

State Transportation Capital Budgeting Study Final Report



Prepared For:
Legislative Evaluation and Accountability Program Committee

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Executive Summary

1. Introduction

In 2006 the Legislative Evaluation and Accountability Program Committee (LEAP) conducted a study of the Transportation Executive Information System (TEIS). The study recommended that TEIS be replaced with an improved system to better support capital budgeting, oversight and reporting. In 2007 the legislature moved responsibility for TEIS to LEAP and provided funding for LEAP to develop a replacement capital budgeting system. The capital budgeting system development effort is to provide “common, agreed-upon data definitions and business rules” (ESHB 1094 Section 107). LEAP has initiated its system development effort with this study, which focuses on a common approach to transportation capital budgeting and oversight reporting, and a new information technology (IT) system.

Common Approach: LEAP’s goal in developing the new system is to create a common approach between the House and Senate Transportation Committees, the Office of Financial Management (OFM), and the Washington State Department of Transportation (WSDOT) to transportation budgeting and oversight reporting. LEAP established in its 2006 study the following common needs: (a) a system to develop the transportation capital budget; (b) the ability to monitor the execution of authorized budget plans; (c) a fund balance system to track revenues and expenditures; and (d) the ability to model funding scenarios.

Stakeholders: The core users of the TEIS are the House and Senate Transportation Committees, Office of Financial Management (OFM), and Washington State Department of Transportation (WSDOT).

2. Goals

The consultants and LEAP conducted interviews and met with a work group comprised of House and Senate Transportation Committee, OFM, and WSDOT staff to develop a common set of parameters and goals for the capital budgeting and oversight reporting process, and the supporting information technology (IT) system.

Capital Budgeting System Parameters: The legislature required a review of both the capital budgeting and oversight reporting process, and the IT system that supports the process. The key assumptions that guided this review are: (a) a continuation of both program and project level budgeting and oversight reporting; (b) the key role to be played by OFM; and (c) the need to be responsive to statutory requirements.

Goals for Capital Budgeting and Oversight Reporting: The workgroup identified 12 goals:

Capital budgeting and oversight reporting process goals

1. Stake(s) in the ground – a fixed starting point for budget development, reporting and change management
2. Stake in the ground 16-year financial plan/fund balance that ties to the adopted budget
3. Common approach to project status updates during the legislative session
4. Understood definitions of key business terms for highway and other WSDOT capital budgets

Capital budgeting process goals

5. Flexible and transparent project roll-ups (There has been no agreement on budgeting at a roll-up level as a matter of course. The legislature has budgeted some projects at a project level and others at a very low level of detail.)
6. Agreed upon basis for the distribution of indirect costs
7. Understood allotment of federal funds

Capital reporting process goals

8. Accurate, timely, and consistent cost reporting at the project and program level
9. Accurate, timely, and consistent schedule reporting at the project level
10. Accurate, timely, and consistent scope reporting at the project level

Capital budgeting and oversight reporting policy goals

11. Performance reporting
12. Agreed upon process to change business rules

Information Technology System Goals: The workgroup identified six goals for the IT system:

1. Reliable, validated, accurate, shared and accessible data from a single point of data entry
2. Robust reporting
3. Version control
4. Meet stakeholder servicing needs
5. Integrated financial and capital systems
6. Enhanced web access for the public

3. Current Budgeting and Oversight Reporting Process and Statutory Requirements

Budgeting and Oversight Reporting Process: As shown in Figure 1, the existing process includes:

- Legislative budgeting cycle – biennium budgets in odd-numbered years, with supplemental budgets in both even- and odd-numbered years
- Statutory requirements for reporting from OFM and WSDOT
- Legislative transfer authorization
- OFM budget instructions, issued each year prior to budget requests

Statutory Requirements: The enacted 2007-09 biennium transportation budget requires the following reporting: (a) quarterly project reports for projects funded by the Nickel and Transportation Partnership Act (TPA) funds, some pre-existing funds (PEF) projects, Washington State Ferries (WSF) projects, and some local projects; (b) annual mega-project reports on projects that cost \$1 billion or more; (c) quarterly programmatic reports on TPA, Nickel and projects funded wholly by PEF; (d) transfer reports on local programs; and (e) reports on TPA and Nickel transfers and/or schedule changes.

2007-09 Project Level Oversight Reporting: As shown in Table 4, of the 1,279 projects in the 2007-09 LEAP project list, project level oversight reporting is required for 32 percent, programmatic level reporting for 51 percent and no reporting for 17 percent. In addition, local

programs must report on 45 pedestrian and bicycle safety grant projects, and 48 safe routes to school grant projects.

4. Recommendations

The consultants and LEAP worked with OFM, House Transportation Committee, Senate Transportation Committee and WSDOT stakeholders to determine the business rules needed to meet the identified goals and statutory requirements. Based on these discussions the consultants have also recommended guiding principles for development of the capital budgeting and reporting system and stakeholder roles.

Guiding Principles:

1. Clear legislative reporting requirements
2. Separate budgeting from reporting
3. Snapshot reporting
4. Synchronizing data
5. Evolving business rules

Recommendations:

Stakeholders and Roles –

Recommendation 1 - All stakeholders should recognize the need for a collaborative approach between the executive and legislature to create and maintain a successful capital budgeting and reporting system and supporting IT system.

Recommendation 2 - System stakeholders should be clarified and focused on those executive agencies and legislative committees directly involved in the system. No transportation agencies other than WSDOT should be included in the legislative capital budgeting and reporting system. Ownership of the system should be transferred from the JTC to LEAP.

Recommendation 3 - OFM is responsible for budget instructions that should be the foundation for the evolution of capital budgeting and reporting business rules.

Recommendation 4 - LEAP should be recognized as being responsible for: development and management of the legislative capital budgeting and reporting IT system; convening multi-agency work teams for system development; creating a working copy of the capital budgeting and reporting system (TEIS) for the 2008 session; developing the new system planned for use in the 2009 legislative session; and ensuring that legislative information requirements are met. LEAP should become the owner of the legislative capital budgeting and reporting system.

Recommendation 5 - The House and Senate Transportation Committees should be responsible for articulating their budgeting and oversight reporting requirements and be recognized as the primary client for LEAP's IT system development effort.

Recommendation 6 - WSDOT is the primary source of information for capital budgeting and legislative oversight and should conform to legislative reporting requirements, follow OFM's budget instructions, and develop or modify their internal systems to meet these requirements.

Recommendation 7 - To increase confidence in the agency, WSDOT should make its internal budget decision-making process clear by working with OFM to chart and describe how, by whom, and when budget decisions are made.

Capital Budgeting and Oversight Reporting Process –

Recommendation 8 – The new capital budgeting and reporting process and IT system should be based on an identifier that is unique and unalterable for each capital project. All stakeholders must agree to consistently use a unique identifier that stays with a project for the life of the project for this concept to work. (Unique identifiers are also recommended for legislatively mandated project roll-ups. See recommendation 14.)

Recommendation 9 – A total project list should be established that reflects the actions of the legislature. The total project list should include a clear delineation of which projects are to be reported on by program, project, mega project and/or other reporting roll-up and those for which reporting is not required. The total project list should also indicate which projects are supported by federal funds. Projects supported by earmarked federal funds should be separately identified. (It is important to note that this recommendation does not include any comments or recommendations regarding using the project list for appropriation purposes. The recommendation relates solely to establishing an understood basis for reporting.)

Recommendation 10 – The stakes in the ground should change with the start of each fiscal year, with revised budgets, scopes and schedules effective July 1. The stakes would change with each legislatively approved budget. The original stake should be available for comparison purposes.

Recommendation 11 – At the conclusion of each legislative session the House and Senate Transportation Committees, in consultation with OFM and WSDOT, should identify the version of the 16-year financial plan that correlates with the project and program stake in the ground lists. This version should be locked by LEAP and identified as the 16-year financial plan corresponding to the adopted budget. The 16-year financial plan should include federal funds.

Recommendation 12 – OFM should work with the House and Senate Transportation Committees to determine how best to update project status during the legislative session. Instructions should be developed by OFM for this update, if any is to occur, as part of OFM’s capital transportation budget instructions.

Recommendation 13 – OFM should work with the House and Senate Transportation Committees and WSDOT to establish capital project budget definitions which may vary between WSDOT programs. The definitions should be included in OFM’s capital transportation budget instructions. Definitions should apply to new projects being proposed/added only. Existing projects should not be reconfigured to meet a new definition of project.

Capital Budgeting Process –

Recommendation 14 – A unique identifier should be established for legislatively mandated roll-ups. An example would be a unique identifier for mega projects – a new system item.

Recommendation 15 – LEAP’s version control process should allow users to freeze roll-ups and to aggregate and disaggregate projects within the roll-up while maintaining the original roll-up for analysis and comparison.

Recommendation 16 – OFM should work with the House and Senate Transportation Committees and WSDOT to establish how indirect costs will be distributed among projects and programs in the various elements of the WSDOT capital program. Directions

on indirect cost distribution should be included in OFM's capital transportation budget instructions.

Recommendation 17 –The stake in the ground total project list should indicate which projects are supported by federal funds. Projects supported by earmarked federal funds should be separately identified.

Recommendation 18 – OFM should work with the House and Senate Transportation Committees and WSDOT to provide direction on how the federal grant assumptions will be displayed in the budget. Directions on making federal grant assumptions explicit should be included in OFM's capital transportation budget instructions.

Capital Oversight Reporting Process –

Recommendation 19 – For reporting purposes, the definition of on-budget should be whether a project is within 5 percent of the last adopted budget. It should be recognized that with each budget adoption the stake in the ground project list and associated budget will change.

Recommendation 20 – Section 603 transfers reported quarterly should be shown as a separate reporting element that does not change the stake in the ground project list budget.

Recommendation 21 – The legislature should continue to require quarterly cost oversight reports. Cost reports should be compared to the budget established in the adopted budget, which will not change until the next budget is adopted.

Recommendation 22 – The expenditure information provided to the capital reporting system should be provided on an agreed-upon and consistent basis, either monthly or quarterly, and coincide with the AFRS cut-off.

Recommendation 23 – OFM should work with the House and Senate Transportation Committees and WSDOT to provide direction on when budget revisions will be requested and on how inflation and other non-project specific cost changes will be handled. Directions on budget revision timing and inflation and other cost adjustments should be included in OFM's capital transportation budget instructions.

Recommendation 24 – The definition of on-time for all milestones should be whether the milestone was achieved within the planned quarter. It should be recognized that with each budget adoption the stake in the ground project schedule will change.

Recommendation 25 – Milestone reporting should only be required for project reporting and should not be required for programmatic reporting. Projects for which milestones are applicable are those projects that have preliminary engineering, right-of-way acquisition and/or construction phases.

Recommendation 26 – OFM should work with the House and Senate Transportation Committees and WSDOT to review whether six milestones are appropriate and to consider improved measures. WSDOT has noted that generally three milestones change – preliminary engineering, advertisement date and operationally complete.

Recommendation 27 – The legislature should continue to require quarterly schedule reports. Schedule reports should be compared to the schedule established in the last adopted budget, which will not change until the next budget is adopted. WSDOT should include schedule changes with any new budget.

Recommendation 28 – Schedule adjustments included in Section 603 transfers should be reported separately and not adjust the stake in the ground project list budget schedule until the next budget is adopted.

Recommendation 29 – Milestone status should be locked by LEAP once the milestone is completed.

Recommendation 30 – Scope should be defined in the project list by providing a clear and measurable description of the functional intent and physical limits of each project. Reducing the area of a project, such as a widening project, would be considered a scope change.

Recommendation 31 – Within scope should be determined by whether the project achieves the original functional intent within the original physical limits of the project.

Recommendation 32 – The legislature should continue to require quarterly project scope reports recognizing a reliance on WSDOT’s determination of whether projects are being engineered to meet the functional intent.

Recommendation 33 – Scopes should be identified in the stake in the ground project lists and changed, if necessary, by WSDOT with each budget. It should be recognized that this may result in all projects being completed within scope. WSDOT should be required in OFM’s capital budget instructions to identify scope changes in the project lists.

Capital Budgeting and Oversight Reporting Policy –

Recommendation 34 – OFM should work with the House and Senate Transportation Committees and WSDOT to develop performance reporting linked to the capital budgeting process as part of OFM’s responsibility to provide an annual transportation attainment report.

Recommendation 35 – OFM’s transportation capital budget instructions should be the vehicle to communicate changes to business rules. If the legislature does not agree with the changes, they can adopt legislation mandating changes.

Information Technology System –

Recommendation 36 – Data should be provided by WSDOT to the new capital budgeting IT system at the lowest possible level, which will allow LEAP to then use that information to support legislative analysis. For example, data provided to support program level reporting should be provided at the project level.

Recommendation 37 – LEAP and the Senate and House Transportation Committees should jointly determine the reporting formats and ad-hoc capabilities needed to support legislative decision-making.

Recommendation 38 – LEAP should work with the Senate and House Transportation Committees, OFM and WSDOT to develop version control protocols that would authorize LEAP to lock down important legislative versions with a standard designation (i.e. House Budget Proposal).

Recommendation 39 – LEAP should work with the Senate and House Transportation Committees, OFM and WSDOT to document security, service requirements, and system change protocols.

Recommendation 40 – LEAP, OFM, and WSDOT should be responsible for meeting documented security, service requirements, and system change protocols. In support of governance and data sharing agreements, LEAP, OFM, and WSDOT will need to ensure ongoing coordination and open communication regarding system changes – particularly any changes affecting underlying data structures.

Recommendation 41 – LEAP should work with the Senate and House Transportation Committees, OFM and WSDOT to integrate the financial and capital systems.

Recommendation 42 – LEAP should work with the Senate and House Transportation Committees, OFM, and WSDOT to provide consistent, linked information on all state web sites, and to allow the public to compare different budget versions and project and programs lists during the legislative session. Consistent reporting to the public will require, at a minimum, the stakeholders to use consistent project titles and groupings.

Summary Guiding Principles, Roles and Business Rule Recommendations

Area	Recommendation	Lead Agency
Guiding Principles	<ol style="list-style-type: none"> 1. The legislature needs to make their oversight reporting requirements explicit so that WSDOT can provide the required information, which may require a section in the budget bill that consolidates reporting requirements. 2. Reporting and budgeting information should be distinguished to reduce the complexity of the information system while allowing reporting information to inform budget decision-making. The new budgeting and reporting process should have separate, but linked, budgeting and reporting modules. 3. A capital budgeting system provides a snapshot status report for legislative oversight and is not intended to duplicate the more extensive data available in the WSDOT systems. 4. Information provided in the capital budgeting system should be identical with the information in all other state accounting systems to increase confidence in the reliability of the data in the capital budgeting system. 5. Business rules will evolve over time with changes in legislative and executive priorities. 	
Roles	<ol style="list-style-type: none"> 1. All stakeholders should recognize the need for a collaborative approach between the executive and legislature to create and maintain a successful capital budgeting and reporting system and supporting IT system. 2. System stakeholders should be clarified and focused on those executive agencies and legislative committees directly involved in the system. No transportation agencies other than WSDOT should be included in the legislative capital budgeting and reporting system. Ownership of the system should be transferred from the JTC to LEAP. 3. OFM is responsible for budget instructions that should be the foundation for the evolution of capital budgeting and reporting business rules. 4. LEAP should be recognized as being responsible for: development and management of the legislative capital budgeting and reporting IT system; convening multi-agency work teams for system development; creating a working copy of the capital budgeting and reporting system (TEIS) for the 2008 session; developing the new system planned for use in the 2009 legislative session; and ensuring that legislative information requirements are met. LEAP should become the owner of the legislative capital budgeting and reporting system. 5. The House and Senate Transportation Committees should be responsible for articulating their budgeting and oversight reporting requirements and be recognized as the primary client for LEAP's IT system development effort. 6. WSDOT is the primary source of information for capital budgeting and legislative oversight and as such must conform to legislative reporting requirements, follow OFM's budget instructions, and develop or modify their internal systems to meet these requirements. 7. To increase confidence in the agency, WSDOT should make its internal budget decision-making process clear by working with OFM to chart and describe how, by whom, and when budget decisions are made. 	

Area	Recommendation	Lead Agency
Capital Budgeting and Oversight Reporting Process Goals	<i>Goal 1: Stake(s) in the Ground</i>	
	8. The new capital budgeting and reporting process and IT system should be based on an identifier that is unique and unalterable for each capital project. All stakeholders must agree to consistently use a unique identifier that stays with a project for the life of the project for this concept to work. (Unique identifiers are also recommended for legislatively mandated project roll-ups. See recommendation 14.)	LEAP
	9. A total project list should be established that reflects the actions of the legislature. The total project list should include a clear delineation of which projects are to be reported on by program, project, mega project and/or other reporting roll-up and those for which reporting is not required. The total project list should also indicate which projects are supported by federal funds. Projects supported by earmarked federal funds should be separately identified. (It is important to note that this recommendation does not include any comments or recommendations regarding using the project list for appropriation purposes. The recommendation relates solely to establishing an understood basis for reporting.) a. The legislature should include for all projects that are subject to project level schedule, scope and cost reporting a list that identifies: <ul style="list-style-type: none"> ▪ Schedule in the budget, with milestones for projects with design, right-of-way and/or construction phases only ▪ Scope in the budget ▪ Cost in the budget b. The legislature should include for all projects subject to programmatic reporting a list that identifies: <ul style="list-style-type: none"> • Projects to be included in each program report • Program costs in the biennium budget c. The legislature should consider eliminating the requirement for programmatic reports to include reports on schedule and scope since those reports are more meaningful at the project level.	Transportation Committees
	d. The legislature should consider the creation of a list of TPA and Nickel projects that could be used to track the status of implementation of these funding packages across time. The list would include completed projects as well as projects in the 16-year capital project plan.	
	10. The stakes in the ground should change with the start of each fiscal year, with revised budgets, scopes and schedules effective July 1. The stakes would change with each legislatively approved budget. The original stake should be available for comparison purposes.	Transportation Committees
	<i>Goal 2: Stake in the Ground 16-year Financial Plan/Fund Balance</i>	
	11. At the conclusion of each legislative session the House and Senate Transportation Committees, in consultation with OFM and WSDOT, should identify the version of the 16-year financial plan that correlates with the project and program stake in the ground lists. This version should be locked by LEAP and identified as the 16-year financial plan corresponding to the adopted budget.	Transportation Committees LEAP
	<i>Goal 3: Common Approach to Project Status Updates During Session</i>	
	12. OFM should work with the House and Senate Transportation Committees to determine how best to update project status during the legislative session. Instructions should be developed by OFM for this update, if any is to occur, as part of OFM's capital transportation budget instructions.	OFM
	<i>Goal 4: Understood Definitions of Key Business Terms for Highway and Other WSDOT Capital Budgets</i>	
13. OFM should work with the House and Senate Transportation Committees and WSDOT to establish capital project budget definitions which may vary between WSDOT programs. The definitions should be included in OFM's capital transportation budget instructions. Definitions should apply to new projects being proposed/added only. Existing projects should not be reconfigured to meet a new definition of project.	OFM	

Area	Recommendation	Lead Agency
Capital Budgeting Process Goals	Goal 5: Flexible and Transparent Project Roll-ups	
	14. A unique identifier should be established for legislatively mandated roll-ups. An example would be a unique identifier for mega projects - a new system item.	LEAP
	15. LEAP's version control process should allow users to freeze roll-ups and to aggregate and disaggregate projects within the roll-up while maintaining the original roll-up for analysis and comparison.	LEAP
	Goal 6: Agreed Upon Basis for the Distribution of Indirect Costs	
	16. OFM should work with the House and Senate Transportation Committees and WSDOT to establish how indirect costs will be distributed among projects and programs in the various elements of the WSDOT capital program. Directions on indirect cost distribution should be included in OFM's capital transportation budget instructions.	OFM
Oversight Reporting Process Goals	Goal 7: Understood Allotment of Federal Funds	
	17. The stake in the ground total project list should indicate which projects are supported by federal funds. Projects supported by earmarked federal funds should be separately identified.	Transportation Committees
	18. OFM should work with the House and Senate Transportation Committees and WSDOT to provide directions on how the federal funding assumptions will be displayed in the budget. Directions on making federal funding assumptions explicit should be included in OFM's capital transportation budget instructions.	OFM
	Goal 8: Accurate and Timely Oversight Cost Reporting at the Project and Program Level	
	19. For reporting purposes, the definition of on-budget should be whether a project is within 5 percent of the last adopted budget. It should be recognized that with each budget adoption the stake in the ground project list and associated budget will change.	OFM
	20. Section 603 transfers reported quarterly should be shown as a separate reporting element that does not change the stake in the ground project list budget.	Transportation Committees
	21. The legislature should continue to require quarterly cost oversight reports. Cost reports should be compared to the adopted budget, which will not change until the next budget is adopted.	Transportation Committees
	22. The information provided to the capital budget system should be provided on an agreed-upon and consistent basis, either monthly or quarterly, and coincide with the AFRS cut-off.	LEAP
	23. OFM should work with the House and Senate Transportation Committees and WSDOT to provide direction on when budget revisions will be requested and on how inflation and other non-project specific cost changes will be handled. Directions on budget revision timing and inflation and other cost adjustments should be included in OFM's capital transportation budget instructions.	OFM
	Goal 9: Accurate and Timely Oversight Schedule Reporting at a Project Level	
24. The definition of on-time for all milestones should be whether the milestone was achieved within the planned quarter. It should be recognized that with each budget adoption the stake in the ground project schedule will change.	OFM	
25. Milestone reporting should only be required for project reporting and should not be required for programmatic reporting. Projects for which milestones are applicable are those projects that have preliminary engineering, right-of-way acquisition and/or construction phases.	Transportation Committees	
26. OFM should work with the House and Senate Transportation Committees and WSDOT to review whether six milestones is appropriate and to consider improved measures. WSDOT has noted that generally three milestones change – preliminary engineering, advertisement date and operationally complete.	OFM	

Area	Recommendation	Lead Agency
Oversight Reporting Process Goals (cont.)	<i>Goal 9: Accurate and Timely Oversight Schedule Reporting at a Project Level (cont.)</i>	
	27. The legislature should continue to require quarterly schedule reports. Schedule reports should be compared to the schedule established in the last adopted budget, which will not change until the next budget is adopted. WSDOT should include schedule changes with any new budget.	Transportation Committees
	28. Schedule adjustments included in Section 603 transfers should be reported separately and not adjust the stake in the ground project list budget schedule until the next budget is adopted.	LEAP
	29. Milestone status should be locked by LEAP once the milestone is completed.	LEAP
	<i>Goal 10: Accurate and Timely Oversight Scope Reporting at the Project Level</i>	
	30. Scope should be defined in the project list by providing a clear and measurable description of the functional intent and physical limits of each project. Reducing the area of a project, such as a widening project, would be considered a scope change.	OFM
	31. Within scope should be determined by whether the project achieves the original functional intent within the original physical limits of the project.	OFM
	32. The legislature should continue to require quarterly project scope reports recognizing a reliance on WSDOT's determination of whether projects are being engineered to meet the functional intent.	Transportation Committees
	33. Scopes should be identified in the stake in the ground project lists and changed by WSDOT with each budget. It should be recognized that this may result in all projects being completed within scope. When scope is changed in a new proposed budget, WSDOT should be required in OFM's capital budget instructions to highlight that change.	Transportation Committees
	<i>Goal 11: Performance Reporting</i>	
	34. OFM should work with the House and Senate Transportation Committees and WSDOT to develop performance reporting linked to the capital budgeting process as part of OFM's responsibility to provide an annual transportation attainment report.	OFM
	<i>Goal 12: Agreed Upon Process to Change Business Rules</i>	
35. OFM's transportation capital budget instructions should be the vehicle to communicate changes to business rules. If the legislature does not agree with the changes, they can adopt legislation mandating changes.	OFM	

Area	Recommendation	Lead Agency
Information Technology System Goals	<p>Goal 1. Reliable, Validated, Accurate, Shared and Accessible Data from a Single Point of Entry</p> <p>36. Data should be provided by WSDOT to the new capital budgeting IT system at the lowest possible level, which will allow LEAP to then use that information to support legislative analysis. For example, data provided to support program level reporting should be provided at the project level.</p>	LEAP
	<p>Goal 2. Robust Reporting</p> <p>37. LEAP and the Senate and House Transportation Committees should jointly determine the reporting formats and ad-hoc capabilities needed to support legislative decision-making.</p>	LEAP
	<p>Goal 3. : Version Control</p> <p>38. LEAP should work with the Senate and House Transportation Committees, OFM and WSDOT to develop version control protocols that would authorize LEAP to lock down important legislative versions with a standard designation (i.e. House Budget Proposal).</p>	LEAP
	<p>Goal 4. Meet Stakeholder Servicing Needs</p> <p>39. LEAP should work with the Senate and House Transportation Committees, OFM and WSDOT to document security, service requirements, and system change protocols.</p>	LEAP
	<p>40. LEAP, OFM and WSDOT should be responsible for meeting documented security, service requirements, and system change protocols. In support of governance and data sharing agreements, LEAP, OFM and WSDOT will need to ensure on-going coordination and open communication regarding system changes – particularly any changes affecting underlying data structures.</p>	LEAP
	<p>Goal 5. Integrated Financial and Capital Systems</p> <p>41. LEAP should work with the Senate and House Transportation Committees, OFM and WSDOT to integrate the financial and capital systems.</p>	LEAP
<p>Goal 6. Enhanced Web Access for the Public</p> <p>42. LEAP should work with the Senate and House Transportation Committees, OFM and WSDOT to provide consistent, linked information on all state web sites and to allow the public to compare different budget versions and project and programs lists during the legislative session. Consistent reporting to the public will require, at a minimum, the stakeholders to use consistent project titles and groupings.</p>	LEAP	

Section One Introduction

In 2006 the Legislative Evaluation and Accountability Program Committee (LEAP) conducted a study of the Transportation Executive Information System (TEIS). The study recommended that TEIS be replaced with an improved system to better support legislative and Office of Financial Management (OFM) transportation capital budgeting and oversight and Washington State Department of Transportation (WSDOT) capital budgeting and reporting.

In the 2007 session, the legislature moved responsibility for TEIS from WSDOT to LEAP and provided funding for LEAP to develop a new transportation capital budgeting system. The new budgeting system development effort “must provide comprehensive schematic diagrams of the current and proposed transportation capital budget process, information flows, and data exchanges; common, agreed-upon data definitions and business rules; detailed transportation capital budget data and system requirements; and a strategy for implementation, including associated costs and a timeframe.” (ESHB 1094 Section 107)

Section 107 requires a common approach to capital budgeting and oversight reporting between the Senate Transportation Committee, the House Transportation Committee, OFM and WSDOT driven by the business requirements of these stakeholders. These business requirements have changed because of legislative actions in recent years, including:

- WSDOT capital program – With passage of the 2003 Nickel and 2005 Transportation Partnership Act (TPA) funding packages, the WSDOT capital program is now one of the largest in the nation.
- Project and program level budgeting and oversight reporting – With new funding WSDOT is also being held to a new level of accountability. Project level budgeting and oversight reporting was initiated for the first time with the Nickel and TPA funding, which is a major shift in transportation budgeting and reporting.
- OFM – OFM’s role in transportation capital budgeting has changed substantially with WSDOT’s new status as a cabinet agency reporting to the Governor. The 2007-09 budget was the first WSDOT biennium budget submitted within this new relationship.
- WSDOT Project Management and Reporting System – WSDOT has received legislative funding for a new project management and reporting system. This new system will be developed concurrently with the new capital budgeting and oversight reporting system. Understanding the business needs of the legislature and OFM will allow the Project Management and Reporting System to address the needs of the new capital budgeting system.
- OFM Capital Budgeting System – OFM is developing a new capital budgeting system for the state’s capital budget. Defining the business requirements for a new transportation capital budgeting system will allow LEAP and OFM to determine whether the OFM Capital Budget System can be modified to accommodate the transportation capital budget.
- Performance accountability – In the 2007 session, the legislature adopted five major transportation goals under which state transportation planning, budgeting and oversight

reporting are to be aligned. OFM is required to produce an annual attainment report indicating how well the state is doing in achieving the policy goals.

To determine business requirements LEAP and the consultants have worked with the stakeholders in a three step process including: determining goals for the new capital budgeting and reporting process and the supporting IT system; outlining existing legislative reporting requirements; and providing consultant recommendations on guiding principles, roles and business rules.

A. Common Approach

LEAP's goal, as it develops the new system, is to create a common approach to state transportation budgeting and oversight reporting among the House and Senate Transportation Committees, OFM, and WSDOT. LEAP established in its 2006 study the following common needs:

- A system to develop the transportation capital budget
- The ability to monitor the execution of authorized budget plans
- A fund balance system to track revenues and expenditures
- Ability to model funding scenarios

B. Stakeholders

Since the inception of TEIS the usage of the system has evolved, with core users now being the House and Senate Transportation Committees, OFM and WSDOT. Other state transportation agencies make limited use of TEIS.

1. House and Senate Transportation Committees

Staff of the House and Senate Transportation Committees are reliant on TEIS for development of capital project and program budgets, development of the 16-year financial plan and fund balance, modeling funding scenarios, monitoring capital project and program status, and interfacing with the WinSum legislative budget system.

2. Office of Financial Management

In 2005 the legislature changed the structure of WSDOT, with the Secretary of Transportation now reporting to the Governor rather than the Washington State Transportation Commission. This change has strengthened the role of OFM in the development and monitoring of the WSDOT budget and increased OFM's use of TEIS.

3. Washington State Department of Transportation

WSDOT is both a provider of information to TEIS and a system user. The 2006 LEAP study found that the largest number of TEIS users were WSDOT staff using the system for internal budget development and monitoring. WSDOT accounting and project management systems are the primary source of TEIS data.

4. Other Transportation Agencies

Other transportation agencies consulted during the 2006 LEAP study and by the consultants in this review are either not users of TEIS or use the system for limited legislative reporting purposes.

a. Joint Transportation Committee

The Joint Transportation Committee is the owner of TEIS; however, JTC does not use the current system and has identified no on-going JTC staff requirements for use of the new transportation capital budgeting system. JTC's ownership of TEIS is a hold over from the Legislative Transportation Committee.

b. Washington State Patrol

The Washington State Patrol provides revenue information to TEIS but does not otherwise use the system. The Patrol has identified no requirements for the new transportation capital budgeting system.

c. Washington State Department of Licensing

The Washington State Department of Licensing provides revenue information to TEIS but does not otherwise use the system. Licensing has identified no requirements for the new transportation capital budgeting system.

d. County Road Arterial Board

The County Road Arterial Board (CRAB) lists all of its projects in TEIS and believes that such listing is important for legislative visibility. CRAB does not use TEIS for internal budgeting. CRAB's requirement for the new transportation capital budgeting system is that it separately identify their projects. Legislative staff indicate that the CRAB project list in TEIS is not used by the legislature.

e. Freight Mobility Strategic Investment Board

The Freight Mobility Strategic Investment Board (FMSIB) does not use TEIS for internal budgeting and would prefer not to use the existing or new system for reporting to the legislature. FMSIB projects that receive TPA and Nickel funding are listed in TEIS. FMSIB provides revenue information to TEIS.

f. Transportation Improvement Board

The Transportation Improvement Board (TIB) provides revenue information to TEIS but does not otherwise use the system. TIB has identified no requirements for the new transportation capital budgeting system.

C. Business Requirements

LEAP noted in its 2006 study that the new capital budgeting system must be driven by the capital budgeting, financial management and oversight reporting needs of the House and Senate Transportation Committees, OFM and WSDOT. LEAP has initiated its system development effort with this study focused on developing the common, agreed-upon, data definitions and business rules called for in ESHB 1094, Section 107. This study includes:

1. Goals - Goals for a common approach to transportation capital budgeting and oversight reporting and for a new information technology (IT) system.
2. Statutory Requirements - Identifying existing statutory requirements for capital budgeting and oversight reporting.

3. Recommendations – Providing consultant recommendations for guiding principles, stakeholder roles and business rules for the new capital budgeting and oversight reporting process and IT system.

Section Two Goals

The consultants and LEAP conducted interviews and met jointly with House and Senate Transportation Committee, OFM, and WSDOT staff to develop a common set of parameters and goals for the capital budgeting and oversight reporting process and the supporting IT system. These goals are short to medium range goals – with a recognition that not all of them can be met by the 2009 legislative session. Some will require further work and refinement as the new capital budgeting and oversight reporting IT system is developed and implemented.

A. Capital Budgeting System Parameters

The parameters of the capital budgeting and oversight reporting system are defined by legislative intent in authorizing the new system, the legislature’s requirement for program and project level capital budgeting and oversight reporting, the new relationship between OFM and WSDOT since WSDOT became a cabinet agency, and the statutory requirements for capital budgeting and oversight reporting.

1. Legislative Intent

In authorizing a new capital budgeting system the legislature required a review of both the capital budgeting and oversight reporting process and the IT system that supports the process.

a. Capital budgeting and oversight reporting process

The capital budgeting and oversight reporting process review is intended to develop a common approach to these processes between the Legislature, Governor, and WSDOT. The legislature and OFM also want to understand how, by whom, and when key decisions are made by WSDOT in developing the budget project and program lists; updating project costs, schedules and scopes; and developing the 16-year financial plan and its corollary revenue, fund balance, and federal funding assumptions.

b. Information technology

The IT system that supports the budgeting and oversight reporting process does not need to include all of the current TEIS functionality. The functionality that needs to be continued is:

- Capital budgeting
- Fund balance, including bond sales projections
- Project status reporting
- Fiscal monitoring
- Web based public reporting

The functionality could be met by two (or more) different IT systems. For example, a new transportation capital budgeting IT system could provide the capital budgeting, fund balance and web based public reporting functions with the new WSDOT Project Management and Reporting System providing some of the needed project status and fiscal monitoring reports.

2. Budgeting and Oversight Reporting Process Assumptions

The key assumptions that guide the review of the capital budgeting and oversight reporting process and the development of the IT system are: a continuation of both program and project

level budgeting and oversight reporting; the key role to be played by OFM; and the need to be responsive to statutory requirements.

a. Project and program level budgeting and oversight reporting

With passage of the Nickel and TPA gas tax increases the legislature initiated project level budgeting and oversight reporting. This is a major change in the way in which WSDOT, OFM and the legislature approach transportation budgeting and oversight reporting, which has historically been at the program level. Program level budgeting and oversight reporting is still in place for projects that are wholly funded by Pre-Existing Funds (PEF), which includes previously authorized gas tax, federal funds, and fees. Project level reporting for all Washington State Ferries (WSF) projects was initiated in the 2007 legislative session. It is assumed that the legislative requirement for both project and program level budgeting and oversight reporting will continue.

b. Office of Financial Management

The restructuring of WSDOT as a cabinet agency has increased the role of OFM in transportation budgeting and oversight reporting. The pivotal role of OFM is apparent in legislative direction to OFM to provide transportation reports and in the Legislature's delegation of budget transfer responsibilities to OFM. OFM's budget instructions will be of increasing importance in defining the capital budgeting and oversight reporting business rules.

c. Statutory requirements

The budget bill provides a series of instructions to WSDOT and OFM for reporting that is to be provided through TEIS. The capital budgeting and oversight reporting process and the supporting IT system must be flexible enough to respond to these instructions, which will vary from session to session as legislative concerns evolve.

B. Capital Budgeting and Oversight Reporting Process Goals

The workgroup identified twelve goals for the capital budgeting and oversight reporting process. Table 1 identifies each goal, explains why it is a goal and what the goal requires to be done to achieve it. The twelve goals are:

Capital budgeting and oversight reporting process goals

1. Stake(s) in the Ground – Transportation budget that establishes a fixed starting point for budget development, reporting and change management
2. Stake in the ground 16-year financial plan/fund balance
3. Common approach to project status updates during the legislative session
4. Understood definitions of key business terms for highway and other WSDOT capital budgets

Capital budgeting process goals

5. Flexible and transparent project roll-ups (There has been no agreement on budgeting at a roll-up level as a matter of course. The legislature has budgeted some projects at a project level and others at a very low level of detail.)
6. Agreed upon basis for the distribution of indirect costs
7. Understood allotment of federal funds

Capital reporting process goals (add “consistent” to each)

8. Accurate, timely and consistent cost reporting at the project and program level

9. Accurate, timely and consistent schedule reporting at the project level
10. Accurate, timely and consistent scope reporting at the project level

Capital budgeting and oversight reporting policy goals

11. Performance reporting
12. Agreed upon process to change business rules

**Table 1.
Capital Budgeting and Oversight Reporting Process Goals**

Goal Area	Goal	Why a Goal?	Requires
Capital Budgeting & Oversight Reporting Process	1. Stake(s) in the Ground – Transportation budget that establishes a fixed starting point for budget development, reporting and change management.	<ul style="list-style-type: none"> ▪ The legislature wants to track status from the legislatively adopted budget. (i.e. What happened after they left town?) ▪ OFM and the legislature want to identify changes in the proposed WSDOT/Governor’s budget from the last legislative budget. 	<ul style="list-style-type: none"> ▪ Consistent and comparable list(s) of capital projects and programs including prior expenditures, current biennium appropriations, and the 16-year financial plan for each. ▪ A unique identifier for each project. ▪ Consistent and comparable TPA and Nickel project lists. ▪ The project and program lists tied to a clearly defined and correlated 16-year financial plan and fund balance projection. ▪ Identification of future project costs, including unfunded costs.
	2. Stake in the ground 16-year financial plan/fund balance	<ul style="list-style-type: none"> ▪ The 16-year financial plan, although not legislatively adopted, is key to understanding legislative, executive and WSDOT revenue and expense assumptions. ▪ The legislature wants to compare the proposed or modified 16-year financial plan with the plan that correlated with the adopted budget. (i.e. What has changed since the last budget was adopted?) 	<ul style="list-style-type: none"> ▪ Clearly identified project and program lists that tie to the 16-year financial plan. ▪ Ability to compare different versions of the 16-year financial plan (i.e. House, Senate, OFM, WSDOT).
	3. Common approach to project status updates during the legislative session	<ul style="list-style-type: none"> ▪ The legislature wants the most up-to-date project and program status information to inform decision-making during session. ▪ The provision of updated information can overwhelm and frustrate legislative staff when the changes are minor. 	<ul style="list-style-type: none"> ▪ Determine when and how project and program information will be updated during the legislative session.
	4. Understood definitions of key business terms for highway and other WSDOT capital budgets	<ul style="list-style-type: none"> ▪ Common understanding between the legislature, OFM & WSDOT on key budgeting and reporting terms (i.e. talking the same language). ▪ Recognition that WSDOT programs budget differently and may use different definitions. 	<ul style="list-style-type: none"> ▪ Project definition ▪ Program definition ▪ Reporting category definitions (i.e. milestones, budget, and scope). ▪ Program specific definitions (i.e. ferries, rail etc. definitions).
Capital Budgeting Process	5. Flexible and transparent project roll-ups	<ul style="list-style-type: none"> ▪ The legislature and Governor want to see corridor or other groupings of projects to support their decision-making. ▪ The legislature, OFM and WSDOT need to be able to tell which projects are included in the roll-up and to change the aggregation as desired for analysis and comparison. 	<ul style="list-style-type: none"> ▪ Identify projects and programs that are included in roll-ups. ▪ Ability to change the aggregation of projects and programs in a roll-up for analysis. ▪ Ability to freeze different versions of roll-ups.
	6. Agreed upon basis for the distribution of indirect costs	<ul style="list-style-type: none"> ▪ Indirect cost distribution affects the total cost of a project or program. ▪ The legislature, OFM and WSDOT want to understand how (and if) indirect costs should be distributed to projects and programs to facilitate analysis. 	<ul style="list-style-type: none"> ▪ Identify indirect costs ▪ Identify if, and if so how, indirect costs are distributed between projects and programs.
	7. Understood allotment of federal funds	<ul style="list-style-type: none"> ▪ The legislature wants to know whether all federal funds have been obligated in the biennium budget and 16-year financial plan. ▪ The legislature wants to know what projects or programs have earmarked federal funds. 	<ul style="list-style-type: none"> ▪ Federal funding plan tied to an identified project list. ▪ A list of projects with federal funding that identifies the federal earmark projects. ▪ Forecast of federal funding by source tied to the 16-year financial plan. ▪ Clear assumptions of federal funding forecasts. ▪ Identification of unallocated federal funds tied to 16-year financial plan.

Goal Area	Goal	Why a Goal?	Requires
Capital Oversight Reporting Process	8. Accurate, timely and consistent cost reporting at the project and program level	<ul style="list-style-type: none"> ▪ The legislature wants to monitor costs of projects and programs to inform their decision-making. ▪ The legislature wants to know whether projects and programs are operating within budget. ▪ The legislature wants to know what transfers have been approved by OFM (including for the Nickel and TPA projects as provided by Section 603 of the budget bill). ▪ The legislature wants to know the status of the Nickel and TPA funds in terms of their ability to complete the projects included in the funding packages. ▪ The legislature and Governor want WSDOT to systematically request budget revisions when project and program costs are increasing in order to improve their decision-making and prevent major surprises. 	<ul style="list-style-type: none"> ▪ Actual versus estimated costs available on a consistent basis. ▪ Reporting by fund. ▪ Fully distributed fiscal data from WSDOT accounting systems. ▪ Understood cut-off periods for fiscal data from WSDOT accounting systems. ▪ Consistent definitions of on-budget across capital budget categories. ▪ Agreed upon reporting periods. ▪ Reporting on transfers approved by OFM. ▪ Reporting on 603 transfers as they affect the project list and financial plan. ▪ Expenditure authority and allotments by program or project. ▪ Understanding how the appropriations total to the combined reserved amount, unallocated amounts and allotments. ▪ Agreement on when budget revisions will be requested. ▪ Agreement on how inflation and other non-project specific cost changes will be handled.
	9. Accurate, timely and consistent schedule reporting at the project level	<ul style="list-style-type: none"> ▪ The legislature wants to know whether projects are being completed on time. 	<ul style="list-style-type: none"> ▪ Agreement on project phases to be reported. ▪ Consistent definitions of on-schedule across capital budget categories. ▪ Agreement on who establishes the baseline schedule and when it can be changed and by whom. ▪ Process for adjusting schedules and relating those changes to the 16-year financial plan.
	10. Accurate, timely and consistent scope reporting at the project level	<ul style="list-style-type: none"> ▪ The legislature wants to know if projects are being completed within scope. 	<ul style="list-style-type: none"> ▪ Agreement on how to define scope. ▪ Consistent definitions of within scope across capital budget categories. ▪ Process for adjusting scopes. ▪ Agreement on how to report scope changes.
Capital budget and oversight reporting policies	11. Performance reporting	<ul style="list-style-type: none"> ▪ The public wants increased accountability for the expenditure of taxpayer funds. ▪ The legislature wants to know how implementation of the capital program is, or is not, aligned with their overall policy goals. ▪ OFM is required to provide an annual attainment report. ▪ The Governor requires information to support the Priorities of Government (POG) and Government Management Accountability Program (GMAP) processes. 	<ul style="list-style-type: none"> ▪ Transportation capital budget tied to performance goals and measures. ▪ Information necessary to support performance reporting through the annual attainment report, GMAP and POG processes.
	12. Agreed upon process to change business rules	<ul style="list-style-type: none"> ▪ Legislative and executive focuses change as public policy evolves. ▪ Legislative and executive policy changes may require changes in business rules that need to be communicated between OFM, the legislative transportation committees, and WSDOT. 	<ul style="list-style-type: none"> ▪ Agreement on how business rule changes will be made ▪ Agreement on how business rule changes will be communicated to the stakeholders.

C. Information Technology System Goals

The workgroup identified six goals for the capital budgeting and oversight reporting IT system. Table 2 identifies each goal, explains why it is a goal and what the goal requires to be done in order to achieve it. The six goals are:

1. Reliable, validated, accurate, shared and accessible data from a single point of data entry.
2. Robust reporting
3. Version control
4. Meet stakeholder servicing needs
5. Integrated financial and capital systems
6. Enhanced web access for the public

**Table 2.
IT System Goals**

Goal	Why a Goal?	Requires
1. Reliable, validated, accurate, shared and accessible data from a single point of data entry.	<ul style="list-style-type: none"> ▪ Consistent and available data is key to accurate analysis and common understanding. ▪ Minimize duplication of work and possibility of error by having a single point of data entry. 	<ul style="list-style-type: none"> ▪ Data available at the project level (i.e. at the lowest common denominator). ▪ Data accessible to and shared by OFM and the legislature. ▪ Data in all systems is the same at any specified point in time. ▪ Electronic transfer of data.
2. Robust reporting	<ul style="list-style-type: none"> ▪ Support analysis done by legislative staff to support legislative decision-making, including: <ul style="list-style-type: none"> - Data modeling and what-if analysis - Budget scenario and historical version comparisons 	<ul style="list-style-type: none"> ▪ Improved audit and reconciliation feature. ▪ Offer standardized reports and formats with ability to export information for analysis. ▪ Flexible with a robust ad-hoc reporting tool. ▪ Data entered only one-time with automated links to other programs when developing what-if scenarios. ▪ Ability to track changes and identify the author. ▪ Lock-down protocols that ensure security of modifications.
3. Version control	<ul style="list-style-type: none"> ▪ Comparing versions of the budget developed by WSDOT, OFM, House and Senate is an important analysis to support decision-making. ▪ Comparing reports provided on projects and programs provides an important analytical tool. 	<ul style="list-style-type: none"> ▪ LEAP to have the capability to lock down legislative versions of the budget and 16-year financial plan. ▪ Protocols on which versions to lock down. ▪ Protocols on naming and dating versions to ensure comparability.
4. Meet stakeholder servicing needs	<ul style="list-style-type: none"> ▪ Ability to quickly transmit files will enhance communication between OFM, WSDOT and Transportation Committee staff. ▪ Ability to quickly transmit files will reduce the risk of inadvertent error by allowing for quick checks. ▪ Confidentiality during executive and legislative budget processes is critical to stakeholders. ▪ Providing timely technical response to system problems will allow WSDOT, OFM and legislative staff to respond to decision-makers. ▪ OFM and legislative IT needs will evolve and will need to be accommodated through periodic system enhancements. 	<ul style="list-style-type: none"> ▪ Ability to share files between OFM, Transportation Committee staff and WSDOT. ▪ Identify and meet the security requirements of OFM and the legislature. ▪ Meet peak demand for system use and technical support during WSDOT, OFM and legislative budget development. ▪ A clear governance model for prioritizing, initiating and approving system changes.
5. Integrated financial and capital systems	<ul style="list-style-type: none"> ▪ Reduce reliance on spreadsheets for fund balance and bond sales projections. ▪ Increase productivity of staff. ▪ Increase reliability of information and analysis. 	<ul style="list-style-type: none"> ▪ Ability to link fund balance to capital project and program lists. ▪ Ability to link fund balance to revenue models. ▪ Inclusion of bond sales model linked to fund balance. ▪ Link project and program capital list to WINSUM and WINSUM to the fund balance system.
6. Enhanced web access for the public	<ul style="list-style-type: none"> ▪ The public is demanding greater accountability for taxpayer supported expenses. ▪ The public wants to know the status of the transportation budget, programs and projects. 	<ul style="list-style-type: none"> ▪ Link to information provided on the WSDOT web site. ▪ Ability for the public to compare different versions of the budget and project and program lists during the legislative session. ▪ Consistent information on all state web sites.

Section Three

Current Budgeting and Oversight Reporting Process and Statutory Requirements

This section reviews the existing capital budgeting and oversight reporting process and legislative budgeting and reporting statutory requirements. The legislative reporting requirements are established as part of the budget bill and must be accommodated within the new capital budgeting and oversight reporting process and supporting IT system.

A. Existing Capital Budgeting and Oversight Reporting Process

Figure 1 shows the existing capital budgeting and oversight reporting process which includes:

- Legislative budgeting cycle – The Legislature adopts biennium budgets in odd year sessions. During the same session the legislature adopts the second supplemental budget for the previous biennium. The first supplemental budget in a biennium is adopted in even numbered years.
- Legislative reporting statutory requirements – The budget includes statutory requirements for OFM and WSDOT to report to the legislature through TEIS and other means.
- Legislative transfer authorization – The budget also specifies the way in which certain transfers can be handled.
- OFM budget instructions – These instructions are issued in May each year prior to WSDOT’s submittal of its first supplemental and/or its second supplemental and new biennium budget request.

B. Statutory Requirements

Table 3 shows the statutory requirements regarding reporting and transfers that are in the 2007 adopted 2007-09 budget. Key requirements are:

1. Quarterly project reports

- Nickel and TPA funded projects - By WSDOT on projects funded in whole or part by Nickel and TPA funds as listed in LEAP transportation document 2007-1. Reports to be provided through TEIS and include:
 - Schedule reports for six milestones
 - Scope
 - Costs
- Select PEF projects - By WSDOT on PEF funded projects as agreed to by the legislature, OFM and WSDOT. Format of reports are to be agreed to by OFM, Transportation Committees and WSDOT and also to be submitted through TEIS and include:
 - Schedule reports for six milestones
 - Scope
 - Costs
- WSF projects - By WSDOT on all WSF projects. Reports to be provided through TEIS and include:
 - Schedule
 - Scope
 - Costs

- Local programs - By WSDOT on the delivery of projects in the LEAP transportation document 2007-A and 2007-B. For Nickel and TPA funded local projects reporting shall include scope, schedule and costs.

2. Annual mega project report

- By OFM on projects or groups of projects that cost \$1 billion or more, including Alaskan Way Viaduct, SR 520, SR 167, I-405, North Spokane corridor, I-5 Tacoma HOV and Columbia River Crossing. Report on:
 - Financial status
 - Schedule

3. Quarterly programmatic reports

- TPA and Nickel projects - Funding provided at the programmatic level for TPA and Nickel projects relating to bridge rail, guard rail, fish passage barrier removal, roadside safety projects and seismic bridges are to be reported by WSDOT on a programmatic basis.
- PEF funded projects - Projects funded wholly by PEF funds are to be reported by WSDOT on a programmatic basis for Program I (Improvement) and Program P (Preservation).
- Format of reports are to be agreed to by OFM, Transportation Committees and WSDOT and also to be submitted through TEIS and include:
 - Project scope
 - Schedule
 - Costs

4. Transfer reports

- Local Programs - Annual report of approved transfers of federal and state funds between program Z (local programs) and programs I (improvement) and P (preservation) due from WSDOT by December 1.
- TPA and Nickel Section 603 - OFM to provide quarterly reports on approved transfers and/or schedule changes. OFM shall document approved transfers and/or schedule changes:
 - In TEIS
 - Compare changes to the last legislative session
 - Transmit revised project lists to Chairs of the Transportation Committees.

**Table 3.
2007-09 Budget Bill (ESHB 1094) Statutory Requirements**

Section	Agency /Program	Appropriation	Reporting: Statutory Requirements
207	FMSIB	\$695,000	<ul style="list-style-type: none"> ▪ FMSIB shall, on a quarterly basis, provide status reports to OFM and the Transportation Committees on the delivery of projects funded by this act.
214	WSDOT – info technology		<ul style="list-style-type: none"> ▪ Provide updated information on six project milestones for all active projects funded in whole or part by TPA & Nickel funds on a quarterly basis in the TEIS system. ▪ Also provide information on six project milestones for PEF projects as agreed to by the legislature, OFM and WSDOT on a quarterly basis in the TEIS system.
301	WSP Capital	\$2.9 million – named projects	None
302	CRAB	\$99.2 million with \$2 million for county ferries for 3 named projects	None
304	WSDOT Program D (WSDOT-only projects)	\$6.2 million 2 programs (statewide admin and regional minor projects) Olympic region property payments 2 named projects	None
305	WSDOT Program I (improvement)	\$3.1 billion Nickel & TPA funding is only for the projects listed by fund, project and amount in the transportation document LEAP 2007-1 Highway Improvement Program (I) list developed April 20, 2007. Transfers between line item project appropriations are subject to section 603.	<ul style="list-style-type: none"> ▪ Quarterly status reports to OFM and the legislature on each project funded in part or whole by Nickel or TPA accounts. ▪ Funding provided at a programmatic level for TPA and Nickel projects relating to bridge rail, guard rail, fish passage barrier removal, and roadside safety projects should be reported on a programmatic basis. Projects within this programmatic level funding should be completed on a priority basis and scoped to be completed within the current programmatic budget. ▪ Other projects may be reported on a programmatic basis. ▪ WSDOT work with OFM and Transportation Committees to agree on report formatting and elements. ▪ Elements shall include, but not be limited to, project scope, schedule, and costs. ▪ The department shall also provide the information required on a quarterly basis via TEIS.
306	WSDOT Program P (preservation)	\$748 million Nickel & TPA funding is only for the projects listed by fund, project and amount in the transportation document LEAP 2007-1 Highway Preservation Program (P) list. Transfers between line item project appropriations are subject to section 603.	<ul style="list-style-type: none"> ▪ Quarterly status reports to OFM and the legislature on each project funded in part or whole by Nickel or TPA accounts. ▪ Funding provided at a programmatic level for TPA and Nickel projects relating to seismic bridges should be reported on a programmatic basis. Projects within this programmatic level funding should be completed on a priority basis and scoped to be completed within the current programmatic budget. ▪ Other projects may be reported on a programmatic basis. ▪ WSDOT work with OFM and Transportation Committees to agree on report

Section	Agency /Program	Appropriation	Reporting: Statutory Requirements
			<p>formatting and elements. Elements shall include, but not be limited to, project scope, schedule, and costs.</p> <ul style="list-style-type: none"> ▪ The department shall also provide the information required on a quarterly basis via TEIS.
308	WSDOT Program W (ferries)	\$286 million Programs: Emergency, Terminal, Vessel and named projects	<ul style="list-style-type: none"> ▪ Quarterly status reports to OFM and the legislature on each project listed in the section and on any additional projects during the 07-09 biennium on which funds are expended. ▪ The report shall include project scope, schedule, and costs. ▪ The department shall also provide the information required on a quarterly basis via TEIS.
309	WSDOT Program Y (rail)	\$221 million Entire appropriations are provided only for the projects as listed by fund, project and amount in the transportation document LEAP 2007-1 Rail Capital Program (Y) list as developed April 20, 2007. Transfers between line item project appropriations are subject to section 603.	None
310	WSDOT Program Z (local programs)	\$194 million Federal and state funds may be transferred between program Z & programs I and P. Transfers shall not affect project prioritization. Transfers subject to OFM approval and shall be reported to OFM and Transportation Committees by Dec. 1. Nickel, TPA & PEF funds provided for pedestrian and bicycle safety programs shall be used solely for program projects and safe routes to schools program in the LEAP Transportation Documents 2007-A & 06-B.	<ul style="list-style-type: none"> ▪ Report quarterly to the legislature on the delivery of projects as outlined in the project lists in this section. ▪ For Nickel and TPA projects reporting shall include but not be limited to scope, schedule and costs. ▪ Other projects may be reported on a programmatic basis. Information to be provided quarterly via TEIS. ▪ Report on transfers by Dec 1 to OFM and Transportation Committees.
603	Fund transfers	Nickel and TPA projects listed in LEAP Transportation Document 2007-1, which consists of a list of specific projects by fund source and amount over a sixteen year period. Current biennium funding for each project is a line item appropriation, while the outer year funding allocations represent a sixteen year balanced plan.	<ul style="list-style-type: none"> ▪ At the time the department submits a request to transfer funds under this section a copy of the request shall be submitted to the Transportation Committees of the legislature. ▪ Transfers may not be made while the legislature is in session. ▪ OFM shall work with legislative staff of the House of Representatives and Senate Transportation Committees and the Legislative Evaluation and Accountability Program Committee to review the requested transfers. ▪ OFM shall document approved transfers and/or schedule changes in TEIS, compare changes to the last legislative session, and transmit revised project lists to chairs of the Transportation Committees of the legislature on a quarterly basis.
604	Mega Project Reporting	Individual or groups of projects that cost \$1 billion or more, including Alaskan Way Viaduct, SR 520, SR 167, I-405, North Spokane corridor, I-5 Tacoma HOV, and Columbia River Crossing	OFM to track and report financial status and schedule once a year to the Transportation Committees.

C. 2007-09 Project Level Oversight Reporting

There are 1,279 projects included in the 2007-09 LEAP total project list. Of these, project level oversight reporting is required for 32 percent of all projects, programmatic level reporting for 51 percent and no reporting for 17 percent.

**Table 4.
Summary of 2007-09 Project Level Oversight Reporting**

	# of projects	%	Funding
Total Project List	1,279		
Programmatic Projects			
Highway - Bridgerail Retrofit Program	1		Nickel/TPA
Highway - Guardrail Retrofit Program	1		Nickel/TPA
Highway - Roadside Safety Program	1		Nickel/TPA
Highway - Fish Passage Barriers	1		Nickel/TPA
Highway-Preservation - Seismic Bridges	1		Nickel/TPA
Highway Improvement	182		PEF
Highway Preservation	457		PEF
Local Programs	11		PEF
Total Programmatic Reporting Projects	655	51%	
Project Reporting Projects			
TPA & Nickel	310		TPA/Nickel
PEF	20		PEF
WSF	74		PEF
	404	32%	
No reporting required			
Inactive during 07-09 (no 2007-09 appropriation)	145		
Rail projects	15		PEF
Facilities projects	4		PEF
Capital operations Program Q	42		PEF
Future Un-programmed Project Reserves Projects	9		PEF
	215	17%	

In addition local programs are required to report on 45 pedestrian and bicycle safety grant projects and 48 safe routes to school grant projects.

Section Four Recommendations

The consultants and LEAP worked with OFM, House Transportation Committee, Senate Transportation Committee and WSDOT stakeholders to determine the business rules needed to meet the process and system goals identified and accommodate existing statutory requirements. Based on these discussions the consultants have recommended guiding principles to inform business rules and roles for the stakeholders and LEAP. The consultants have also recommended business rules that are applicable to each process and system goal. In some cases these recommendations take the form of recommending a method for formulating the business rule. The table in the Executive Summary provides a summary of the recommended guiding principles and recommendations.

A. Guiding Principles

Guiding principles are intended to provide context for the stakeholder and LEAP roles and for the business rules. They include clarifying legislative reporting requirements, separating budgeting and reporting information, the snapshot status reporting capability of the capital budget system, the need to synchronize data, and the evolving nature of business rules.

1. Clear Legislative Reporting Requirements

It is critical that the legislature's reporting requirements be clear and capable of being communicated across WSDOT divisions so that WSDOT can provide the required information. The consultants noted in reviewing the legislatively mandated reporting requirements that they are not clear, are spread out in different sections of the budget bill, and are not linked to a clearly defined set of projects and programs.

Guiding Principle 1 – The legislature needs to make their oversight reporting requirements explicit so that WSDOT can provide the required information, which may require a section in the budget bill that consolidates reporting requirements.

2. Separate Budgeting from Reporting

Accurate reporting that responds to clear statutory requirements improves legislative budget decision-making. The data needed for reporting and the data needed for budgeting, however, should be distinguished. LEAP has noted that one of the problems with the current TEIS is that reporting data is inter-mixed with budgeting information making the system complex and difficult to use. The new system should have separate, but linked, budgeting and reporting modules.

Guiding Principle 2 – Reporting and budgeting information should be distinguished to reduce the complexity of the information system while allowing reporting information to inform budget decision-making. The new budgeting and reporting process should have separate, but linked, budgeting and reporting modules.

3. Snapshot Reporting

A capital budgeting system provides snapshot status reports and will not duplicate the more extensive data available in the WSDOT systems.

Guiding Principle 3 – A capital budgeting system provides a snapshot status report for legislative oversight and is not intended to duplicate the more extensive data available in the WSDOT systems.

4. Synchronizing Data

It is important that actual expenditure information in the capital budget system match the state's accounting records so that decision-makers have accurate and complete information. Consistent information will increase confidence in the reliability of the information on which decision-making is based.

Guiding Principle 4 – Information provided in the capital budgeting system should be identical with the information in all other state accounting systems to increase confidence in the reliability of the data in the capital budgeting system.

5. Evolving Business Rules

Legislative and executive policies will evolve over time, which will require changes in business rules.

Guiding Principle 5 – Business rules will evolve over time with changes in legislative and executive priorities.

B. Recommendations

1. Stakeholders and Roles Recommendations

As discussed in Section 1 of this report, the users of the legislative capital budgeting and reporting system have narrowed to four key stakeholders: House and Senate Transportation Committees, OFM, and WSDOT with LEAP as the system provider. All four stakeholders will have to collaborate on many elements of the IT system and in developing and conforming to business rules. This collaboration should take place within a framework of clearly understood roles.

Recommendation 1 - All stakeholders should recognize the need for a collaborative approach between the executive and legislature to create and maintain a successful capital budgeting and reporting system and supporting IT system.

Recommendation 2 - System stakeholders should be clarified and focused on those executive agencies and legislative committees directly involved in the system. No transportation agencies other than WSDOT should be included in the legislative capital budgeting and reporting system. Ownership of the system should be transferred from the JTC to LEAP.

1. OFM Role

As discussed in other sections OFM plays an increasingly critical role in transportation budgeting and reporting now that WSDOT is a cabinet agency. OFM's production of reports, and oversight of WSDOT reports, is critical to meeting legislative oversight reporting requirements.

Recommendation 3 - OFM is responsible for budget instructions that should be the foundation for the evolution of capital budgeting and reporting business rules.

2. LEAP Role

LEAP has the responsibility to develop the new transportation capital budgeting and reporting system working with WSDOT, House and Senate Transportation Committees and OFM.

Recommendation 4 - LEAP should be recognized as being responsible for: development and management of the legislative capital budgeting and reporting IT system; convening multi-agency work teams for system development; creating a working copy of the capital budgeting and reporting system (TEIS) for the 2008 session; developing the new system planned for use in the 2009 legislative session; and ensuring that legislative information requirements are met. LEAP should become the owner of the legislative capital budgeting and reporting system.

3. House and Senate Transportation Committees Role

The House and Senate Transportation Committees are the primary users of the legislative capital budgeting and reporting system.

Recommendation 5 - The House and Senate Transportation Committees should be responsible for articulating their budgeting and oversight reporting requirements and be recognized as the primary client for LEAP's IT system development effort.

4. WSDOT Role

WSDOT is the primary source of information for the capital budget system and must understand the budgeting, reporting and IT data requirements in order to meet legislative expectations. The legislature and OFM also want to understand how, by whom, and when key decisions are made by WSDOT in developing the budget project and program lists; updating project costs, schedules and scopes; and developing the 16-year financial plan and its corollary revenue, fund balance, and federal funding assumptions.

Recommendation 6 - WSDOT is the primary source of information for capital budgeting and legislative oversight and should conform to legislative reporting requirements, follow OFM's budget instructions, and develop or modify their internal systems to meet these requirements.

Recommendation 7 - To increase confidence in the agency, WSDOT should make its internal budget decision-making process clear by working with OFM to chart and describe how, by whom, and when budget decisions are made.

C. Capital Budgeting and Oversight Reporting Process Goals

Goal 1 - Stake(s) in the Ground

One of the goals for the capital budgeting and reporting process is to have a fixed starting point for budget development, reporting and change management. This requires a consistent and comparable list(s) of capital projects with a unique and unalterable identifier for each one. The existing statutory requirements reinforce this goal, with the legislature referencing the LEAP 2007-1 list developed April 20, 2007 as a controlling list for Nickel and TPA funded projects and LEAP lists 2007-A and 2006-B for local program projects.

Recommendation 8 – The new capital budgeting and reporting process and IT system should be based on an identifier that is unique and unalterable for each capital project. All stakeholders must agree to consistently use a unique identifier that stays with a project for the life of the project for this concept to work. (Unique identifiers are also recommended for legislatively mandated project roll-ups. See recommendation 14.)

Recommendation 9 – A total project list should be established that reflects the actions of the legislature. The total project list should include a clear delineation of which projects are to be reported on by program, project, mega project and/or other reporting roll-up and those for which reporting is not required. The total project list should also indicate which projects are supported by federal funds. Projects supported by earmarked federal funds should be separately identified. (It is important to note that this recommendation does not include any comments or recommendations regarding using the project list for appropriation purposes. The recommendation relates solely to establishing an understood basis for reporting.)

- a. The legislature should include for all projects that are subject to project level schedule, scope and cost reporting a list that identifies:
 - o Schedule in the budget, with milestones for projects with design, right-of-way and/or construction phases only
 - o Scope in the budget
 - o Cost in the budget
- b. The legislature should include for all projects subject to programmatic reporting a list that identifies:
 - o Projects to be included in each program report
 - o Program costs in the biennium budget
- c. The legislature should consider eliminating the requirement for programmatic reports to include reports on schedule and scope since those reports are more meaningful at the project level.
- d. The legislature should consider the creation of a list of TPA and Nickel projects that could be used to track the status of implementation of these funding packages across time. The list would include completed projects as well as projects in the 16-year capital project plan.

Recommendation 10 – The stakes in the ground should change with the start of each fiscal year, with revised budgets, scopes and schedules effective July 1. The stakes would change with each legislatively approved budget. The original stake should be available for comparison purposes.

Appendix A shows these lists as they would appear for the 2007-09 budget.

Goal 2 – Stake in the Ground 16-Year Financial Plan/Fund Balance

The 16-year financial plan, while not legislatively adopted, is key to understanding legislative, executive and WSDOT revenue and expense assumptions and fund balance.

Recommendation 11 – At the conclusion of each legislative session the House and Senate Transportation Committees, in consultation with OFM and WSDOT, should identify the version of the 16-year financial plan that correlates with the project and program stake in the ground lists. This version should be locked by LEAP and identified as the 16-year financial plan corresponding to the adopted budget. The 16-year financial plan should include federal funds.

Goal 3 – Common Approach to Project Status Updates During Session

In 2007 the Governor forwarded a February update to her original budget, which included updated project information. While the legislature wants up-to-date information on project status to inform their decision-making, it can be disruptive when numerous small changes are made.

Recommendation 12 – OFM should work with the House and Senate Transportation Committees to determine how best to update project status during the legislative session. Instructions should be developed by OFM for this update, if any is to occur, as part of OFM’s capital transportation budget instructions.

Goal 4 – Understood Definitions of Key Business Terms for Highway and Other WSDOT Capital Budgets

The consultants reviewed the definitions recommended by the Transportation Working Group with the stakeholders. The stakeholders found it difficult to agree on definitions. The consultants note that the legislature in the last session referred to OFM’s budget instructions as a source for capital related definitions. (See Washington State Ferries ESHB 2358 for an example). The consultants also note that definitions for projects are different among the various WSDOT programs.

Recommendation 13 – OFM should work with the House and Senate Transportation Committees and WSDOT to establish capital project budget definitions which may vary between WSDOT programs. The definitions should be included in OFM’s capital transportation budget instructions. Definitions should apply to new projects being proposed/added only. Existing projects should not be reconfigured to meet a new definition of project.

Draft definitions for OFM’s consideration are included in Appendix B.

D. Capital Budgeting Process Goals

Goal 5 – Flexible and Transparent Project Roll-ups

The legislature and Governor want to see corridor or other groupings of projects to support their decision-making. It is important that the legislature, OFM and WSDOT be able to tell which projects are included in a roll-up and to change the aggregation as desired for analysis and comparison.

Recommendation 14 – A unique identifier should be established for legislatively mandated roll-ups. An example would be a unique identifier for mega projects – a new system item.

Recommendation 15 – LEAP’s version control process should allow users to freeze roll-ups and to aggregate and disaggregate projects within the roll-up while maintaining the original roll-up for analysis and comparison.

Goal 6 – Agreed Upon Basis for the Distribution of Indirect Costs

The 2007 legislative session directed WSDOT to deal with indirect costs differently than the Governor proposed. An example is the decision by the legislature to distribute the SPMG costs among highway projects. Another is the direction to WSDOT to distribute overhead costs among ferry capital projects. To facilitate decision-making, the legislature, OFM and WSDOT need to understand the total amount of indirect costs as well as the basis for the distribution of these costs between projects and programs.

Recommendation 16 – OFM should work with the House and Senate Transportation Committees and WSDOT to establish how indirect costs will be distributed among projects and programs in the various elements of the WSDOT capital program. Directions on indirect cost distribution should be included in OFM’s capital transportation budget instructions.

Goal 7 – Understood Allotment of Federal Funds

The legislature wants to know whether all federal funds have been obligated in the biennium budget and 16-year financial plan and they want to know which projects or programs are supported by earmarked federal funds. This requires that federal funding assumptions be tied to an identified project list, that a list of projects with federal funding be included that identifies the federal earmark projects, that a forecast of federal funding sources be tied to the 16-year financial plan and that the assumptions about federal funding be made explicit.

Recommendation 17 – The stake in the ground total project list should indicate which projects are supported by federal funds. Projects supported by earmarked federal funds should be separately identified.

Recommendation 18 – OFM should work with the House and Senate Transportation Committees and WSDOT to provide direction on how the federal grant assumptions will be displayed in the budget. Directions on making federal grant assumptions explicit should be included in OFM’s capital transportation budget instructions for the 2009-11 biennium.

E. Capital Oversight Reporting Process Goals

Goal 8. Accurate and Timely Oversight Cost Reporting at the Project and Program Level

The legislature has adopted cost reporting statutory requirements at the project and program level. These requirements are aimed at the legislature's desire to monitor the overall fund status (i.e. the status of funding for TPA and Nickel supported projects) and to monitor whether projects or programs are operating within budget. The legislature has also provided explicit requirements on fund transfers, requiring reports on both the Section 603 and Section 309 transfers.

It should be noted that the capital budget and reporting system will provide a snapshot of the status of the fund, program and/or project. To drill down into systemic problems that may be causing budget over-runs or under-runs will require an analysis of different versions of the reports or an analysis based on information available from the WSDOT systems.

Cost reporting relies on consistent information being provided from the WSDOT accounting systems, a consistent definition of on-budget, agreement on the level of reporting required, and budget policies on matters such as how inflation and other non-project specific cost changes will be handled.

In 2007 the legislature was concerned that for some projects (i.e. Tacoma HOV) WSDOT did not identify cost increases soon enough to inform legislative decision-making. Understanding when in the life of a project cost revisions should be made will help address this situation.

Recommendation 19 – For reporting purposes, the definition of on-budget should be whether a project is within 5 percent of the last adopted budget. It should be recognized that with each budget adoption the stake in the ground project list and associated budget will change.

Recommendation 20 – Section 603 transfers reported quarterly should be shown as a separate reporting element that does not change the stake in the ground project list budget.

Recommendation 21 – The legislature should continue to require quarterly cost oversight reports. Cost reports should be compared to the budget established in the adopted budget, which will not change until the next budget is adopted.

Recommendation 22 – The information provided to the capital reporting system should be provided on an agreed-upon and consistent basis, either monthly or quarterly, and coincide with the AFRS cut-off.

Recommendation 23 – OFM should work with the House and Senate Transportation Committees and WSDOT to provide direction on when budget revisions will be requested and on how inflation and other non-project specific cost changes will be handled. Directions on budget revision timing and inflation and other cost adjustments should be included in OFM's capital transportation budget instructions.

Goal 9 – Accurate and Timely Oversight Schedule Reporting on a Project Level

The legislature has directed that project level reporting be based on six milestones:

1. Project definition complete
2. Begin preliminary engineering

3. Environmental documentation complete
4. Right-of-way certification approved
5. Advertisement date
6. Operationally complete date

The legislature has also required schedule reporting within programs, in some programs noting that the projects should be completed in priority order. For WSF projects the legislature has specified schedule reporting but not specified six milestones.

It should be noted that the capital budget and reporting system will provide a snapshot of the project schedule. To drill down into systemic problems that may be causing schedule delays will require an analysis of different versions of the reports or an analysis based on information available from the WSDOT systems.

Recommendation 9c is that the legislature should consider eliminating the requirement for programmatic schedule reports because schedules are most effectively reported at the project level.

Recommendation 24 – The definition of on-time for all milestones should be whether the milestone was achieved within the planned quarter. It should be recognized that with each budget adoption the stake in the ground project schedule will change.

Recommendation 25 – Milestone reporting should only be required for project reporting and should not be required for programmatic reporting. Projects for which milestones are applicable are those projects that have preliminary engineering, right-of-way acquisition and/or construction phases.

Recommendation 26 – OFM should work with the House and Senate Transportation Committees and WSDOT to review whether six milestones is appropriate and to consider improved measures. WSDOT has noted that generally three milestones change – preliminary engineering, advertisement date and operationally complete.

Recommendation 27 – The legislature should continue to require quarterly schedule reports. Schedule reports should be compared to the schedule established in the adopted budget, which will not change until the next budget is adopted. WSDOT should include schedule changes with any new budget.

Recommendation 28 – Schedule adjustments included in Section 603 transfers should be reported separately and not adjust the stake in the ground project list budget schedule until the next budget is adopted.

Recommendation 29 – Milestone status should be locked by LEAP once the milestone is completed.

Goal 10: Accurate and Timely Oversight Scope Reporting at the Project Level

The legislature has required scope oversight reporting at both the project and the program level wanting assurance that projects are completed within the originally conceived scope. Reporting on scope requires a consistent way of identifying and measuring scope.

It should be noted that the capital budget and reporting system will provide a snapshot of the project scope that reflects the current scope of the project. To drill down into systemic problems that may be causing scope problems will require an analysis of different versions of the reports or an analysis based on information available from the WSDOT systems.

Recommendation 9c is that the legislature should consider eliminating the requirement for programmatic scope reports because scope changes are most effectively reported at the project level.

Recommendation 30 – Scope should be defined in the project list by providing a clear and measurable description of the functional intent and physical limits of each project. Reducing the area of a project, such as a widening project, would be considered a scope change.

Recommendation 31 – Within scope should be determined by whether the project achieves the original functional intent within the original physical limits of the project.

Recommendation 32 – The legislature should continue to require quarterly project scope reports recognizing a reliance on WSDOT’s determination of whether projects are being engineered to meet the functional intent.

Recommendation 33 – Scopes should be identified in the stake in the ground project lists and changed, if necessary, by WSDOT with each budget. It should be recognized that this may result in all projects being completed within scope. When scope is changed in a new proposed budget, WSDOT should be required in OFM’s capital budget instructions to highlight that change.

F. Capital Budget and Oversight Reporting Policy Goals

Goal 11 – Performance Reporting

In 2007 the legislature adopted a bill identifying five overarching policy goals with which transportation planning, budgeting and reporting should align. OFM is required to provide an annual attainment report outlining the state’s progress in meeting the policy goals. The transportation budget needs to tie to these goals and support performance reporting required as part of the Priorities of Government (POG) and Government Management Accountability Program (GMAP) programs.

Recommendation 34 – OFM should work with the House and Senate Transportation Committees and WSDOT to develop performance reporting linked to the capital budgeting process as part of OFM’s responsibility to produce an annual transportation attainment report.

Goal 12 – Agreed Upon Process to Change Business Rules

Legislative and executive priorities change over time. These changes may require modifications in business rules that must be understood by OFM, the legislative transportation committees and WSDOT.

Recommendation 35 – OFM’s transportation capital budget instructions should be the vehicle to communicate changes to business rules. If the legislature does not agree with the changes, they can adopt legislation mandating changes.

G. Information Technology System Goals

Goal 1 – Reliable, Validated, Accurate, Shared and Accessible Data from a Single Point of Entry

This goal requires that data be provided to the capital budgeting system at the lowest common denominator and that data in all systems be the same at any specified point in time.

Recommendation 36 – Data should be provided by WSDOT to the new capital budgeting IT system at the lowest possible level, which will allow LEAP to then use that information to support legislative analysis. For example, data provided to support program level reporting should be provided at the project level.

Goal 2 - Robust Reporting

Recommendation 37 – LEAP and the Senate and House Transportation Committees should jointly determine the reporting formats and ad-hoc capabilities needed to support legislative decision-making.

Goal 3 - Version Control

Recommendation 38 – LEAP should work with the Senate and House Transportation Committees, OFM and WSDOT to develop version control protocols that would authorize LEAP to lock down important legislative versions with a standard designation (i.e. House Budget Proposal).

Goal 4 – Meet Stakeholder Servicing Needs

Recommendation 39 – LEAP should work with the Senate and House Transportation Committees, OFM and WSDOT to document security, service requirements, and system change protocols.

Recommendation 40 – LEAP, OFM and WSDOT should be responsible for meeting documented security, service requirements, and system change protocols. In support of governance and data sharing agreements, LEAP, OFM, and WSDOT will need to ensure ongoing coordination and open communication regarding system changes – particularly any changes affecting underlying data structures.

Goal 5 – Integrated Financial and Capital Systems

Recommendation 41 – LEAP should work with the Senate and House Transportation Committees, OFM and WSDOT to integrate the financial and capital systems.

Goal 6 – Enhanced Web Access for the Public

Recommendation 42 – LEAP should work with the Senate and House Transportation Committees, OFM and WSDOT to provide consistent, linked information on all state web sites and to allow the public to compare different budget versions and project and programs lists during the legislative session. Consistent reporting to the public will require, at a minimum, the stakeholders to use consistent project titles and groupings.

Appendix A.
Stake in the Ground Project List Example 2007-09

Stake in the Ground Lists	Description	Required Oversight Reporting – Budget Bill	Reporting Frequency	Lead Agency
Total Project List	All projects in biennium budget	No reporting required Used to establish unique project identifier		
LEAP Transportation 2007-1	TPA & Nickel projects	<p>Section 214 6 milestones – in TEIS – all active TPA & Nickel projects <i>Consultants note:</i></p> <ul style="list-style-type: none"> - Applies only to projects that have design, right-of-way and/or construction phases - Milestones appropriate for biennium appropriation (i.e. if only design appropriated in 2007-09 only design related milestones are to be reported on) - Excludes TPA and Nickel projects for which programmatic reporting is required. This includes: <ul style="list-style-type: none"> ▪ Improvement program: Bridge rail, guard rail, fish passage barrier, roadside safety projects ▪ Preservation program: Seismic bridges <p>Section 305 – Improvement Program Status reports to OFM and legislature on each project funded in part or whole by Nickel or TPA – WSDOT work with OFM and transportation committees on format – include project scope, schedule & costs – via TEIS</p> <p>Section 306 – Preservation Program Status reports to OFM and legislature on each project funded in part or whole by Nickel or TPA – WSDOT work with OFM and transportation committees on format – include project scope, schedule & costs — via TEIS</p>	Quarterly	WSDOT
PEF Projects	PEF projects for which milestone reporting is agreed on	<p>Section 214 6 milestones – PEF projects as agreed to by the legislature, OFM and WSDOT <i>Consultants note:</i> <i>Milestones appropriate for biennium appropriation (i.e. if only design appropriated in 2007-09 only design related milestones are to be reported on)</i></p>	Quarterly	WSDOT
Washington State Ferry Projects (Program W)	All WSF projects	<p>Section 308 Status reports to OFM and the legislature on each project and on any additional projects during the 07-09 biennium on which funds are expended. Reports on project scope, schedule & costs – in TEIS <i>Consultant note:</i> <i>Will also include WSF TPA & Nickel projects.</i></p>	Quarterly	WSDOT
Local Programs Projects (Program Z)	All local program projects	<p>Section 310 Report to the legislature on the delivery of projects in LEAP Transportation Documents 2007-A & 06-B. (Grant programs) For Nickel and TPA projects reporting shall include but not be limited to scope, schedule and costs. Other projects may be reported on a programmatic basis.</p>	Quarterly	WSDOT

Stake in the Ground Lists	Description	Required Oversight Reporting – Budget Bill	Reporting Frequency	Lead Agency
		Reporting in TEIS		
MEGA Projects: Alaskan Way Viaduct SR 520 SR 167 1-405 North Spokane Corridor I-5 Tacoma HOV Columbia River Crossing	MEGA projects Single or rolled-up	Section 604 OFM to track and report financial status and schedule Notes: Not required to be in TEIS	Annual	OFM
Programs: 7 programs: TPA/Nickel: = 5 Bridgerail Retrofit Guardrail Retrofit Roadside Safety Fish Passage Barriers Seismic Retrofit PEF = 2 Highway Improvement (Program I) Highway Preservation (Program P)	Projects rolled-up to programmatic level	Improvement program (Section 305) Preservation program (Section 306) Include project scope, schedule and costs WSDOT work with OFM and transportation committees on format – in TEIS Includes 4 TPA and Nickel “programmatic projects” <i>Consultants note:</i> <i>Programmatic level reporting excludes:</i> <i>Projects funded by TPA and Nickel</i> <i>PEF projects for which project level reporting is required</i>	Quarterly	WSDOT
TPA/Nickel Total Project List	Active and completed TPA and Nickel projects	No reporting required Used to track completion of TPA and Nickel programs		

APPENDIX B Draft Definitions

A. Transportation Budget

The budget which provides funding for both the operation of state transportation activities and the construction and preservation of state transportation assets.

B. Transportation Capital Budget and Sixteen-Year Capital Plan

The portion of the transportation budget that includes the long-term financing and expenditure plan for the construction and preservation of the state's transportation assets. The transportation capital budget includes two types of capital expenditures:

Design and construction projects - Projects for the design, right-of-way acquisition, and/or construction of transportation assets within the sixteen year planning period.

Other capital items - Other capital expenditures included in the capital program include planning and environmental studies, grants to non-state transportation providers and staffing, administrative and other indirect support for the transportation capital plan.

C. Design and Construction Projects

1) **Design and construction project:** A capital improvement or preservation enhancement to the state's transportation assets which, when operationally complete, provides a functional transportation asset through a single primary construction phase.

2) **Design and construction project phase:** One of three project development processes necessary to deliver an operationally complete design and construction project. Design and construction projects may be funded for one or more phases.

- a. Preliminary Engineering: The project development activity that culminates in the completion of contract-ready documents, including final plans, specifications and estimates, and the engineer's cost estimate.
- b. Right-of-way: Acquisition of land for transportation projects.
- c. Construction: Building the transportation asset.

3) Roll-ups of design and construction projects

a. Roll-ups by size/complexity

- i. **Major project:** A capital improvement to the transportation system of sufficient size and complexity to require multiple sub-projects to correct a deficiency or group of deficiencies at a specific location.
- ii. **Mega project:** A major project of significant political visibility and complexity that requires multiple sub-projects over multiple biennia to correct a deficiency or group of deficiencies at a specific location.

b. Roll-ups by region

- i. Project group:** A set of non-contiguous projects grouped with a similar purpose (such as fish passage) that corrects a common deficiency or group of deficiencies at either specific locations or along sections of the transportation system.

c. Roll-ups by corridor

- i. Corridor:** A standalone section of the transportation system between two points usually defined by a common geographic or political boundary that is comprised of a series of projects to correct a deficiency or group of deficiencies.
- ii. Sub-corridor:** A sub-section of a major corridor that is comprised of a series of two to four projects with a common strategy to correct a deficiency or group of deficiencies.

d. Roll-up by program

- i. Programs:** Major categories of general deficiencies on the transportation system.
- ii. Sub-program:** A subset of the general programs defined by specific types of deficiencies. Deficiencies are addressed by geographic regions, on corridors and sub-corridors, with project groups, and individual projects.
- iii. Sub-category:** A subset of specific sub-programs to address specific types of deficiencies. Deficiencies are addressed by geographic regions, on corridors and sub-corridors, with project groups, and individual projects.

D) Improvement

1. Legislative actions/OFM relevant definitions

“Improvement project” has the same meaning as in the budget instructions developed by the office of financial management. If the budget instructions do not define improvement project, then it has the same meaning as “program project” in the budget instructions. If a project meets both the improvement project and preservation project definitions in this section it must be defined as an improvement project. New vessel acquisitions must be defined as improvement projects. (ESHB 2358)

Program projects primarily achieve a program goal, such as changing or improving an existing space to new program requirements or creating a new facility or asset through construction, lease, and/or purchase. This category is less concerned with life extension of a facility, and includes projects ranging from building new facilities to significant renovation of existing facilities. Program projects may also improve conditions, accommodate changes in services or clientele, or increase or maintain federal reimbursement. Program projects must be tied to the statewide results and the agency’s strategic plan by identifying the goals, strategies, and activities supported by the project. (OFM Capital Budget Instructions 2006 p. 18)

2. Proposed Draft Definition

Transportation improvement projects create additional capacity in the transportation system by changing or improving an existing transportation asset or by creating a new transportation asset through construction, lease, and/or purchase. This category is less concerned with life extension of a transportation asset, and includes projects ranging from building new transportation capacity to significant renovation of existing transportation assets. Improvement projects must be tied to the statewide transportation goals of safety, mobility, environment and stewardship as defined by SSB 5412.

E) Preservation

1. Legislative actions/OFM relevant definitions

"Preservation project" has the same meaning as used in budget instructions developed by the office of financial management. (ESHB 2358)

Preservation projects maintain, preserve, and extend the life of existing state facilities and assets and do not significantly change the program use of a facility. Preservation category 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 (Section 3). Examples include renovating building systems and finishes, upgrading utility systems, and repairing streets and parking lots, etc. Preservation projects will be evaluated on how urgent the work is needed. (OFM Capital Budget Instructions p. 18)

2. Proposed draft definition

Preservation projects maintain, preserve, and extend the life of existing state transportation assets and do not significantly change the use or capacity of the asset. Examples include repaving of highways, structural repairs to bridges and replacement of utility and other systems. Preservation projects must be tied to the statewide transportation goal of preservation as defined by SSB 5412.

F) Capital

1. Legislative actions/OFM relevant definitions

"Capital project" has the same meaning as used in budget instructions developed by the office of financial management. (ESHB 2358)

A capital project is a project to construct either new facilities or significant, long-term renewal improvements to existing facilities. A capital project usually has a useful life of at least 13 years and typically requires the involvement of an architect and/or engineer. Grants made by the state to fund capital projects for other entities are often also included in the capital budget. Capital projects are usually funded by sources specifically set aside for capital purposes, such as highway and other dedicated funds, and the proceeds of bond sales or other long-term financing contracts. (OFM Capital Budget Instructions 2006)

2. Proposed Definition

A capital project is a project to construct either new transportation assets or significant, long-term renewal improvements to existing transportation assets. A capital project usually has a useful life of at least 13 years and typically requires the involvement of an architect and/or engineer. Grants made by the state to fund capital transportation projects for other entities are also included in the capital budget. Capital projects are usually funded by sources specifically set aside for capital purposes, such as highway and other dedicated funds, and the proceeds of bond sales or other long-term financing contracts.

Example: On-going environmental monitoring is not a capital expense.

G) Maintenance

1. Legislative actions/OFM relevant definitions

"Maintenance cost" has the same meaning as used in budget instructions developed by the office of financial management. (ESHB 2358)

Costs for ordinary repair and routine maintenance work necessary to keep an existing facility or asset in useful condition for its function and occupants are **not** included in the capital budget. This type of work maintains or preserves the usefulness of an asset rather than changing or significantly improving it, and there is usually little or no effect on operating costs of the facility at the completion of the work. Usually, minor repairs or maintenance work can be done by agency trades staff or by private contractors, and there is generally no need for involvement of an architect or engineer. (OFM Capital Budget Instructions p. 17)

2. Proposed definition

Costs for ordinary repair and routine maintenance work necessary to keep an existing transportation asset in useful condition **are not** included in the capital budget.

H) Placeholder

1. Legislative actions/OFM relevant definitions

We recognize that certainty about state programs decline as agencies look further into the future. Therefore, the last four years of the capital plan need not contain the same level of project detail as the first six years. (OFM Capital Budget Instructions p. 7)

2. Proposed definition

Placeholders are estimates of capital budget requirements for preservation or improvement projects or programs where more definitive cost estimates are not available. Generally placeholders will be used only for projects or programs in the last ten years of the sixteen year capital program.