

## BUDGET PROCESS STUDY - ISSUES TO ADDRESS

This memorandum identifies selected budgeting issues identified in House Concurrent Resolution No. 3045 that the committee may wish to address in its study of the budgeting process:

1. Review the results of the program-based performance budgeting pilot project. A brief history of North Dakota's performance budgeting pilot project is listed below, and attached as Appendix A is an excerpt from the Legislative Council's memorandum entitled Budgeting Methods in North Dakota and Other States relating to the use of performance measures in other states.

The program-based performance budgeting pilot project began during the 1993-94 interim when the Budget Section requested the Office of Management and Budget to ask all state agencies and institutions to include, to the extent possible, service efforts and accomplishments in the 1995-97 budget request forms and to use this information to support the executive budget. The Office of Management and Budget developed a program-based performance budgeting pilot project to incorporate service efforts and accomplishments into the budgeting process and chose 14 agencies to be involved in the pilot project.

The 1995 Legislative Assembly appropriated funds on a program basis for nine of the 14 agencies and appropriated funds for the remaining agencies on an object code line item basis but directed these agencies to continue to monitor their performance measure goals and objectives.

The 1995-96 interim Budget Section received reports on the program-based performance budgeting pilot project and requested the Office of Management and Budget to continue to work with the nine agencies that receive program appropriations for developing the 1997-99 biennium budget for these agencies and that those agencies be subject to program reviews. The Budget Section recommended the 1997 Legislative Assembly review the program-based performance budgeting pilot project and determine if the project should continue.

The 1997 Legislative Assembly approved House Concurrent Resolution No. 3045 directing the study of the budgeting process, which includes a review of the program-based performance budgeting pilot project.

2. Review how agency and institution appropriation balances at the end of a biennium should be handled.

The Legislative Council staff identified 13 sections of appropriation bills approved by the 1997 Legislative Assembly allowing agencies to continue appropriation authority beyond the close of the budget cycle. Ten of these sections allowed agencies to continue appropriation authority beyond the 1995-97 biennium. Three of the sections authorize agencies to continue 1997-99 appropriations beyond June 30, 1999. The amount of authority continued beyond June 30, 1997, totaled \$8,060,622. This amount is in addition to the capital improvement carryover authorized by the Office of Management and Budget pursuant to North Dakota Century Code Section 54-44.1-11 which for 1995-97 appropriations totaled \$2,511,602.

A review of selected other states reveals that most other states' policies are similar to that of North Dakota which provides that any unspent appropriation authority is cancelled at the close of a budget cycle unless an exemption is provided by the Legislative Assembly. Iowa allows agencies to retain 25 percent of their unspent appropriation authority relating to general operating funding for technology improvements during the next budgeting cycle. South Dakota allows federal or other funds to be continued for one year, if approved, and allows general fund authority to be continued for one year to pay for contractual obligations, if approved. Any other unspent general fund authority is canceled at the close of the budget cycle and funds in the amount of the unspent authority are transferred to a budget reserve fund up to a cumulative maximum of five percent of the state's general fund appropriation. Michigan deposits funds equal to the amount of its unspent general fund appropriation authority in Michigan's budget stabilization fund. Oklahoma agencies may continue appropriation authority but the estimated unspent amount is used to reduce appropriations for the subsequent budgeting cycle. See Appendix B for more detailed information on other state's methods of handling unspent appropriation authority.

3. Determine the benefits that new information technology could provide in budget development and budget presentation.

Possible benefits in new technology on budget development and budget presentations include:

- a. Budget presentation methods involving new technology may include:
  1. Overheads.
  2. Slides.
  3. Computer-generated presentations.
  4. Audio.
  5. Video.
  6. Additional supporting information available at the hearing to respond to questions.
  7. Ability to have interactive video access to experts or other groups to provide information to the committee.
- b. Budgetary information that should be available on-line may include:
  1. Office of Management and Budget reports:
    - a) Budget requests.
    - b) Budget recommendations.
    - c) Budget summary.
    - d) Other.
  2. Legislative Council staff reports:
    - a) Budget status.
    - b) Fiscal impact report.
    - c) Agency summaries.
    - d) Budget analysis reports.
    - e) Other.
  3. Agency information:
    - a) Testimony.
    - b) Supporting documents.
    - c) Other.
  4. Fiscal notes.
4. Consider the effect of budget recommendations on future biennial budgets. Items to consider may include:
  - a. One-time revenues.
  - b. One-time expenditures.
  - c. New program expenditures.
  - d. Discontinued program expenditures.
  - e. Leases or other contractual obligations of agencies, if continued beyond one biennium.
  - f. Delayed effective date legislation.

Ways to present the effect of budget recommendations on future budgets may be to:

  - a. Require this information to be included on budget request forms.
  - b. Require this information to be included in executive budget documents.
  - c. Continue to include this information in fiscal notes.
  - d. Encourage the Legislative Assembly, when possible, to include this information in its budget-related documents.
5. Review the detailed information supporting agency budget requests and the executive recommendation. Types of information to support budgets, including information provided on fiscal notes to be addressed may include:
  - a. Budget request information.
  - b. Budget recommendation information.
  - c. Statement of purpose of amendment information.
  - d. Fiscal note information.

ATTACH:2