

1 HB BILL NO. 86
 2 INTRODUCED BY Kindra White Vincent Hamrick
 3 Palmer - FAGO

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR
 5 ZERO-BASED BUDGETING AND PROGRAM PERFORMANCE AUDITING AND
 6 FOR SELECTION OF PROGRAMS TO BE MADE BY A JOINT COMMITTEE
 7 COMPOSED OF THE LEGISLATIVE FINANCE AND LEGISLATIVE AUDIT
 8 COMMITTEES; AMENDING SECTIONS 43-1113, 43-1114, 79-1012.3,
 9 79-2305, AND 79-2312, R.C.M. 1947; AND REPEALING SECTIONS
 10 79-1012.1, 79-1012.2, AND 79-1012.5, R.C.S. 1947."

11
 12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13 Section 1. Purpose. The purpose of this act is to
 14 create a budget system that rejects the assumption that a
 15 program should continue merely because it exists and to
 16 selectively require assessment by persons managing a program
 17 of the projected impact of the program at various levels of
 18 funding, the objectives of the program, the specific future
 19 objectives of the program, and reexamination of program
 20 results in relationship to costs and outcomes to determine
 21 need for changes in stated program goals and objectives; and
 22 to require performance audits of programs required to be
 23 zero-based budgeted.

24 Section 2. Definitions. As used in this act, the
 25 following definitions apply:

1 (1) "Agency" means an office, position, commission,
 2 committee, board, department, institution, council,
 3 division, bureau, section, or any other entity or
 4 instrumentality of the executive branch of state government.

5 (2) "Decision package" means the most simple unit of
 6 activity producing a specific, identifiable result and
 7 representing one of a number of alternative combinations of
 8 levels of costs and services for an activity.

9 (3) "Intervention assumptions" means those assumptions
 10 that relate program expenditures to production of the
 11 intervention, intervention to outcome anticipated, outcome
 12 anticipated to objectives, and objectives to impact on the
 13 problem addressed in goals.

14 (4) "Effectiveness measures" means a criterion for
 15 permitting estimation of the progress made toward attaining
 16 the goals and objectives being sought.

17 (5) "Performance audit" means an examination of the
 18 effectiveness of administration and its efficiency and
 19 adequacy in terms of the program of a state agency
 20 authorized by law to be performed and the conformance of
 21 expenditures with legislative intent in the appropriation of
 22 funds.

23 (6) "Priority listing" means a ranking of decision
 24 packages in order of importance.

25 (7) "Program" means a combination of resources and

1 activities designed to achieve an objective or objectives.
 2 It includes activity of all state agencies or any function
 3 thereof receiving state appropriated funds, cash funds,
 4 federal funds, or any other funds derived under the
 5 authority or by virtue of law.

6 (8) "Program goals" means a reflection of the state
 7 constitution, statutes, and authoritative judicial,
 8 legislative, and executive decisions or pronouncements.

9 (9) "Unit" means an internal subdivision of an agency,
 10 created by law or by administrative action, including a
 11 division, bureau, section, or department, and an agency
 12 allocated to a department for administrative purposes only
 13 by Title 92A.

14 (10) "Zero-based budget" means a priority ranking of
 15 all programs and activities in successively increasing
 16 levels of performance and funding starting from zero or a
 17 preselected level below the previous biennium's budget.

18 Section 3. Agency responsibility for programs, goals,
 19 objectives. (1) All state agencies or units of state
 20 government shall by January 1, 1978:

21 (a) disaggregate all state activities for which they
 22 have major responsibility into programs at a level of
 23 organization capable of formulating a budget request. The
 24 budget director shall assist whenever activities overlap in
 25 assigning major responsibility for activities and programs.

1 (b) identify program goals;

2 (c) delineate program objectives and measures of
 3 effectiveness and set forth, clearly enough to be tested,
 4 the logic in the intervention assumptions.

5 (2) The functions delineated in subsection (1) shall
 6 be performed as often as necessary to reflect changes in the
 7 state constitution, statutes, or new authoritative judicial,
 8 executive, or legislative decisions or pronouncements
 9 altering program goals.

10 Section 4. Programs selected for zero-based budgeting.

11 (1) A joint committee composed of members of the legislative
 12 finance committee and legislative audit committee shall, by
 13 July 1 of the year preceding a biennial session, select
 14 programs to be zero-based budgeted for the following
 15 biennium.

16 (2) Requests of elected state officials and interim
 17 committees are to be considered but are not binding upon the
 18 committee.

19 (3) By July 1, the committee shall inform the budget
 20 director and the heads of agencies and units responsible for
 21 the programs selected for zero-based budgeting.

22 Section 5. Section 79-1012.3, R.C.M. 1947, is amended
 23 to read as follows:

24 "79-1012.3. ~~Program~~ Zero-based budget. The biennial
 25 zero-based budget ~~under this act~~ shall include a

1 ~~departmental~~ an analysis summarizing past and proposed
 2 spending plans ~~by~~ for the program and the means of financing
 3 the proposed plan. Information presented shall include the
 4 following:

5 (1) ~~A~~ a statement of ~~departmental and~~ program goals,
 6 objectives, effectiveness measures, ~~and program size~~
 7 indicators and intervention assumptions;

8 (2) ~~At~~ at least three ~~(3)~~ alternative funding levels
 9 for each program with effectiveness measures and ~~program~~
 10 ~~size indicators~~ intervention assumptions detailed for each
 11 alternative funding level insofar as they differ from those
 12 stated for subsection (1). ~~The first funding~~ Funding level
 13 levels shall be set by the budget director, the lowest of
 14 which may not exceed ~~eighty percent (80%)~~ of that level
 15 authorized by the legislature for the present fiscal year.

16 (3) ~~A departmental~~ a priority listing of decision
 17 packages encompassing all alternative funding levels;

18 (4) ~~A~~ a detailed narrative which shall include at
 19 least:

20 (a) ~~A~~ a description of the kinds of activities carried
 21 out or unusual technologies employed;

22 (b) ~~A~~ a statement of key policies pursued;

23 (c) ~~A~~ a description of major external trends affecting
 24 the program;

25 (d) ~~an~~ an evaluation of how effective the program has

1 been in the past and the apparent reasons for the level of
 2 success attained;

3 (e) ~~A~~ a description of possible events that could
 4 result in significant variations in the size, operation, or
 5 effectiveness of the program;

6 (f) ~~an~~ an explanation of the rationale used in
 7 determining the priority listing;

8 (g) an evaluation of alternative ways of achieving
 9 objectives and the rationale for not choosing the
 10 alternatives;

11 (5) ~~Actual actual~~ disbursements for the past ~~two (2)~~
 12 fiscal years, the estimated disbursements for the fiscal
 13 year in progress, and the governor's recommendations for the
 14 ensuing biennium by program and disbursement category;

15 (6) ~~A~~ a statement containing further recommendations
 16 of the governor as appropriate."

17 Section 6. There is a new R.C.M. section that reads as
 18 follows:

19 Submission of zero-based budgets. (1) In the
 20 preparation of a zero-based budget the budget director
 21 shall, not later than July 1 in the year preceding the
 22 convening of the legislature, distribute to all agencies or
 23 units having major responsibility for a program selected to
 24 be zero-based budgeted for the ensuing biennium, the proper
 25 forms necessary for the preparation of budget estimates.

1 These forms shall be as prescribed by the budget director
2 and shall include the information requested in 79-1012.3 and
3 any additional information requested by the budget director.

4 (2) The agency or unit having major responsibility for
5 a program selected for zero-based budgeting shall submit by
6 September 1 of the year preceding the convening of the
7 legislature the information requested.

8 (3) Upon receipt of the information, the budget
9 director shall examine it and prepare a preliminary budget
10 for the ensuing biennium containing the information
11 requested in 79-1012.3 for the governor. The budget director
12 may make changes considered appropriate, including changes
13 in the priority listings of decision packages. Activities
14 and programs that are zero-based budgeted may not have
15 duplicates in whole or in part in the preliminary budget but
16 so long as the distinctive features are retained may be made
17 a part of, and treated as though a part of, the preliminary
18 budget, and submission to the legislature shall be as
19 specified in 79-1015.

20 Section 7. There is a new R.C.M. section that reads as
21 follows:

22 Review of programs. (1) The legislative audit committee
23 is responsible for having a review conducted of each program
24 selected for zero-based budgeting pursuant to [section 4].
25 The review shall be completed at least 3 months preceding

1 the end of the biennium for which a zero-based budget was
2 submitted.

3 (2) The review shall include a performance audit of
4 the program and a thorough examination of the need for the
5 program.

6 (3) Upon completion of the review, the legislative
7 audit committee shall make a report of the audit and the
8 recommendations and submit a proposed bill for distribution
9 to the legislators prior to the ensuing legislative session.

10 (4) Nothing contained in this act is intended to
11 preclude the legislative audit committee from selecting any
12 agency, unit, program, or activity for performance auditing
13 separate and apart from the performance audit prescribed by
14 this act.

15 Section 8. Section 43-1113, R.C.M. 1947, is amended to
16 read as follows:

17 "43-1113. Powers and duties of the legislative finance
18 committee. The committee may:

19 (1) ~~Organise~~ organize, adopt rules to govern its
20 proceedings, and meet as often as necessary, upon the call
21 of the chairman, to advise and consult with the legislative
22 fiscal analyst;

23 (2) ~~Employ~~ employ the legislative fiscal analyst who
24 shall serve at the pleasure of and be responsible to the
25 committee, and the committee shall set his salary;

1 (3) ~~Exercise~~ exercise the investigatory powers of a
2 standing committee under Title 43, chapter 4, ~~R.C.M. 1947;~~

3 (4) ~~meet as often as necessary, upon the call of the~~
4 ~~chairman of the legislative finance committee, to select~~
5 ~~programs to be zero based pursuant to [section 4 of this~~
6 ~~act]."~~

7 Section 9. Section 43-1114, R.C.M. 1947, is amended to
8 read as follows:

9 "43-1114. Legislative fiscal analyst's duties. The
10 legislative fiscal analyst shall:

11 (1) provide for fiscal analysis of state government
12 and accumulate, compile, analyze, and furnish such
13 information bearing upon the financial matters of the state
14 that is relevant to issues of policy and questions of
15 statewide importance, including, but not limited to,
16 investigation and study of the possibilities of effecting
17 economy and efficiency in state government;

18 (2) ~~Estimate~~ estimate revenue from existing and
19 proposed taxes;

20 (3) ~~Analyze~~ analyze the executive budget and budget
21 requests of selected state agencies and institutions,
22 including proposals for the construction of capital
23 improvements;

24 (4) ~~Make~~ make the reports and recommendations he ~~deems~~
25 considers desirable to the legislature and to the joint

1 legislative finance and legislative audit committee and make
2 reports and recommendations as requested by the legislative
3 finance committee and the legislature; and

4 (5) ~~assist~~ assist committees of the legislature, and
5 individual legislators, in compiling and analyzing financial
6 information."

7 Section 10. Section 79-2305, R.C.M. 1947, is amended
8 to read as follows:

9 "79-2305. Meetings of legislative audit committee. (1)
10 The legislative audit committee shall meet as often as may
11 be necessary, during and between legislative sessions, to
12 advise and consult with the legislative auditor.

13 (2) The committee shall meet jointly with the
14 legislative finance committee upon the call of the chairman
15 of the legislative finance committee, to select programs
16 pursuant to [section 4 of this act] to be zero-based
17 budgeted. Committee members shall be reimbursed from the
18 appropriation to the office of the legislative auditor for
19 their actual and necessary expenses incurred as a result of
20 interim meetings, and paid compensation as provided by law
21 for interim standing committees."

22 Section 11. Section 79-2312, R.C.M. 1947, is amended
23 to read as follows:

24 "79-2312. Recommendations of legislative auditor. The
25 reports of the legislative auditor may include comments,

1 recommendations, and suggestions, including suggestions as
2 to which programs should be selected for zero-based
3 budgeting and program performance evaluation but he shall
4 have no power to enforce them nor shall he otherwise
5 influence or direct executive or legislative action."

6 Section 12. Repealer. Sections 79-1012.1, 79-1012.2,
7 and 79-1012.5, R.C.M. 1947, are repealed.

8 Section 13. Severability. If a part of this act is
9 invalid, all valid parts that are severable from the invalid
10 part remain in effect. If a part of this act is invalid in
11 one or more of its applications, the part remains in effect
12 in all valid applications that are severable from the
13 invalid applications.

-End-

STATE OF MONTANA

REQUEST NO. 18-77

FISCAL NOTE

Form BD-15

In compliance with a written request received January 10, 19 77, there is hereby submitted a Fiscal Note for House Bill 86 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly.

Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to provide for zero-based budgeting and program performance auditing and for selection of programs to be made by a joint committee composed of the Legislative Finance and Legislation Audit Committees.

ASSUMPTIONS:

1. The Joint Committee will meet once in each fiscal year of the 1978-79 biennium prior to the next legislative session. Committee members will be reimbursed for actual and necessary expenses incurred as a result of interim meetings and will be paid compensation as provided by law for interim standing committees.
2. The Joint Committee will designate, for zero-based budget development, a number of agencies and/or programs of a size and complexity approximately equal to that exhibited in the current biennium, seven program, zero-based (PBS) budgeting system.
3. Agencies designated for "zero-based budgeting" will hold that status for one biennium and will then return to the standard budgeting procedure.
4. The role of the Office of the Legislative Fiscal Analyst will be advisory to the Joint Committee and will involve a relatively small expenditure of resources.
5. Performance audits of designated zero-based agencies will be performed in addition to the regularly scheduled agency audits of the Legislative Auditor.
6. The number, size and complexity of performance audits will match requirements posed by the existing seven program, zero-based (PBS) budgeting system.
7. The existing zero-based (PBS) budgeting system will be modified and simplified. This task, as well as the implementation of the zero-based budgeting process as outlined in House Bill 86, will be performed by the Budget Director.

FISCAL IMPACT:

Joint Committee

	<u>FY 78</u>	<u>FY 79</u>
Proposed Law		
Compensation	\$ 640	\$ 640
Expenses	<u>1,700</u>	<u>1,700</u>
Total expenditures under proposed law	\$2,340	\$2,340
Expenditure under current law	<u>0</u>	<u>0</u>
Increased expenditure under proposed law	<u>\$2,340</u>	<u>\$2,340</u>

Office of Legislative Fiscal Analyst

The Legislative Fiscal Analyst has examined the proposed law and reports no fiscal impact upon that office.

Office of the Legislative Auditor

The Legislative Auditor has examined the proposed law and states: "unable to arrive at a meaningful estimate of what it would take to meet the requirements that would be imposed by House Bill 86."

Richard L. ...

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-7-77

continued on page 2.

FISCAL IMPACT: (continued)

Office of Budget and Program Planning

The proposed legislation will not require additional staff or expense by the Office of Budget and Program Planning provided the recommended budget modifications in the 1978-79 Executive Budget are approved.

LOCAL IMPACT:

None.

LONG RANGE IMPACT:

Indeterminate.

TECHNICAL NOTES:

1. The increased costs of implementing the proposed legislation are largely contingent upon requirements for performance auditing by the legislative auditor. Revision and more detailed specification of audit requirements could substantially affect cost.
2. H.B. 643 (Chapter 460, Session Laws of Montana) includes a provision for "a variance report for the immediate past fiscal year which shall detail variances between expenditures, revenues, program size indicators, effectiveness measures and priorities expressed in the executive budget and those actually realized." This requirement duplicates, in part, requirements for performance audits as specified in the proposed legislation.
3. Clarification is necessary regarding the concepts "intervention assumptions" and "effectiveness measures" in section 2, subsection 3.
4. H.B. 86 should make reference to the existing H.B. 643 and clarify the status of H.B. 643 if implemented. Will H.B. 86 supersede H.B. 643 or supplement the provisions of H.B. 643?
5. OBPP recommends a subsection be added to section 5 relative to the organizational structure of the program to be reviewed. The subsection would include a statement identifying the organizational structure of the agency or program to carry out the stated goals and objectives and should include functions and staffing of the agency or program and the mechanisms for coordinating work internally and with other agencies or programs.
6. OBPP recommends that Section 5, subsection 5, be changed to read, "actual disbursements for the past fiscal year, . . ."

Approved by Committee
on State Administration

HOUSE BILL NO. 86

INTRODUCED BY KIMBLE, UHDE,
VINCENT, HUENNEKENS, PALMER, FAGG

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR
ZERO-BASED BUDGETING AND PROGRAM PERFORMANCE AUDITING AND
FOR SELECTION OF PROGRAMS TO BE MADE BY A JOINT COMMITTEE
COMPOSED OF THE LEGISLATIVE FINANCE AND LEGISLATIVE AUDIT
COMMITTEES; AMENDING SECTIONS 43-1113, 43-1114, 79-1012.3,
79-2335, AND 79-2312, R.C.M. 1947; AND REPEALING SECTIONS
79-1012.1, 79-1012.2, AND 79-1012.5, R.C.M. 1947."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Purpose. The purpose of this act is to
create a budget system that rejects the assumption that a
program should continue merely because it exists and to
selectively require assessment by persons managing a program
of the projected impact of the program at various levels of
funding, the objectives of the program, the specific future
objectives of the program, and reexamination of program
results in relationship to costs and outcomes to determine
need for changes in stated program goals and objectives; and
to SELECTIVELY require performance audits of programs
required to be zero-based budgeted.

Section 2. Definitions. As used in this act, the

following definitions apply:

(1) "Agency" means an office, position, commission,
committee, board, department, institution, council,
division, bureau, section, or any other entity or
instrumentality of the executive branch of state government.

(2) "Decision package" means the most simple unit of
activity producing a specific, identifiable result and
representing one of a number of alternative combinations of
levels of costs and services for an activity.

~~(3) "Intervention-assumptions" means~~ "ASSUMPTIONS" ARE
MEANT TO INCLUDE those assumptions that relate program
expenditures ~~to production of the intervention; intervention~~
to outcome anticipated, outcome anticipated to objectives,
and objectives to impact on the problem addressed in goals.

(4) "Effectiveness measures" means a criterion for
permitting estimation of the progress made toward attaining
the goals and objectives being sought.

(5) "Performance audit" means an examination of the
effectiveness of administration and its efficiency and
adequacy in terms of the program of a state agency
authorized by law to be performed and the conformance of
expenditures with legislative intent in the appropriation of
funds.

(6) "Priority listing" means a ranking of decision
packages in order of importance.

1 (7) "Program" means a combination of resources and
 2 activities designed to achieve an objective or objectives.
 3 It includes activity of all state agencies or any function
 4 thereof receiving state appropriated funds, cash funds,
 5 federal funds, or any other funds derived under the
 6 authority or by virtue of law.

7 (8) "Program goals" means a reflection of the state
 8 constitution, statutes, and authoritative judicial,
 9 legislative, and executive decisions or pronouncements.

10 (9) "Unit" means an internal subdivision of an agency,
 11 created by law or by administrative action, including a
 12 division, bureau, section, or department, and an agency
 13 allocated to a department for administrative purposes only
 14 by Title 82A.

15 (10) "Zero-based budget" means a priority ranking of
 16 all programs and activities in successively increasing
 17 levels of performance and funding starting from zero or a
 18 preselected level below the previous biennium's budget.

19 Section 3. Agency responsibility for programs, goals,
 20 objectives. (1) All state agencies or units of state
 21 government shall by January 1, 1978:

22 (a) disaggregate all state activities for which they
 23 have major responsibility into programs at a level of
 24 organization capable of formulating a budget request. The
 25 budget director shall assist whenever activities overlap in

1 assigning major responsibility for activities and programs.

2 (b) identify program goals;

3 (c) delineate program objectives and measures of
 4 effectiveness and set forth, clearly enough to be tested,
 5 the logic in the ~~intervention~~ assumptions.

6 (2) The functions delineated in subsection (1) shall
 7 be performed as often as necessary to reflect changes in the
 8 state constitution, statutes, or new authoritative judicial,
 9 executive, or legislative decisions or pronouncements
 10 altering program goals.

11 Section 4. Programs selected for zero-based budgeting.

12 (1) A joint committee composed of members of the legislative
 13 finance committee and legislative audit committee shall, by
 14 July ~~APRIL~~ 1 of the year preceding a biennial session,
 15 select programs to be zero-based budgeted for the following
 16 biennium.

17 (2) Requests of elected state officials and interim
 18 committees are to be considered but are not binding upon the
 19 committee.

20 (3) By ~~duty~~ ~~APRIL 10~~, the committee shall inform the
 21 budget director and the heads of agencies and units
 22 responsible for the programs selected for zero-based
 23 budgeting.

24 Section 5. Section 77-1012.3, R.C.M. 1947, is amended
 25 to read as follows:

1 "79-1012.3. Program ~~zero-based~~ budget. The biennial
2 ~~zero-based~~ budget ~~under---this---act~~ shall include a
3 ~~departmental~~ an analysis summarizing past and proposed
4 spending plans by for the program and the means of financing
5 the proposed plan. Information presented shall include the
6 following:

7 (1) ~~A~~ a statement of ~~departmental-and~~ program goals,
8 objectives, effectiveness measures, ~~and-program-size~~
9 indicators and intervention assumptions;

10 (2) ~~At~~ at least three ~~(3)~~ alternative funding levels
11 for each program with effectiveness measures and ~~program~~
12 ~~size-indicators intervention assumptions~~ detailed for each
13 alternative funding level insofar as they differ from those
14 stated for subsection (1). The first funding Funding level
15 levels shall be set by the budget director, the lowest of
16 which may not exceed eighty-percent--(80%) of that level
17 authorized by the legislature for the present fiscal year.

18 (3) ~~A-departmental~~ a priority listing of decision
19 packages encompassing all alternative funding levels;

20 (4) ~~A~~ a detailed narrative which shall include at
21 least:

22 (a) ~~A~~ a description of the kinds of activities carried
23 out or unusual technologies employed;

24 (b) ~~A~~ a statement of key policies pursued;

25 (c) ~~A~~ a description of major external trends affecting

1 the program;

2 (d) ~~An~~ an evaluation of how effective the program has
3 been in the past and the apparent reasons for the level of
4 success attained;

5 (e) ~~A~~ a description of possible events that could
6 result in significant variations in the size, operation, or
7 effectiveness of the program;

8 (f) ~~An~~ an explanation of the rationale used in
9 determining the priority listing;

10 (g) an evaluation of alternative ways of achieving
11 objectives and the rationale for not choosing the
12 alternatives;

13 (5) ~~Actual~~ actual disbursements for the past ~~two-(2)~~
14 fiscal years, the estimated disbursements for the fiscal
15 year in progress, and the governor's recommendations for the
16 ensuing biennium by program and disbursement category;

17 (6) ~~A~~ a statement containing further recommendations
18 of the governor as appropriate."

19 Section 6. There is a new R.C.M. section that reads as
20 follows:

21 Submission of zero-based budgets. (1) In the
22 preparation of a zero-based budget the budget director
23 ~~shall, not later than July 1 in the year preceding the~~
24 ~~convening--of-the-legislature,~~ distribute to all agencies or
25 units having major responsibility for a program selected to

1 be zero-based budgeted for the ensuing biennium, the proper
 2 forms necessary for the preparation of budget estimates.
 3 These forms shall be as prescribed by the budget director
 4 and shall include the information requested in 79-1012.3 and
 5 any additional information requested by the budget director.

6 (2) The agency or unit having major responsibility for
 7 a program selected for zero-based budgeting shall submit by
 8 September 1 of the year preceding the convening of the
 9 legislature the information requested.

10 (3) Upon receipt of the information, the budget
 11 director shall examine it and prepare a preliminary budget
 12 for the ensuing biennium containing the information
 13 requested in 79-1012.3 for the governor. The budget director
 14 may make changes considered appropriate, including changes
 15 in the priority listings of decision packages. Activities
 16 and programs that are zero-based budgeted may not have
 17 duplicates in whole or in part in the preliminary budget but
 18 so long as the distinctive features are retained may be made
 19 a part of, and treated as though a part of, the preliminary
 20 budget, and submission to the legislature shall be as
 21 specified in 79-1015.

22 SECTION 7. THERE IS A NEW R.C.M. SECTION THAT READS
 23 AS FOLLOWS:

24 hearings by standing subcommittee and appropriations
 25 subcommittee -- recommendations. (1) Hearings shall be

1 conducted on zero-based budgets of programs submitted
 2 pursuant to section 6 by a committee composed of a
 3 subcommittee of the standing committee, and the subcommittee
 4 of the appropriations committee, in the substantive area of
 5 the program as to be determined by the joint rules of the
 6 legislature of the state of Montana.

7 (2) In addition to making recommendations on the
 8 budget to the appropriations committee, the committee shall:

9 (a) propose legislation terminating the program at
 10 some specified time; or

11 (b) make recommendations as to waiver or nonwaiver of
 12 review pursuant to [section 7]; or

13 (c) both.

14 Section 8. There is a new R.C.M. section that reads as
 15 follows:

16 Review of programs. (1) The legislative audit committee
 17 is responsible for having a review conducted of each program
 18 selected for zero-based budgeting pursuant to [section 4].
 19 THE REVIEW MAY BE WAIVED ON RECOMMENDATION OF THE COMMITTEE
 20 COMPOSED OF THE STANDING COMMITTEE AND APPROPRIATIONS
 21 SUBCOMMITTEE. The review shall be completed at least 3
 22 months preceding the end of the biennium for which a
 23 zero-based budget was submitted.

24 (2) The review shall include a performance audit of
 25 the program and a thorough examination of the need for the

1 program.

2 (3) Upon completion of the review, the legislative
3 audit committee shall make a report of the audit and the
4 recommendations and submit a proposed bill for distribution
5 to the legislators prior to the ensuing legislative session.

6 (4) Nothing contained in this act is intended to
7 preclude the legislative audit committee from selecting any
8 agency, unit, program, or activity for performance auditing
9 separate and apart from the performance audit prescribed by
10 this act.

11 Section 9. Section 43-1113, R.C.M. 1947, is amended to
12 read as follows:

13 "43-1113. Powers and duties of the legislative finance
14 committee. The committee may:

15 (1) ~~Organize~~ organize, adopt rules to govern its
16 proceedings, and meet as often as necessary, upon the call
17 of the chairman, to advise and consult with the legislative
18 fiscal analyst;

19 (2) ~~Employ~~ employ the legislative fiscal analyst who
20 shall serve at the pleasure of and be responsible to the
21 committee, and the committee shall set his salary;

22 (3) ~~Exercise~~ exercise the investigatory powers of a
23 standing committee under Title 43, chapter ~~47-R.C.M.-1947;~~

24 ~~(4) meet as often as necessary, upon the call of the~~
25 ~~chairman of the legislative finance committee, to select~~

1 ~~programs to be zero based pursuant to [section 4 of this~~
2 ~~act]."~~

3 Section 10. Section 43-1114, R.C.M. 1947, is amended
4 to read as follows:

5 "43-1114. Legislative fiscal analyst's duties. The
6 legislative fiscal analyst shall:

7 (1) provide for fiscal analysis of state government
8 and accumulate, compile, analyze, and furnish such
9 information bearing upon the financial matters of the state
10 that is relevant to issues of policy and questions of
11 statewide importance, including, but not limited to,
12 investigation and study of the possibilities of effecting
13 economy and efficiency in state government;

14 (2) ~~Estimate~~ estimate revenue from existing and
15 proposed taxes;

16 (3) ~~Analyze~~ analyze the executive budget and budget
17 requests of selected state agencies and institutions,
18 including proposals for the construction of capital
19 improvements;

20 (4) ~~Make~~ make the reports and recommendations he ~~deems~~
21 ~~considers~~ desirable to the legislature and to the joint
22 legislative finance and legislative audit committee and make
23 reports and recommendations as requested by the legislative
24 finance committee and the legislature; and

25 (5) ~~Assist~~ assist committees of the legislature and

1 individual legislators, in compiling and analyzing financial
2 information."

3 Section 11. Section 79-2305, R.C.M. 1947, is amended
4 to read as follows:

5 "79-2305. Meetings of legislative audit committee. (1)
6 The legislative audit committee shall meet as often as may
7 be necessary, during and between legislative sessions, to
8 advise and consult with the legislative auditor.

9 ~~(2) The committee shall meet jointly with the~~
10 ~~legislative finance committee upon the call of the chairman~~
11 ~~of the legislative finance committee, to select programs~~
12 ~~pursuant to [section 4 of this act] to be zero-based~~
13 ~~budgeted.~~ Committee members shall be reimbursed from the
14 appropriation to the office of the legislative auditor for
15 their actual and necessary expenses incurred as a result of
16 interim meetings, and paid compensation as provided by law
17 for interim standing committees."

18 Section 12. Section 79-2312, R.C.M. 1947, is amended
19 to read as follows:

20 "79-2312. Recommendations of legislative auditor. The
21 reports of the legislative auditor may include comments,
22 recommendations, and suggestions, including suggestions as
23 to which programs should be selected for zero-based
24 budgeting and program performance evaluation but he shall
25 have no power to enforce them nor shall he otherwise

1 influence or direct executive or legislative action."

2 Section 13. Repealer. Sections 79-1012.1, 79-1012.2,
3 and 79-1012.5, R.C.M. 1947, are repealed.

4 Section 14. Severability. If a part of this act is
5 invalid, all valid parts that are severable from the invalid
6 part remain in effect. If a part of this act is invalid in
7 one or more of its applications, the part remains in effect
8 in all valid applications that are severable from the
9 invalid applications.

-End-

1 HOUSE BILL NO. 86

2 INTRODUCED BY KIMBLE, UMDE,
3 VINCENT, HUENNEKENS, PALMER, FAGG
4

5 A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR
6 ZERO-BASED BUDGETING AND PROGRAM PERFORMANCE AUDITING AND
7 FOR SELECTION OF PROGRAMS TO BE MADE BY A JOINT COMMITTEE
8 COMPOSED OF THE LEGISLATIVE FINANCE AND LEGISLATIVE AUDIT
9 COMMITTEES; AMENDING SECTIONS 43-1113, 43-1114, 79-1012.3,
10 79-2305, AND 79-2312, R.C.M. 1947; AND REPEALING SECTIONS
11 79-1012.1, 79-1012.2, AND 79-1012.5, R.C.M. 1947."
12

13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

14 Section 1. Purpose. The purpose of this act is to
15 create a budget system that rejects the assumption that a
16 program should continue merely because it exists and to
17 selectively require assessment by persons managing a program
18 of the projected impact of the program at various levels of
19 funding, the objectives of the program, the specific future
20 objectives of the program, and reexamination of program
21 results in relationship to costs and outcomes to determine
22 need for changes in stated program goals and objectives; and
23 to SELECTIVELY require performance audits of programs
24 required to be zero-based budgeted.

25 Section 2. Definitions. As used in this act, the

1 following definitions apply:

2 (1) "Agency" means an office, position, commission,
3 committee, board, department, institution, council,
4 division, bureau, section, or any other entity or
5 instrumentality of the executive branch of state government.

6 (2) "Decision package" means the most simple unit of
7 activity producing a specific, identifiable result and
8 representing one of a number of alternative combinations of
9 levels of costs and services for an activity.

10 (3) ~~"Intervention assumptions" means~~ "ASSUMPTIONS" ARE
11 MEANT TO INCLUDE those assumptions that relate program
12 expenditures to ~~production of the intervention, intervention~~
13 to outcome anticipated, outcome anticipated to objectives,
14 and objectives to impact on the problem addressed in goals.

15 (4) "Effectiveness measures" means a criterion for
16 permitting estimation of the progress made toward attaining
17 the goals and objectives being sought.

18 (5) "Performance audit" means an examination of the
19 effectiveness of administration and its efficiency and
20 adequacy in terms of the program of a state agency
21 authorized by law to be performed and the conformance of
22 expenditures with legislative intent in the appropriation of
23 funds.

24 (6) "Priority listing" means a ranking of decision
25 packages in order of importance.

THIRD READING

1 (7) "Program" means a combination of resources and
 2 activities designed to achieve an objective or objectives.
 3 It includes activity of all state agencies or any function
 4 thereof receiving state appropriated funds, cash funds,
 5 federal funds, or any other funds derived under the
 6 authority or by virtue of law.

7 (8) "Program goals" means a reflection of the state
 8 constitution, statutes, and authoritative judicial,
 9 legislative, and executive decisions or pronouncements.

10 (9) "Unit" means an internal subdivision of an agency,
 11 created by law or by administrative action, including a
 12 division, bureau, section, or department, and an agency
 13 allocated to a department for administrative purposes only
 14 by Title 82A.

15 (10) "Zero-based budget" means a priority ranking of
 16 all programs and activities in successively increasing
 17 levels of performance and funding starting from zero or a
 18 preselected level below the previous biennium's budget.

19 Section 3. Agency responsibility for programs, goals,
 20 objectives. (1) All state agencies or units of state
 21 government shall by January 1, 1978:

22 (a) disaggregate all state activities for which they
 23 have major responsibility into programs at a level of
 24 organization capable of formulating a budget request. The
 25 budget director shall assist whenever activities overlap in

1 assigning major responsibility for activities and programs.

2 (b) identify program goals;

3 (c) delineate program objectives and measures of
 4 effectiveness and set forth, clearly enough to be tested,
 5 the logic in the intervention assumptions.

6 (2) The functions delineated in subsection (1) shall
 7 be performed as often as necessary to reflect changes in the
 8 state constitution, statutes, or new authoritative judicial,
 9 executive, or legislative decisions or pronouncements
 10 altering program goals.

11 Section 4. Programs selected for zero-based budgeting.

12 (1) A joint committee composed of members of the legislative
 13 finance committee and legislative audit committee shall, by
 14 July ~~APRIL~~ 1 of the year preceding a biennial session,
 15 select programs to be zero-based budgeted for the following
 16 biennium.

17 (2) Requests of elected state officials and interim
 18 committees are to be considered but are not binding upon the
 19 committee.

20 (3) By ~~July~~ APRIL 10, the committee shall inform the
 21 budget director and the heads of agencies and units
 22 responsible for the programs selected for zero-based
 23 budgeting.

24 Section 5. Section 79-1012.3, R.C.M. 1947, is amended
 25 to read as follows:

1 "79-1012.3. Program ~~Zero-based~~ budget. The biennial
2 ~~zero-based~~ budget under ~~this act~~ shall include a
3 departmental ~~an~~ analysis summarizing past and proposed
4 spending plans by for the program and the means of financing
5 the proposed plan. Information presented shall include the
6 following:

7 (1) ~~A~~ a statement of departmental ~~and~~ program goals,
8 objectives, effectiveness measures, ~~and program size~~
9 ~~indicators and intervention assumptions;~~

10 (2) ~~At at~~ least three ~~(3)~~ alternative funding levels
11 for each program with effectiveness measures and program
12 ~~size indicators intervention assumptions~~ detailed for each
13 alternative funding level ~~insofar as they differ from those~~
14 ~~stated for subsection (1). The first funding Funding level~~
15 ~~levels shall be set by the budget director, the lowest of~~
16 ~~which may~~ not exceed eighty-percent ~~(80%)~~ of that level
17 authorized by the legislature for the present fiscal year.

18 (3) ~~A departmental~~ a priority listing of decision
19 ~~packages~~ encompassing all alternative funding levels;

20 (4) ~~A~~ a detailed narrative which shall include at
21 least:

22 (a) ~~A~~ a description of the kinds of activities carried
23 out or unusual technologies employed;

24 (b) ~~A~~ a statement of key policies pursued;

25 (c) ~~A~~ a description of major external trends affecting

1 the program;

2 (d) ~~An an~~ evaluation of how effective the program has
3 been in the past and the apparent reasons for the level of
4 success attained;

5 (e) ~~A a~~ description of possible events that could
6 result in significant variations in the size, operation, or
7 effectiveness of the program;

8 (f) ~~An an~~ explanation of the rationale used in
9 determining the priority listing;

10 (g) an evaluation of alternative ways of achieving
11 objectives and the rationale for not choosing the
12 alternatives;

13 (5) ~~Actual actual~~ disbursements for the past ~~two (2)~~
14 fiscal years, the estimated disbursements for the fiscal
15 year in progress, and the governor's recommendations for the
16 ensuing biennium by program and disbursement category;

17 (6) ~~A~~ a statement containing further recommendations
18 of the governor as appropriate."

19 Section 6. There is a new R.C.M. section that reads as
20 follows:

21 Submission of zero-based budgets. (1) In the
22 preparation of a zero-based budget the budget director
23 ~~shall, not later than July 1 in the year preceding the~~
24 ~~convening of the legislature,~~ distribute to all agencies or
25 units having major responsibility for a program selected to

1 be zero-based budgeted for the ensuing biennium, the proper
 2 forms necessary for the preparation of budget estimates.
 3 These forms shall be as prescribed by the budget director
 4 and shall include the information requested in 79-1012.3 and
 5 any additional information requested by the budget director.

6 (2) The agency or unit having major responsibility for
 7 a program selected for zero-based budgeting shall submit by
 8 September 1 of the year preceding the convening of the
 9 legislature the information requested.

10 (3) Upon receipt of the information, the budget
 11 director shall examine it and prepare a preliminary budget
 12 for the ensuing biennium containing the information
 13 requested in 79-1012.3 for the governor. The budget director
 14 may make changes considered appropriate, including changes
 15 in the priority listings of decision packages. Activities
 16 and programs that are zero-based budgeted may not have
 17 duplicates in whole or in part in the preliminary budget but
 18 so long as the distinctive features are retained may be made
 19 a part of, and treated as though a part of, the preliminary
 20 budget, and submission to the legislature shall be as
 21 specified in 79-1015.

22 SECTION 7. THERE IS A NEW R.C.M. SECTION THAT READS
 23 AS FOLLOWS:

24 Hearings by standing subcommittee and appropriations
 25 subcommittee -- recommendations. (1) Hearings shall be

1 conducted on zero-based budgets of programs submitted
 2 pursuant to section 6 by a committee composed of a
 3 subcommittee of the standing committee, and the subcommittee
 4 of the appropriations committee, in the substantive area of
 5 the program as to be determined by the joint rules of the
 6 legislature of the state of Montana.

7 (2) In addition to making recommendations on the
 8 budget to the appropriations committee, the committee shall:

9 (a) propose legislation terminating the program at
 10 some specified time; or

11 (b) make recommendations as to waiver or nonwaiver of
 12 review pursuant to [section 7]; or

13 (c) both.

14 Section 8. There is a new R.C.M. section that reads as
 15 follows:

16 Review of programs. (1) The legislative audit committee
 17 is responsible for having a review conducted of each program
 18 selected for zero-based budgeting pursuant to [section 4].
 19 THE REVIEW MAY BE WAIVED ON RECOMMENDATION OF THE COMMITTEE
 20 COMPOSED OF THE STANDING COMMITTEE AND APPROPRIATIONS
 21 SUBCOMMITTEE. The review shall be completed at least 3
 22 months preceding the end of the biennium for which a
 23 zero-based budget was submitted.

24 (2) The review shall include a performance audit of
 25 the program and a thorough examination of the need for the

1 program.

2 (3) Upon completion of the review, the legislative
3 audit committee shall make a report of the audit and the
4 recommendations and submit a proposed bill for distribution
5 to the legislators prior to the ensuing legislative session.

6 (4) Nothing contained in this act is intended to
7 preclude the legislative audit committee from selecting any
8 agency, unit, program, or activity for performance auditing
9 separate and apart from the performance audit prescribed by
10 this act.

11 Section 9. Section 43-1113, R.C.M. 1947, is amended to
12 read as follows:

13 *43-1113. Powers and duties of the legislative finance
14 committee. The committee may:

15 (1) ~~Organize~~ organize, adopt rules to govern its
16 proceedings, and meet as often as necessary, upon the call
17 of the chairman, to advise and consult with the legislative
18 fiscal analyst;

19 (2) ~~Employ~~ employ the legislative fiscal analyst who
20 shall serve at the pleasure of and be responsible to the
21 committee, and the committee shall set his salary;

22 (3) ~~Exercise~~ exercise the investigatory powers of a
23 standing committee under Title 43, chapter 43-R.C.M.-1947;

24 ~~(4) meet as often as necessary, upon the call of the~~
25 ~~chairman of the legislative finance committee, to select~~

1 programs to be zero based pursuant to [section 4 of this
2 act].*

3 Section 10. Section 43-1114, R.C.M. 1947, is amended
4 to read as follows:

5 *43-1114. Legislative fiscal analyst's duties. The
6 legislative fiscal analyst shall:

7 (1) provide for fiscal analysis of state government
8 and accumulate, compile, analyze, and furnish such
9 information bearing upon the financial matters of the state
10 that is relevant to issues of policy and questions of
11 statewide importance, including but not limited to
12 investigation and study of the possibilities of effecting
13 economy and efficiency in state government;

14 (2) Estimate ~~estimate~~ revenue from existing and
15 proposed taxes;

16 (3) ~~Analyze~~ analyze the executive budget and budget
17 requests of selected state agencies and institutions,
18 including proposals for the construction of capital
19 improvements;

20 (4) ~~Make~~ make the reports and recommendations he deems
21 considers desirable to the legislature and to the joint
22 legislative finance and legislative audit committee and make
23 reports and recommendations as requested by the legislative
24 finance committee and the legislature; and

25 (5) ~~Assist~~ assist committees of the legislature and

1 individual legislators, in compiling and analyzing financial
2 information."

3 Section 11. Section 79-2305, R.C.M. 1947, is amended
4 to read as follows:

5 "79-2305. Meetings of legislative audit committee. (1)
6 The legislative audit committee shall meet as often as may
7 be necessary, during and between legislative sessions, to
8 advise and consult with the legislative auditor.

9 ~~(2) The committee shall meet jointly with the~~
10 ~~legislative finance committee upon the call of the chairman~~
11 ~~of the legislative finance committee, to select programs~~
12 ~~pursuant to [section 5 of this act] to be zero-based~~
13 ~~budgeted.~~ Committee members shall be reimbursed from the
14 appropriation to the office of the legislative auditor for
15 their actual and necessary expenses incurred as a result of
16 interim meetings, and paid compensation as provided by law
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25 have no power to enforce them nor shall he otherwise

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6 part remain in effect. If a part of this act is invalid in
7 one or more of its applications, the part remains in effect
8 in all valid applications that are severable from the
9 invalid applications.

-End-