency uses or consumes a service and may want to consider evenly splitting funds by fiscal year in events where it is unknown and the fund sources are not restricted to a particular fiscal year.

How can my agency receive funding for a new central service?

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

My agency's consumption of a service didn't change but we received additional funding. Why?

Like all state agencies, CS providers receive funding for things above their existing base budget such as the global compensation items that all agencies receive. Additionally, there are other services that

must be paid for that benefit state agencies and the public. These costs are distributed to state agencies using a prescribed methodology.

For another example, let's say statewide human resource staff receive a targeted class wage increase that will cause OFM and DES statewide human resource efforts to cost $100 more. In this case, the methodology of the Allocation Split is the percentage of total statewide staff. Therefore, the Department of Corrections would receive $12 because they have 12% of the total statewide staff. And the funding source of that $12 would be informed by the Fund Split form submitted by the agency during the biennial budget submittal. If the Fund Split submitted was 100% GFS, DOC would receive appropriation for $12 GFS for this item, and so on.

Risk management and self-insurance premiums

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

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

What if your agency anticipates an extraordinary risk management cost?
Request funding for extraordinary ERM-related costs in a separate policy level decision package (e.g., unexpected costs related to implementing ERM programs or unexpected costs related to specific risks and their associated treatment plans)

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

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

Worker's compensation premiums

The Department of Labor and Industries administers the statewide worker's compensation program. Actuaries prepare estimates used to determine premiums and funding for agencies to pay worker's compensation premiums through the central service model. Premium adjustments will be processed through the central service model and distributed to agencies accordingly. For more information

about these rates, please visit their frequently asked questions [website](#) or reach out directly to the agency.

How to determine if any charges impact your agency?

Agency financial records would show payments made for services. In addition, some agencies have invoices publicly available at the following websites:

Consolidated Technology Services	https://apps.des.wa.gov/watechar/
Department of Enterprise Services	https://apps.des.wa.gov/ar/
Office of Financial Management	https://apps.des.wa.gov/ofmar/

If my agency is a central service provider, what information is required?

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

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

Who to contact with questions about central services?

If the question is regarding invoicing or a specific service, reach out to the agency contact provided on the invoice of the service. If the question is about the broader funding of the CSM, reach out to your OFM analyst and the OFM budget assistant for the CSM, Tyler Lentz, 360-790-0055 or tyler.lentz@ofm.wa.gov.

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

Agency	Central Service Item and Description	Allocation or Fee-for-Service	Methodology Description
Consolidated Technology Services	**Office of Cyber Security.** Sets statewide information technology standards and policy, monitors the state network to detect, prevent, and respond to cyber attacks, notifies affected agencies in the event of a cyber attack, assists in system recovery, and performs security design reviews and risk assessments.	Allocation	Agencies with 50+ FTEs pay a yearly base fee of $2000. The remaining cost of the office is allocated based on the agency's number of budgeted FTEs.
Consolidated Technology Services	**Enterprise Cloud Services.** New central service item created in the 2022 Supplemental budget to establish the Cloud Services Broker and Cloud Training programs.	Allocation	Cloud Services Broker funding was allocated to agencies based on total agency IT spend. Cloud Training funding was allocated based on agency IT FTEs.
Consolidated Technology Services	**Security gateway.** Includes Secure Access Washington, web application firewall services, reverse proxy services, adaptive authentication, and security certificates. Knowledge-based authentication is not included in this allocation.	Allocation	All agencies with more than 50 FTEs pay a base fee of $1,500 plus a per FTE fee and a per application fee.
Consolidated Technology Services	**Small Agency IT Services.** Provides tailored supports to meet the information technology needs of small agencies, including full desktop support, server support, Chief Technology Officer, and cyber security.	Allocation	Total service cost divided by each participating agency's percentage of FTEs.
Consolidated Technology Services	**State Data Center Debt Service.** Debt service for the SDC shared by state agencies. Not eligible for Federal Match.	Allocation	Funding for the State Data Center is based on total agency IT spend. Agencies document their IT expenditures by coding transactions as project type X or Y in AFRS.
Consolidated Technology Services	**State network**. Provides staffing, equipment, and maintenance for the state network.	Allocation	Annual cost to support the network core is the cost divided by each agency's percentage of statewide FTEs and transport support is based on each agency's connectivity fee schedule.

Agency	Central Service Item and Description	Allocation or Fee-for-Service	Methodology Description
Department of Enterprise Services	**Campus contracts.** This fee funds the cost of fire services provided by the Olympia Fire Department and elevator maintenance for buildings located on the capital campus.	Allocation	Agency percentage of total Thurston County FTEs and agency occupancy in DES managed buildings.
Department of Enterprise Services	**Campus rent.** This fee now covers utilities and supports the operations and maintenance of facilities located on the capital campus.	Allocation	Agency occupancy in DES managed buildings.
Department of Enterprise Services	**Campus parking.** This fee supports the operations and maintenance of the parking facilities on campus.	Allocation	Agency occupancy in DES managed buildings.
Department of Enterprise Services	**Capital Campus Childcare.** Owned by DES and operated by a non-profit organization, this allocation funds the maintenance of the new capital campus childcare center on Maple Park Avenue.	Allocation	Agency percentage of total Thurston County FTEs.
Department of Enterprise Services	**Capital project surcharge.** This surcharge supports the cost capital projects.	Allocation	Agency occupancy in DES managed buildings in Thurston County.
Department of Enterprise Services	**Enterprise applications fee.** This fee covers the cost of enterprise systems that support all agencies.	Allocation	Agency percentage of total statewide FTEs (higher education count includes only administrative FTEs).
Department of Enterprise Services	**Financing cost recovery.** This service item funds the debt service related to the construction, renovation, and occupancy of certain space owned and managed by DES. Not eligible for federal match.	Allocation	Agency occupancy in DES managed buildings that incur debt financing.
Department of Enterprise Services	**Perry Street Day Care.** Owned by DES and operated by a non-profit organization, this allocation funds the maintenance of the capital campus childcare center.	Allocation	Agency percentage of total Thurston County FTEs.

Agency	Central Service Item and Description	Allocation or Fee-for-Service	Methodology Description
Department of Enterprise Services	**Personnel services.** This service item funds statewide human resource efforts such as the Employee Assistance Program (EAP), recruitment and training.	Allocation	Agency percentage of total statewide FTEs (executive branch agencies only).
Department of Enterprise Services	**Public and historic facilities.** This service item funds the maintenance and operations of the public spaces on capital campus. A small portion of this item also supports the capitol campus visitor services and civic education program.	Allocation	Agency percentage of total Thurston County FTEs.
Department of Enterprise Services	**Real estate services**. This service item funds lease renewal services to agencies.	Allocation	Weighted three-part index based on number, square footage, and value of leases.
Department of Enterprise Services	**Risk management administration.** The administrative fee supports statewide risk management activities and the staff who provide these services as well reviewing and processing tort claims.	Allocation	Based on actuary study ($2,000 minimum).
Department of Enterprise Services	**Self-Insurance Liability Account.** Pays for tort claims filed against the state and related legal costs.	Allocation	Based on actuary study ($2,000 minimum).
Department of Enterprise Services	**Security on Campus.** This service item funds the campus security contract with the Washington State Patrol (formerly in campus contracts) and a Security Operations Center.	Allocation	Agency percentage of total Thurston County FTEs and agency occupancy in DES Managed buildings.
Department of Enterprise Services	**Small agency financial services.** DES provides small agencies with budget, accounting, and payroll services.	Allocation	Payroll - Agency percentage of total FTEs served. Budget - Two-part index; budget size and complexity. Accounts Payable/Receivable - Agency percentage of total number of transactions processed.
Department of Enterprise Services	**Small agency human resources.** DES provides small agencies with human resource services.	Allocation	Agency percentage of total FTEs served.

Agency	Central Service Item and Description	Allocation or Fee-for-Service	Methodology Description
Department of Labor and Industries	**Workers' compensation.** Type of insurance providing wage replacement and medical benefits to employees injured in the course of their employment.	Allocation	Actuaries prepare cost estimates for this item. The agency sends this information to OFM.
Office of Administrative Hearings	**Administrative hearings**. Acts as our state's "central panel" organization; provides judges independent from state agencies that adjudicate claims or disputes involving administrative law.	Fee-for-Service	Estimates prepared by the agency of anticipated workload for the biennium. Uses a three-tiered billing model to charge for costs. The agency sends this information to OFM.
Office of Financial Management	**Central service.** Covers certain agency facing services at OFM.	Allocation	Total cost times each agency's percentage of total statewide FTEs (higher education count includes only administrative FTEs).
Office of Financial Management	**Enterprise systems rates.** Access and support for statewide financial, budget, contract, procurement, reporting and payroll systems.	Allocation	Total cost times each agency's percentage of total statewide FTEs (higher education count includes only administrative FTEs).
Office of Financial Management	**ERP Financing.** Costs for the One Washington program which encompasses the replacement of the state's enterprise financial systems.	Allocation	Total cost times each agency's percentage of total statewide FTEs (higher education count includes only administrative FTEs).
Secretary of State	**Archives and records management.** Provides document storage within the state archives.	Both	Composite index of box fees and statewide FTEs.
State Auditor's Office	**Auditing services.** Performs audits of state agencies and local governments.	Fee-for-Service	Based on agency's projected work plan as well as additional work to be performed, such as adding an agency to the audit plan).

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, 2021, and June 30, 2023, 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](#).

Other budget reports and data

Updated agency descriptions

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

Action and investments related to programs that address or may cause environmental harms or benefits

The Healthy Environment for All Act (HEAL Act), Chapter 314, Laws of 2021 (RCW 70A.02) was adopted for the following purposes:

- Ensure environmental reviews, funding decisions, and permitting decisions identify and address environmental health disparities in overburdened communities.
- Reduce exposure to environmental hazards on tribal lands.
- Track and measure implementation of environmental justice in state agencies.

The following state agencies are "covered agencies" that must implement the requirements of the HEAL Act:

- Departments of Ecology
- Department of Agriculture
- Department of Commerce
- Department of Health
- Department of Natural Resources
- Department of Transportation
- Puget Sound Partnership

If state agencies not specifically covered by the law opt to follow the HEAL Act requirements, they are obligated to follow the law.

Under RCW 70A.02.080, beginning on or before July 1, 2023, the identified agencies must, where practicable, take specific actions when making expenditure decisions or developing budget requests to OFM and the Legislature for programs that address or may cause environmental harms or provide environmental benefits. Covered agencies must also consider any guidance developed by the Environmental Justice Council and the Environmental Justice Interagency workgroup under RCW 70A.02.110.

Agencies required to comply that are considering a significant agency action initiated after July 1, 2023, are required to conduct an environmental justice assessment. RCW 70A.02.010(12) defines significant agency actions as the following:

- The development and adoption of significant legislative rules as defined in RCW 34.05.328.
- The development and adoption of any new grant or loan program that the agency is explicitly authorized or required by statute to implement.
- A capital project, grant, or loan award costing at least $12,000,000.
- A transportation project, grant, or loan costing at least $15,000,000.
- The submission of agency request legislation to the Office of the Governor or the OFM for approval.

Any other agency actions deemed significant by a covered agency consistent with RCW 70A.02.060. The Environmental Justice Council and the Environmental Justice Interagency workgroup are beginning to develop guidance related to funding decisions and budget requests. In addition to the HEAL Act requirements, please look for additional guidance from the Environmental Justice Council and the Environmental Justice Interagency workgroup to help develop agency biennial and supplemental budget requests.

How is your proposal impacting equity in the state?
- Which target populations or communities benefit from this proposal? How will the population/community benefit? Include both demographic and geographic communities.
- Describe how your agency conducted community outreach and engagement by relationally partnering with communities and populations who have historically been excluded and marginalized by governmental budget decisions.
- How did your agency revise this proposal based upon the feedback provided through your community outreach and engagement?
- Which target populations or communities are not included, would be marginalized, or disproportionately impacted by this proposal? Explain why and how these equity impacts will be addressed.

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

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

Per section 309 of the 2021-23 enacted operating (ESSB 5092), "the Puget Sound partnership shall provide the governor and appropriate legislative fiscal committees a single, prioritized list of state agency 2023-2025 capital and operating budget requests related to Puget Sound recovery and restoration" by October 15, 2022.

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

Submittal to OFM:
- In the RecSum text (for operating) and agency summary (for capital), include the statement, "Related to Puget Sound Action Agenda Implementation."
- In the narrative justification, under "Other important connections or impacts" (for operating) and the project description, under question 9 (for capital), include the following:
  » A response to the question, "Is the request related to Puget Sound recovery?"

- An explanation of how the budget request relates to Action Agenda strategies, actions, and program targets; Science Work Plan actions; and the Puget Sound Vital Signs. 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 all Puget Sound budget requests to OFM by your designated budget submittal due date. OFM contact information is provided later in this section.

Submittal to the Partnership:

In addition to the above submittal to OFM, the Partnership requires the following:
- Complete a cloud-based template (Smartsheet®) summarizing all your agency's Puget Sound-related budget requests submitted to OFM for prioritization. The Partnership will email a link to the Smartsheet® template and instructions to affected agencies by mid-July.
- To ensure Puget Sound budget requests align with the Action Agenda, all agencies requesting operating and capital budget changes that implement the Action Agenda or affect Puget Sound recovery are required to consult with the Partnership prior to submitting their budget requests to OFM. Partnership staff will contact agencies to schedule meetings to discuss the budget process and proposed budget requests during the summer of 2022.

Action Agenda implementation and other financial reporting requirements to the Partnership Near Term Actions (NTAs). Every August, state agencies are required to provide the Partnership with their estimates of Action Agenda NTA costs, budgeted amounts and expenditures, pursuant to RCW [90.71.370](#) ([State of the Sound Report](#)). Agencies implementing NTAs will receive a request from the Partnership to do a final reporting on 2018 Action Agenda NTAs by August 2022 with detailed instructions related to this reporting requirement. This will be the final reporting request related to NTAs.

Ongoing programs. A [2016 report](#) of the Joint Legislative Audit and Review Committee (JLARC), recommended that the Partnership create a more complete inventory of recovery actions and funding. In response to this recommendation, the Partnership began in 2019 to request that agencies responsible for administering ongoing programs recognized in the Action Agenda provide budget information for each ongoing program based on budgeted amounts, not actuals. Most agencies successfully completed an initial round of information sharing in the spring of 2019 and a second in the spring of 2021. Agencies implementing ongoing programs can expect further engagement with the Partnership in 2023 to provide information for budgeted amounts for the 2021-2023 biennial budget. The Partnership will share detailed instructions related to this reporting requirement.

[Diamatris Winston](#), Chief Financial Officer, PSP, 360-867-8234
[Matthew Hunter](#), Budget Assistant to the Governor (operating), OFM, 360-529-7078
[Myra Baldini](#), Budget Assistant to the Governor (capital), OFM, 360-688-8208

Chapter 14
TRANSPORTATION

Information included in these instructions

Introduction
- Transportation budget instructions
- Transportation goals

Agency budget submittal requirements
- Washington State Patrol
- County Road Administration Board
- Transportation Improvement Board
- Freight Mobility Strategic Investment Board
- Financial plan
- Backlog reduction plan
- WSDOT
- Summary of "Section 601" changes (OFM-approved cost changes)
- Nickel, TPA, and Connecting Washington status reports
- Capital facilities
- Mega projects
- Ferry Capital Program (W)

Introduction

Transportation budget instructions

This document is intended to supplement budget instructions for transportation agencies. Use it in conjunction with the Office of Financial Management's (OFM) operating and capital budget instructions. Direct any questions on what is required for your agency's budget submittal to your transportation budget analyst.

Transportation goals

Transportation agencies should develop their budgets within the context of the six goals adopted by the Legislature and codified in RCW 47.04.280:
- **Preservation:** To maintain, preserve and extend the life and utility of prior investments in transportation systems and services.
- **Safety:** To provide for and improve the safety and security of transportation customers and the transportation system.
- **Stewardship:** To continuously improve the quality, effectiveness and efficiency of the transportation system.
- **Mobility:** To improve the predictable movement of goods and people throughout the state, including congestion relief and improved freight mobility.
- **Economic vitality:** To promote and develop transportation systems that stimulate, support and enhance the movement of people and goods to ensure a prosperous economy.
- **Environment:** To enhance Washington's quality of life through transportation investments that promote energy conservation, enhance healthy communities, and protect the environment.

In a summary document, identify: (1) the initiatives and investments in the base budget or proposed requests that tie to one or more of these goal areas; and (2) the specific and targeted outcomes that are expected.

Agency budget submittal requirements

Washington State Patrol

Narrative summaries of:

- Update on recruitment and retention issues, including projected retirements for the 2023-25 biennium.
- Academy class schedule proposed for the 2023-25 biennium.
- Vehicle and aviation fleet life-cycle analysis and replacement plan.

County Road Administration Board

- Supporting statistical information, including status of rural roads, rural bridges and all-weather road programs
- A table detailing grant awards for the current biennium and anticipated new awards for the 2023-25 biennium for the following programs:
  - » Rural Arterial Program (RAP)
  - » County Arterial Preservation Program (CAPP)
  - » County Ferry Capital Improvement Program (CFCIP)

Transportation Improvement Board

- Supporting statistical information, including status of sidewalks, urban arterials and small city arterial programs.
- A table detailing grant awards for the current biennium and anticipated new awards for the 2023-25 biennium for the following programs:
  - » Small City Arterial Program (SCAP)
  - » Small City Sidewalk Program (SCSP)
  - » Small City Preservation Program (SCPP)
  - » Urban Arterial Program (UAP)
  - » Urban Sidewalk Program (SP)
  - » Arterial Preservation Program (APP)

Freight Mobility Strategic Investment Board

A LEAP list of awarded and anticipated projects for 2023-25 and three subsequent biennia for the Freight Mobility Program.

Financial plan

Transportation agencies designated as a fund administrator should submit to OFM a four-year financial plan for all funds they administer that covers the current (2021-23) and ensuing (2023-25) biennia. Agencies should include documentation on assumptions made in the plan, contractually obligated increases, inflation and bond interest rates, etc.

Backlog reduction plan

State law requires that the budget include a strategic plan for reducing the backlog of maintenance and repair projects. See RCW 43.88.030 and references in the capital budget instructions.

Washington State Department of Transportation (WSDOT)
Grant programs
The following grant programs within WSDOT must submit a table detailing reappropriations and new awards. Information will include project title, lead agency, total project cost, grant request, biennium awarded and catalog of federal domestic assistance number where applicable.

- Program F – Aviation Grants
  - » Preservation
- Program V – Public Transportation Grants
  - » Rural Mobility Grants
  - » Special Needs Grants
  - » Vanpool Investment Program
  - » Regional Mobility Grant Program
  - » Transit Project Grants
- Program Y – Rail Grants
  - » Freight Rail Assistance Program
  - » Freight Rail Investment Bank Loans
- Program Z – Local Programs Grants
  - » Safe Routes to School Grants
  - » Pedestrian and Bicycle Safety Grants
  - » Surface Transportation Program Enhancement Grants
  - » National Highway Freight Program Grants

Operating programs
Ferry Operating Program (X)
WSDOT must include the following ferry-specific information to support its operating budget request:

1. Information that supports the need for maintaining, expanding or reducing service. Vehicle and passenger ridership forecast data also should be included.
2. WSDOT is required to set level-of-service standards on ferry routes in consultation with local governments. Submit level-of-service information with the budget request.
3. Fuel price changes are a maintenance level (ML) decision package (DP) item. Identify any change to the estimated number of gallons separately in a DP. Document diesel and biodiesel assumptions.

Capital programs
Transportation Executive Information System (TEIS) and required project information
RCW 47.05.030 requires the submittal of a 10-year investment plan. Capital transportation projects are included in the following WSDOT programs:

- Program D – Capital Facilities
- Program I – Improvements
- Program P – Preservation
- Program Q – Traffic Operations
- Program V – Public Transportation
- Program W – Washington State Ferries
- Program Y – Rail
- Program Z – Local Programs

Unless specifically required, enter transportation capital information into TEIS at the Budget Identification Number (BIN) level of detail in a manner consistent with the last legislatively enacted project list. Project list transmittals must comply with the TEIS data sharing agreement.

To the extent possible, WSDOT will include a narrative that explains why projects proceeded more slowly or quickly than was anticipated in the last enacted budget. Additionally, WSDOT will submit written narratives to explain why projects had overruns or underruns that exceed $500,000, or 10 percent, when compared to the last legislatively enacted project list.

To the extent possible for projects that have reappropriations WSDOT will include a narrative that explains reasons for the reappropriation. Capital projects will be submitted at the policy level.

WSDOT will identify in a separate document any new projects added to the project list or existing projects on the list that has been cancelled with a description of why they were added or canceled.

Identify contingency costs and risk reserves in a separately submitted spreadsheet for projects greater than $5 million and provide an explanation of the allocation process. For each project, you must identify the initial risk reserve and remaining risk reserve.

WSDOT must submit one project list for both the second supplemental request in the 2021–23 biennium and the 2023–25 base budget request. The project list will show expenditures for 2021–23, 2023–25, 2025–27, 2027–29, 2029–31, 2031-33, 2033-35, 2035-37, 2037-39 and "future."

Agencies will increase the cost assumed in future biennia by an appropriate inflation factor. The agency submitting the capital project list will provide a narrative document with its budget submittal that details the inflation factor used and the assumptions used to determine the factor. WSDOT must separately itemize all requests for the construction of new buildings in its proposed TEIS project list and not include buildings as part of larger transportation projects.

WSDOT must provide a narrative and explanation for any change in Administrative Support or Overhead cost (sub-programs I5, P4, W1 and W2), including new or unusual items. Inflate outer years, projected costs consistent with agreed upon financial planning processes.

WSDOT must provide a summary of consultant usage in all operating and capital programs in 2021-23 and projected usage for 2023–25.

Summary of "Section 601" changes (OFM-approved cost changes)
WSDOT will include a summary of all Section 601 requests during the prior biennium by:
- Fund
- Phase in which the project increase occurred
- Region

Nickel, TPA, and Connecting Washington status reports
WSDOT will provide an update with each budget submittal that compares the original project cost estimates in the 2003, 2005 and 2015 transportation lists to the completed costs of the project (or the most recent legislatively approved budget and total project costs for projects not yet completed).

Capital facilities

As required by Chapter 219, Laws of 2020, WSDOT must itemize all requests for the construction of new buildings in a TEIS project list. Requests for any new building facility must adhere to OFM's capital budget [instructions](#) including the submittal of the C-100 cost estimate.

Mega projects

For each mega-project active in the upcoming biennium, WSDOT will submit a funding plan summary that includes the original project cost estimate and the current project cost estimate; the work completed to date; the work that will be completed in the ensuing biennium; and planned expenditures for the outer biennia. WSDOT will also submit a list of BINs that make up the mega-project's current project cost estimate. Subprojects and their subtotals must also be included for each mega-project.

Ferry Capital Program (W)

WSDOT must include the following ferry-specific information to support its capital budget request:

1. WSDOT must submit the vessel rebuild and replacement plan developed and maintained in accordance with RCW [47.60.377](#). The plan must include a summary of the proposed vessel deployment plan with the budget that includes a table showing vessel deployments by biennium, route number and class of vessel for the entire planning period (e.g., the "Lego chart").
2. Project list requirements:
   a. Submit terminal projects under the W1 Subprogram with the same detail shown on the LCCM Report.
   b. Submit vessel projects under the W2 Subprogram at the BIN level and supplement with a detailed PIN list describing the specific scope of work to be performed in a current biennium as it ties to the specific budget submittal.

Definitions

Capital project. A capital project is a project to construct new infrastructure or significant long-term renewal or improvements to existing infrastructure. A capital project usually has a useful life of at least five years and typically requires the involvement of an architect or engineer. Grants made by the state to fund capital projects for other entities are often included in a capital program. Studies for the benefit of capital projects or programs may also be included in a capital program.

Preservation project. A preservation project is defined as one that maintains, preserves, and extends the life of existing state facilities and assets, and does not significantly change the use of a facility or asset. Preservation projects generally have little effect on future operating programs and budgets, except for reductions in the agency's maintenance costs and the deferred maintenance backlog. (RCW [47.60.005)](#)

Improvement project. An improvement project is defined as one that primarily achieves a program goal, such as changing or improving the characteristics of an existing asset to meet new program requirements or creating a new asset through construction, lease and/or purchase. (RCW [47.60.005)](#)

This category is less concerned with life extension of an asset and includes projects ranging from building new assets to significant renovation of existing assets. Improvement projects may also improve conditions, accommodate changes in service or clientele, or maintain or increase federal reimbursement.

Improvement projects must be tied to the statewide goal areas and strategies, organizational and program goals, and objectives and activities:

- Certain types of capital spending that cannot be categorized as preservation are categorized as improvements. This includes projects for utilities or other systems not replaced on a standard life cycle, assets not yet built and other non-preservation items. (RCW 47.60.005 and RCW 47.60.345.
- Additionally, each improvement project includes an allocation of system-wide and administrative capital program costs that are separately identifiable from direct project costs. (RCW 47.60.335)
- Finally, if a project meets both the improvement and preservation definitions, it is classified as an improvement project. (RCW 47.60.005).

State law provides a definition of ferry improvements in RCW 47.60.005, RCW 47.60.335, RCW 47.60.345 and RCW 47.60.355.

Chapter 15
HIGHER EDUCATION

These higher education instructions expand upon the Office of Financial Management's (OFM) 2023–25 biennial operating budget instructions.

Key tasks and deadlines:
- Submit an electronic copy of the higher education budget forms [template](#) with your operating budget submittal in September 2022. This includes attachments A through C.
- Submit electronic copies of each negotiated collective bargaining agreement between the institution and each bargaining unit by **October 1, 2022.**
- Fill out the tuition and enrollment change model (TECM) template and email it to [Kevin.Feltus](#) by **October 14, 2022.**

OFM and the Legislature need this additional information to:
1. Understand the level of undergraduate student indebtedness at graduation and how each campus uses financial aid and tuition waivers.
2. Update the TECM, which is used to estimate: (a) the financial impact of any 2023–25 tuition changes, and (b) the extent to which tuition revenues will offset instructional costs for new enrollments.
3. Assist the collective bargaining process by helping OFM certify the financial feasibility of agreements reached with bargaining units and to better understand changes in faculty salaries.
4. Provide clear guidance regarding requests for maintenance and operations (M&O) funding.
5. Update our information on nonappropriated and local accounts (145, 148, 149, etc.) and ensure accurate expenditure levels for these accounts in the budget system.

Recommendation summary
When completing the recommendation summary (RecSum) view of your budget, please submit detail for each institution and each campus showing all budgeted funds (see list below).

Budgeted accounts

001	General Fund	443	Data Processing Account
08A	Education Legacy Trust Account	489	Pension Funding Stabilization Account
120	Administrative Contingency Account	505	University of Washington – University
143	Federal Appropriations Account		Hospital Account
145	Grants and Contracts Account	608	Accident Account
148	Dedicated Local Account	609	Medical Aid Account
149	Operating Fees Account	788	Advanced College Tuition Payment Program Account

Salary, pension, and insurance reports (A forms)
Attachment A-1 (Locally authorized salary increases)
Section 601 of the biennial appropriations acts requires that all locally funded salary increases greater than the state-supported increases authorized by those acts be excluded from the compensation base used for calculation of future state-supported salary increases. Unfortunately, the compensation impact model (CIM) design and instructions do not readily accommodate compliance with this statutory requirement.

Please identify the estimated fiscal year 2022 **cumulative** value of such increases on Attachment A-1. On the form, show only (a) the estimated locally authorized incremental cost that (b) was reported as a General Fund-State or tuition-funded cost on your institution's most recent CIM submission.

You can find the higher education budget form template with attachments A through C on OFM's forms webpage.

Attachment A-2a and Attachment A-2b (Non-faculty and classified CBA summaries)
Collective bargaining agreements – classified employees. For any collective bargaining agreement not negotiated by the OFM Labor Relations Unit, OFM must certify that the cost is financially feasible for the state. To provide this certification, OFM needs the following from the institution:

1. A copy of the agreement reached between the institution and each bargaining unit, in electronic format, by **October 1, 2022.** Email to Marcus Ehrlander and Ramona Nabors.

2. Each negotiated bargaining agreement as a separate decision package with a brief statement showing the various components of the agreement and the cost estimate for each component.
   a. Label recommendation summary titles with the name of the bargaining unit.
   b. Show four years of costs for the agreements that will be in effect during the 2023-25 biennium.
   c. Include contact information for a person who can discuss these calculations with OFM.

3. The cost of each individual component of each agreement shown separately by fund and fiscal year based on actuals. **See Attachment A-2b (Classified CBA summary)** for an electronic template.

4. Provide a crosswalk from the higher education job classification to the State Human Resources (State HR) list of approved job classes, if the bargaining unit contains any job classes that do not appear on the State HR list of approved classes. Provide crosswalks in an Excel spreadsheet or delimited text file. Job class code 99999999 and others used exclusively for exempt employees are exceptions to the crosswalk requirement. See State HR's job classes and salaries webpage for a list of job classes.

5. Complete **Attachments A-2a (Non-faculty exempt CBA template)** and **Attachment A-2b (Classified CBA summary)** for each agreement.

For other types of compensation changes or for additional information, please contact Marcus Ehrlander.

Attachment A-3 (Faculty collective bargaining summary)
Collective bargaining agreements – faculty. To better understand how faculty salaries have changed in recent years, OFM and the Legislature need information on collective bargaining agreements that institutions have negotiated with faculty (if applicable).

For each negotiated agreement currently in effect — or that has been negotiated but has not yet taken effect — provide a completed A-3 worksheet and cost information for each individual component of the agreement.

To put these contracts in context, we also require cost information for the **previous** faculty contract. Thus, provide salary base, fund source and component cost summaries on the A-3 worksheet. Provide a copy of each agreement reached between the institution and each bargaining unit, in electronic format, for all agreements in place between fiscal year 2020 and fiscal year 2023, where applicable.

Other budget reports
Local fund summaries
For Account 148, report each revenue source separately.

Fund balance management
Provide a narrative summary of the historic management and uses of accounts 148 and 149, including an explanation of any reserve or working capital policies that govern fund balances in these accounts. If your institution does not have a reserve or working capital policy, explain why.

Tuition waivers, financial aid, and student debt (B forms)
Tuition waivers and student debt
1. On **Attachment B-1 (Waivers–state supported)**, provide actual headcount recipients and operating fee (Account 149-6) dollars waived by primary waiver purpose, RCW citation where applicable, level of study (graduate/undergraduate) and residency status. For the most part, state-supported waivers are outlined in RCW [28B.15.910](1), (2) and (4). Waiver recipients often qualify for waivers for multiple reasons; for example, the surviving child of a veteran may also have financial need and be an outstanding student. In such cases, count the recipient and the dollars waived just once.

2. On **Attachment B-2 (Waivers–nonstate supported)**, provide the same information, as described above. Nonstate supported waivers are described in RCW [28B.15.915](3) and [28B.15.910](3).

3. On **Attachment B-3 (Financial aid from nonstate sources)**, provide actual headcount recipients and grants and loans disbursed from federal and private financial aid sources packaged for state-supported students by your institution's financial aid office.

4. On **Attachment B-4 (Student loan debt)**, report cumulative student loan debt at graduation for undergraduates receiving baccalaureate degrees in the 2020-21 and 2021-22 academic years.

Include an electronic copy of forms B-1 and B-2 with your TECM data submission to [Kevin Feltus] at LEAP.

Maintenance and operations for new buildings coming online in 2023-25 (C-form)
1. Provide the information requested on Attachment C separately for maintenance level (ML) and policy level (PL) requests, if any.
   a. At ML, institutions may propose state support for operations and maintenance costs associated with facilities coming online in 2023–25 that were constructed or expanded with direct financial support from the state capital budget.
   b. At PL, institutions may request state support for instructional or research facilities that were constructed with non-state funds, particularly those for which prior authorization has been provided in a previous capital or operating budget.

   Include the state capital project number assigned to each facility for which funding is requested.

2. At the bottom of Attachment C, show the proposed cost per square foot by component (utilities, maintenance, custodial and grounds, and facilities support) and explain the basis for that estimate.

3. If facility square footage or intended use differs measurably from amounts identified on the capital project request report (CBS002), include a complete explanation for the variance in your decision package and a justification for why any amounts higher than identified on the capital project request report should be supported.

4. If funding is being requested for a facility that is replacing older space, net out the M&O cost of the facility being replaced. At the top of Attachment C, show the total gross square feet that are being replaced, calculate the estimated total cost of maintaining and operating that space at your institution's actual average fiscal year 2022 average M&O cost per square foot and deduct that cost from the calculated M&O cost of the new replacement space.

5. If funding is being requested for a renovated facility, explain why M&O of the renovated facility is expected to be more expensive than the old.

Tuition and enrollment change model (TECM) data
Data for updating the TECM
TECM data should include 2021-22 student data and an annualized average for the 2022-23 academic year based on 10th day enrollment.
1. Fill out the TECM template, available on OFM's budget forms [webpage](); and
2. Send an electronic copy of the TECM, B-1 and B-2 forms to [Kevin Feltus]() at LEAP by **October 14, 2022**.

Enrollment information. Include all students enrolled in state-supported courses, including students who are enrolled under nonstate-supported waivers. For the tuition model, state-supported means courses for which operating fee revenue is deposited into Account 149.

Include the following information in your submittal:
- **Actual 2021–22 academic year headcount distribution** for students enrolled in courses for which operating fee revenue was deposited in Account 149. List this information by credit hour, campus, student category, residency status (resident vs. nonresident) and term. Reference the data template for more detail.
- **Annualized average 2022-23 academic year headcount distributions based on 10th day enrollment reporting** for students enrolled in courses for which operating fee revenue was deposited into Account 149. List this information by credit hour, campus, student category and residency status and term. Reference the data template for more detail. "Annualized average" means fall, winter and spring terms, but not summer.

Revenue information. Include the following information in your submittal:
- **Gross actual Account 149 revenue collections for the 2021-22 academic year.** Provide information by campus and student type. In this case, there are only two student types – resident undergraduate and all other students.
- **Net operating fees.** These are fees deposited into Account 149 *after* waivers and the diversion of tuition collections into the institutional aid fund and *before* adding interest earnings and making bond payment transfers.
- **Total operating fee waived for the 2021-22 academic year.** Use OFM budget forms B-1 and B-2. Data should be at the student-category level for both resident and nonresident students. Use the same student categories as used to report enrollment information.
- **Cost per credit hour for the 2021-22 and 2022-23 academic years.** List operating, building, and service and activity fees separately. Reference the data template for more detail. Data should be at the student-category level for both resident and nonresident students. Use the same student categories as used to report enrollment information.

STRATEGIC PLAN GUIDELINES

Why prepare a strategic plan?

Strategic planning is crucial for budget decisions

The Legislature has a stated policy that each agency's budget recommendations must be directly linked to the agency's mission, programs, goals, and objectives (RCW 43.88.090(5)). The strategic plan should link an agency's budget request to specific efforts to achieve statewide goals. An agency budget proposal that is not aligned with its strategic plan may be difficult to justify and less likely to fare well with budget analysts and decision makers.

OFM expects agency budget requests to be anchored to its strategic plan, offering a clear "line of sight" that allows a reader to easily understand:

- The agency's mission, its highest priority activities or programs, and its key customers.
- The operating environment and organizational factors facing the agency.
- What statewide results, outcomes, and goals the agency must achieve to carry out its mission.
- Measurable objectives the agency has established to move toward the goals.
- How the agency will measure progress toward those goals.
- Strategies the agency intends to pursue to achieve stated objectives.
- Additional resources the agency may need to successfully carry out its strategies.

Strategic plans are a communication tool

While the primary purpose of the strategic plan is to guide the agency's management activities, it's also a means to communicate with people inside and outside the agency. Within an agency, a strategic plan can give employees a sense of shared purpose and motivation by clearly articulating agency values and goals. Employees will know how their work contributes to success. Strategic plan objectives can be aligned with employee performance and development, one of the key factors in successful performance management.

Decision makers, budget and policy analysts, auditors, stakeholder groups, and the public read strategic plans to learn about an agency's purpose and work activities, its opportunities and challenges, strategic direction, and how it measures success. If your strategic plan is clear and complete, you may be able to avoid preparing duplicate information for your audiences.

It's the law

RCW 43.88.090 directs each state agency to define its mission and establish measurable goals to achieve desirable results for customers, and to develop clear strategies and timelines for achieving these goals.

Agencies must establish objectives for each major activity in its budget. Objectives must be expressed in measurable form, address the statutory purpose of a program or activity, and focus on data that measures whether the agency is achieving or making progress toward statewide priorities.

OFM is required to provide professional and technical assistance to assist state agencies in developing their strategic plans. These guidelines are one aspect of this technical assistance. Further information is available on the Results Washington website.

What is strategic planning?

Strategic planning is a process to determine what an agency wants to accomplish over a given period and how to do that. Effective organizations regularly take time to ask and answer a few critical questions:

- What do we do and for whom?
- What are our main products and services?
- Who are the customers of those products and services?
- Where are we today?
- Where do we want to be in the future?
- How do we close the gap?
- How will we know if we are succeeding?

A process to answer these questions is the essence of strategic planning.

Strategic planning in the **public sector** answers these additional questions:

- What is the desired social outcome, or "public good," we want to achieve? (Goals)
- How do we expect to contribute to, or influence, the outcome? (Strategies)
- What resources will we need to implement these strategies?

Because public sector organizations are subject to several outside influences beyond their control, this process is to be repeated to evaluate the effectiveness of strategies. (Reference: Schacter, 2007.) While the strategic plan document has certain uses (documenting decisions and as a communication tool, for example), the most valuable part of the agency's plan is the periodic process of confirming goals, assessing progress toward an outcome, evaluating what is effective and what is not, and adjusting strategies to improve performance.

Strategic plan should focus on state's priority goals

Governor Jay Inslee
A New Strategic Framework

Vision	A **Working Washington** built on education and innovation … where all Washingtonians thrive.
Mission	➢ Foster the spirit of **continuous improvement** ➢ Enhance the conditions for **job creation** ➢ Prepare students for the future ➢ Value our **environment**, our **health** and our **people**
Foundation	➢ Create a responsive, **innovative** and data driven culture of continuous improvement. ➢ Recognize Washington's rich **natural resources**, diverse **people** and entrepreneurial **drive**, and build upon our legacy. ➢ Operate state government with the expectation that success is dependent on the success of **all**. ➢ Create effective communication and transparency on **goals**, **measures** and **progress** in meeting expectations. ➢ Deepen our focus, understanding and commitment to our citizens: **Know our customers**.
Goals	World-Class Education Prosperous Economy Sustainable Energy and a Clean Environment Healthy and Safe Communities Efficient, Effective and Accountable Government
Measure & Improve	Building a more responsive, data-driven state government to get results: **RESULTS WASHINGTON** www.results.wa.gov

Today's complex challenges often require expertise and collaboration from multiple state agencies. Therefore, the strategic plan must consider how your agency can best achieve its mission **and** contribute to accomplishing important statewide outcomes with other agency partners. For a complete list of Governor Inslee's priorities, see [Governor's Goals](#).

Your strategic plan should clearly communicate how your agency plans to contribute to the Governor's statewide priorities and how your agency will help to achieve results and desired outcomes. All agency budget activities may not be an explicit component of your strategic plan, but all activities are assigned to one of five statewide goal areas and evaluated (by the Governor's Results Washington team) on how they contribute to desired outcomes. These evaluations are based on goal attainment and performance measures in OFM's Results through Performance Management (RPM) system. Many agencies find it useful to develop and report a common set of measures to both track progress on meeting the goals in their strategic plans, and for performance reporting to Results Washington and OFM.

Strategic planning best practices

Preparing your strategic plan
A good strategic planning process will:
- Identify an agency's mission, core business processes, primary customers, and stakeholders.
- Articulate an agency's vision and values.
- Focus on a limited number of key priorities and outcomes.
- Set clear goals and measurable objectives for priority outcomes.
- Analyze external forces that influence the ability to achieve the mission.
- Assess internal capacity to deliver services and manage effectively.
- Develop strategies that will achieve objectives.
- Establish performance measures and targets to determine if strategies are successful at meeting objectives.
- Implement the plan through resource and staffing decisions and operational plans.
- Regularly monitor progress.
- Involve leaders, managers, employees, customers, and stakeholders throughout the process as appropriate.

There is no perfect way, or "cookbook" approach, to prepare a strategic plan. Because agencies face different circumstances, you may carry out your planning process in different ways.

Are there required components of the strategic plan?
OFM does not require plans to contain specific elements, refer to RCW [43.88.090](#)(2-4) for the statutory requirements. Each specific element in your plan should include a list of statutes that authorize the establishment and operation of each agency program and that tie that program to the agency's mission, programs, goals, and objectives.

Good plans show evidence that you have engaged in the process described above. They contain components that describe your agency's mission, major business processes, and assessment of external factors and internal capacity. Good plans also convey statewide outcomes, goals, and objectives to be achieved, strategies to accomplish them, and performance measures to track and gage progress.

Is a specific format required?
No specific format is required, but a table of contents helps readers locate various elements.

Your strategic plan will only benefit readers if they understand it. Organize information so things are easy to find. Keep it brief and clear, avoid jargon and define acronyms. Write using plain talk principles (see the plain talk [website](#)).

Strategic plans benefit by focusing on a few priority areas. A plan that lists every possible thing that every unit would like to accomplish is unlikely to be implemented successfully. If you choose to include all divisions in the planning process, we suggest that you include an executive summary in the final plan.

Some useful plans may be as brief as one to four pages, although they may rest on a foundation of more detailed analyses (that can be referenced in the plan itself.)

Who should be involved in the planning process?
The strategic planning team should include representatives from major divisions who have a role in carrying out the plan. For instance, if a strategy will require additional resources to achieve an objective, budget staff should be part of the team.

Asking customers and stakeholders for input on the plan is a best performance management practice. After all, an agency's programs should exist to serve specific customers, and gathering data about performance from customers should provide valuable and important data for planning.

It is critical for senior leaders to own the plan and process – goals should come from the top. They may not be involved in the day-to-day process but should be involved early on in frank conversations about objectives. Front-line staff should be involved in the planning process if the agency relies on them to successfully implement a strategy, or if it wants to align parts of the plan with employee performance evaluations. Managers should be included in the process if an agency wants to get widespread "buy-in" for its plan, so they are thoroughly familiar with what the plan includes.

Where do we start?
If you have already applied for a Washington State Quality Award (WSQA), you may want to use the organizational profile and human resource focus sections as a beginning point.

Asking customers and stakeholders for feedback is a useful first step. Another good place to begin is by reviewing your last strategic plan and answering these questions:
- Are the mission and business processes still relevant?
- Is there a clear relationship between the goals and statewide results or outcomes then and where we are now?
- What do we want to increase, decrease, or maintain and by how much? Did we already meet those targets?
- What process element did we focus on to make changes? Do we have a hypothesis about why it did or didn't work?
- What does that mean for strategies we should now pursue to achieve current performance targets?

What components should be in a strategic plan?

A good strategic plan will include many of the following components or elements, but not every plan needs to contain all of them.

Mission statement

An agency's mission statement describes its reason for existence in general terms that capture its unique purpose and functions. It typically describes the organization, what it does, why it does it, and for whom. Mission example: The Department of Healthy Behaviors works to improve the health of Washingtonians by promoting actions that individuals can take to improve their health.

Vision statement

The vision statement is a brief, forceful statement describing the organization at its most effective, or as it will be when it achieves its desired goals and outcomes. Examples:

- Great people, great service, excellence every time.
- The department is recognized as a progressive, innovative leader as we promote economic vitality, safeguard the environment, provide world-class customer service, and embrace change.

Values

Values are a statement of the agency's beliefs and behaviors. The strategic plan's value statement can help establish a reference for employees to carry out their work. Examples:

- All staff are guided by the following values: honesty, respect, and accountability.
- Our core values are service, integrity, teamwork, and innovation.

Assessment of external challenges and opportunities

A good strategic plan will describe important external factors that affect the agency's ability to achieve goals and performance targets. In their analyses, agencies should consider changes in these factors and how they may also affect partners upon whom the agency heavily depends.

- The economy
- Client populations
- Client demographics
- Client/citizen needs, preferences or expectations
- The way customers expect services to be delivered
- Related markets or industries
- The expectations of suppliers and partners
- The law or regulatory environment
- The costs of doing business
- The natural environment

Assessment of internal capacity and financial health

The strategic planning process also provides a good opportunity for an agency to take stock of its strengths and weaknesses, and to examine internal agency factors that can impact its ability to accomplish the mission, goals, and objectives. For example:

- What are key workforce issues that affect agency performance?
- What workforce issues must be addressed to achieve business goals?
- Do you see a need or opportunity for changes in service delivery methods?

- Will your strategies require an increase in staff and a need for more space? Will they require changes in the type of space? Are there pressing facility maintenance and operations needs or requirements?
- What technology investments will be necessary (and in what timeframe) to achieve goals?
- Are there trends in revenue sources, fund balance changes, or cost pressures that may affect your financial sustainability?

A common technique that combines internal and external assessment is a "SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis. Under SWOT analysis, an agency explicitly identifies internal factors (strengths and weaknesses) and external factors (opportunities and threats) that may impact its ability to achieve results. Use this analysis to develop strategies that capitalize on positive factors (strengths and opportunities) and mitigate adverse factors (weaknesses, risks, and threats.)

Performance analysis
The strategic plan tells the story of how the agency intends to bridge the distance between where it is today and where it would like to be in the future. Performance analysis describes the nature of those gaps. Consider these questions:
- If actual performance is different than expected at this point, why?
- What is the agency learning from its internal Results Washington forums process?
- How do performance results compare to those of other similar organizations, or to recognized industry standards, and why?
- Which performance gaps are most important to close?
- How will the agency try to close these performance gaps?

Goals
Goals are broad, high-level, and issue-oriented statements of outcomes that an agency will strive to achieve. They should fit well with the mission statement and values, and answer the question, "What must we do to accomplish our mission or achieve a result?" Examples:
- Reduce tobacco use among adults, pregnant women, and children.
- Protect public health by ensuring safe food supply.

Objectives
Objectives break goals down into smaller, more specific pieces. They describe measurable results an agency expects to accomplish within a given period. A good objective statement will provide an operational way to know if your strategies are successfully moving toward your targeted goal. Try to start each objective sentence with one of these words: increase, decrease or maintain. Examples:
- Decrease the proportion of cigarette smoking among 10th grade adolescents by 10 percent.
- Increase the proportion of food processors that comply with public health standards to 95 percent.

Strategies
Strategies are methods to achieve an objective. While goals and objectives state what the organization **wants** to achieve, strategic statements state **how** goals and objectives will be achieved. Strategies should guide the near-term work and activities that an agency undertakes to achieve specific goals and objectives. Examples:
- Produce anti-smoking messages and a media campaign targeted to teenagers.
- Inspect, test, and provide technical assistance to food storage and processing industries.

For the strategic plan, an agency should focus on the most important strategies, describing how each strategy will help to achieve both agency goals and statewide results.

Performance measures
Performance measures are numeric descriptions of an agency's work and results. They are based on data and tell a story about whether an agency or activity is achieving the desired objectives, and if progress is being made to attain policy or organizational goals.

Performance measures should be written to begin with "number of . . ." or "percentage of . . ." then describe what is being measured. Examples:
- Percentage of 10th grade students who say they have smoked within 90 days, as reported on the annual student survey.
- Percentage of food processors with a compliance rating score of 90 or more on annual inspection.

Implementing strategic plans
Preparing a strategic plan is only a first step. To paraphrase management consultant, educator, and author Peter Drucker, "plans are only promises and hopes without subsequent commitment and action." To be effective, strategic plans must be implemented through operational and action plans, work assignments and requests for resources.

Action plans and operational plans
Once high-level direction is set through the strategic plan, some agencies ask divisions or business units to prepare action or work plans. These provide concrete steps to implement the agency's selected strategies and can help management track effectiveness and success.

Capital and technology needs
The strategic planning process can identify emerging capital and technology needs for the agency. Changes in caseloads, customer expectations, agency work practices and aging facilities or systems may create profound changes in an agency's facility and technology requirements.

The narrative justification for each capital budget project request must describe how the project supports the agency's strategic plan and/or how it contributes to statewide results. OFM asks key questions in its review of agency capital budget requests, including:
- What are the most effective strategies and activities in which to invest, and how does this capital budget request support them?
- How do the proposed capital investments support the agency's mission, goals, and objectives?
- How do the investments support statewide priorities?

Information technology planning
The Technology Services Board (TSB) focuses primarily on information technology strategic vision and planning; enterprise architecture; policy and standards; and major project oversight. Members include legislators, business leaders, agency directors, and a union representative.

Workforce planning
Workforce planning is the overall process to link workforce strategies to desired business outcomes. Goals, objectives, strategies, and performance measures in the agency's business plan should

highlight key workforce priorities. Valuable workforce planning information and tools are available at the State Human Resources [website](#) under workforce planning.

Enterprise risk management

Enterprise Risk Management (ERM) is the discipline and its associated processes of applying a risk evaluation to each agency goal, identifying root causes of these risks, determining – as an enterprise – what changes (i.e., risk treatments) are best to address the root causes, and then monitoring the success of the risk treatments. (See [risk management](#))

Environmental Justice Implementation Plan

In 2021, the Legislature adopted The Healthy Environment for All Act (HEAL Act) (codified at [RCW 70A.02](#)) to:
- Ensure environmental reviews, funding decisions, and permitting decisions identify and address environmental health disparities in overburdened communities.
- Reduce exposure to environmental hazards on tribal lands.
- Track and measure implementation of environmental justice in state agencies.

The following state agencies are "covered agencies" that must implement the requirements of the HEAL Act:
- Departments of Ecology
- Department of Agriculture
- Department of Commerce
- Department of Health
- Department of Natural Resources
- Department of Transportation
- Puget Sound Partnership

State agencies not specifically covered by the law may opt in to assume the requirements and obligations of the law.

[RCW 70A.02.040](#) requires covered agencies, by January 1, 2023, to incorporate an environmental justice implementation plan within its strategic plan. Each EJ implementation plan must include:
- Agency specific goals and actions to reduce environmental and health disparities.
- Metrics to trace and measure accomplishments of the agency goals and actions.
- Methods to incorporate equitable community engagement and participation from the public into agency practices for soliciting and receiving public comment.
- Strategies to ensure compliance with existing federal and state laws relating to environmental justice.
- The plan for community engagement required under RCW [70A.02.050](#).
- Specific plans and timelines for incorporating environmental justice considerations into agency activities as required by the Act.

Please review RCW [70A.02.040](#) for more details on these requirements. In developing and updating its EJ implementation plan, each covered agency must also consider any guidance developed by the Environmental Justice Council pursuant to RCW [70A.02.110](#). This guidance is still under development.   Please look for additional guidance from the Environmental Justice Council and the Environmental Justice Interagency workgroup.

Resources and references

Internal and external assessments

- OFM's <u>Forecasting Division</u> provides population, demographic, economic, and other trend data. <u>Washington trends</u> and <u>budget drivers</u> may be particularly relevant.
- Quarterly economic and revenue forecasts are available from the <u>Economic and Revenue Forecast Council</u>.
- The Caseload Forecast Council's <u>website</u> has data for K-12 enrollment, social service caseload and prison populations.
- The Washington State Human Resources <u>website</u> has workforce planning and <u>data</u>.

Strategic planning

- Baldrige Performance Excellence <u>Program</u> at the National Institute of Standards and Technology has criteria for evaluating organizational strategic planning and implementation on pp. 10-12 of the 2011-12 Criteria for Performance Excellence, (PDF).
- McNamara, Carter, MBA, PhD, <u>Basic Description of Strategic Planning</u> and <u>Overview of Various Strategic Planning Models</u> explain basic elements of, and different approaches to, strategic planning.
- Zients, Jeffrey D, Statement to United States Senate Budget Committee (PDF, Oct. 29, 2009). The Chief Performance Officer with the federal Office of Management and Budget (OMB) discusses five principles for successful performance management.

Performance measures and logic models

OFM's Performance Measure <u>Guide</u> contains information about how to write objectives and performance measures, and includes a section on using logic models to connect work activities to outcomes.