

SENATORS

FRANK W. FOLEY
WILBUR G. HALLAUER, VICE SECRETARY
ERNEST W. LENNART
MARSHALL A. NEILL, VICE CHAIRMAN
WILLIAM D. SHANNON



REPRESENTATIVES

DAMON R. CANFIELD
W. E. CARTY
JOE CHYTIL, SECRETARY
AUGUST P. MARDESICH, CHRM
Z. A. VANE

STATE OF WASHINGTON
LEGISLATIVE BUDGET COMMITTEE
LEGISLATIVE BUILDING
OLYMPIA

PAUL W. ELLIS
LEGISLATIVE AUDITOR

BIENNIAL REPORT, 1957-59

EMPHASIS OF WORK OF BIENNIUM

The Legislative Budget Committee's program for the present biennium has included both important similarities and important dissimilarities by comparison with the work of prior biennia. As in former years, we have concentrated our attention on four major cost areas which have an important bearing upon the critical general fund. These are the Department of Institutions, the institutions of higher education, the Department of Public Assistance, and state support for public schools. We have also continued our practice of examining the expenditures of the various agencies of state government to report at irregular intervals on apparent overexpenditures and on possible deficiencies. Our meeting schedule has emphasized a study of the capital outlay needs of the Department of Institutions and of the state institutions of higher education.

The plan of our operations is to understand the programs under consideration, to evaluate the effectiveness of their administration as far as effectiveness is measurable by cost, and to obtain information useful to the Legislature to evaluate budget requests.

It is the unusual agency, rather than the usual agency, which has an effective program for evaluating its own operations. Administration without adequate information is effective only by accident. An essential element in any system of cost information is an accounting system which will produce the kind of cost data which are needed. In general, the agencies which we have studied have not had the cost data which are necessary to evaluate their needs accurately.

During the present biennium, the governor's budget office is making important strides in revising the budget and accounting systems to the end that both the Legislature and the administration may have information which will be more useful and more important in passing judgment upon appropriations. This is the result of an appropriation to the governor made by the 1957 Legislature for establishing a program type budget. This is a development which was sponsored by the Legislative Budget Committee of 1955-57.

In the past, the staff of the Legislative Budget Committee has had to do a considerable amount of detailed work in analysis and evaluation which should have been done in executive agencies. Already some of these functions have become less burdensome to this staff as executive agencies have begun to perform these functions. The greatest strides in this connection have been made by the office of public instruction, but the governor's budget staff has been materially strengthened, is substantially improving the form and content of the budget request, and is providing assistance to the various agencies of state government in informing them more adequately concerning the information needed by the Legislature as a basis for understanding their needs.

Our work with both institutions and higher education is being assisted by improved cooperation with the governor's budget office. A high level of cooperation with a well qualified central office staff in the Department of Public Assistance continues to result in useful information for evaluating the various public assistance programs.

The most serious problem we have found in evaluating state operations generally is the tendency on the part of agency heads and staffs to so over-emphasize the importance of their programs that they do not provide for an adequate evaluation of the work they are doing. We believe it would be a desirable rule, to which perhaps few exceptions should be made, that agencies should not be permitted to add to existing staff without making adequate provision for evaluating the efficiency of their operations and without making adequate provision for cost and other data needed by the Legislature and by the governor's budget staff for understanding and evaluating the existing programs.

In making this statement, the Legislative Budget Committee believes that the new budget and accounting system being installed by the governor's budget office includes plans to accomplish this purpose. It is too early to be certain whether this is true.

CAPITAL OUTLAY

We agree with former Legislative Budget Committees that there is more danger of serious waste of state funds by poor planning and execution of expenditures for capital outlay than in any other area. The members of this Legislative Budget Committee have visited all state institutions of higher education and all institutions of the Department of Institutions, with the exception of two forest camps. We have also visited the three county tuberculosis sanatoria which are supported by the state and which have excess capacity which might be used for some alternative purpose. We find improved, but still inadequate, planning. The best planning in the agencies we have studied continues to be done by the University of Washington and Washington State College. It is quite possible that the greatest improvement in planning during the present biennium has been done by the three Colleges of Education.

Governor's Revision of Budget and Accounting Procedures (pp. 17-18): The Legislative Budget Committee of 1955-57 recommended establishing a program type budget and accounting system in the state. The Governor has given this his full support. We expect the 1959-61 budget document to be a major resulting improvement. Stronger budget and management administration, as well as improved executive direction of both program and expenditures, should result.

GOVERNOR'S REVISION OF BUDGET AND ACCOUNTING PROCEDURES

The 1955-57 Legislative Budget Committee, with the full support and cooperation of the Governor, sponsored a proposal for revising the budget and accounting system of the state. This culminated in the appropriation of \$175,000 to the Governor for the purpose of establishing a modernized budget and accounting system, including a program type budget. The Governor has employed consultants to work with his staff in providing the beginnings of program budgeting, and is giving this project his full support.

We expect the 1959-61 budget document to represent a substantial improvement in the provision of information needed by the Legislature for passing judgment on appropriations. However, in many instances, the departments have not had an adequate basis of information to provide the factual material desired. It is to be expected that new programming, accounting, and reporting procedures, which have been or will be installed, will produce a further improved budget for 1961-63.

It is our information that the following have been accomplished or are in process:

1. The new budget document will have four parts:
 - (a) the governor's budget message which will describe his fiscal policy and fiscal program;
 - (b) the body of the budget which will show: (1) the authority for each agency's operations and a description of its function; (2) an agency summary showing numbers of employees, appropriations, expenditures, and proposals for 1959-61, showing annual data and estimates, and classified both by program purpose, and by object of expenditure; and (3) program details describing each program and giving the same data and estimates for each program as is summarized for the agency as a whole [per (2) above];
 - (c) the capital budget and program which will not only give proposals for 1959-61, but which will also give an indication of plans for succeeding biennia;
 - (d) a budget supplement which will give detailed personnel data for all employees, based on the October 31, 1958, payroll.
2. The objective account structure has been greatly simplified.
3. A capital improvement program will be included as part of the budget proposals.
4. State assigned personnel have been trained in program budgeting techniques and the staff work for the executive branch has been strengthened for its continuing budget and management work.

5. A new chart of expenditure accounts has been developed, based upon the work programs (or services) of the agencies, and a new set of revenue accounts has been established.
6. The new program budget will clearly set forth the receipt, expenditure, and use of all funds, whether appropriated or not.
7. The budget will contain a governor's budget message covering his fiscal policy and the highlights of his work program for the biennium.
8. Feasibility of new accounting procedures and forms are being tested in a pilot installation in the Department of Licenses prior to development of the accounting portion of the budget and accounting manual.

The Governor's budget staff and the staff of the Legislative Budget Committee have been more closely correlating their work this biennium, with the result that we hope to be able to rely, in the future, on much information from the Governor's budget staff which our staff, in the past, has had to develop. This should help us to be more effective and will help the Legislature to identify responsibility for performance by the executive agencies.

PREPARATION FOR 1959 LEGISLATIVE SERVICE

The Legislative Budget Committee has endeavored to keep legislators informed of its operations through concise Reports to the Legislature, economically processed. A complete set of these Reports, stapled together, is available to legislators and other interested parties on request. Summaries of those which have been issued are attached hereto. (pp. 20 - 21) In general, these Reports may be classified as follows:

- (a) The first report, entitled "The Legislative Budget Committee, Its Achievements and Plans", outlined the work of this Committee during its first three biennia of operations, and indicated the plans of the present Committee for work during this biennium.
- (b) Those which deal with possible overexpenditures and deficiencies. Continuing a practice instituted in 1952, the Legislative Budget Committee has reported four times on apparent overexpenditures and possible deficiencies.
- (c) Other Reports included Surveys of State Fiscal Administration, an analysis of the Washington State Bonded Debt, and a statement of General Fund Balances and Obligations.
- (d) Report No. 5 describes some of the major problems in connection with the Medical Care program of the Department of Public Assistance.

(e) Report No. 9 described problems created by a 9% staff reduction in the Department of Public Assistance.

Additional Reports are being planned, which will be intended to advise the Legislature how some of the major agencies have used their appropriations during the present biennium. These are expected to include an analysis of the operations of the Department of Institutions, state support for public schools, and possibly the institutions of higher education.

ADDITIONAL RECOMMENDATION

In our concentration on the major expenditure needs, we have been unable to explore adequately the administration of tax collection and other revenue producing agencies. We would recommend that the next Legislative Budget Committee study these areas to obtain answers to the following questions:

- (a) Is there sufficient qualified staff to administer revenue laws efficiently and economically? Is there too much staff?
- (b) Can collection, auditing, recording, and reporting procedures be improved?
- (c) Are there any legal loopholes which should be corrected in the interest of more closely achieving the results intended by the Legislature?

Respectfully submitted,

Rep. August P. Mardesich, Chairman
Senator Marshall A. Neill, Vice Chairman
Rep. Joe Chytil, Secretary
Senator Wilbur G. Hallauer, Vice Secretary
Senator Frank W. Foley
Senator Ernest W. Lennart
Senator William D. Shannon
Rep. Damon R. Canfield
Rep. W. E. Carty
Rep. Z. A. Vane