

HOUSE BILL 657

IN THE HOUSE

February 8, 1979

Introduced and referred to Committee
on State Administration.

1 *House* BILL NO. *657*
 2 INTRODUCED BY *Wade Baderone, Hans Sully, Ramsey, Falvey, Spardley, Mitchell, Fred Wallson*

3 A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR
 4 ZERO-BASED BUDGETING AND PROGRAM PERFORMANCE AUDITING AND
 5 FOR SELECTION OF PROGRAMS TO BE MADE BY A JOINT COMMITTEE
 6 COMPOSED OF THE LEGISLATIVE FINANCE AND LEGISLATIVE AUDIT
 7 COMMITTEES; AMENDING SECTIONS 5-12-205, 5-12-302, 5-13-203,
 8 5-13-307, AND 17-7-105, MCA; AND REPEALING SECTIONS
 9 17-7-102, 17-7-104, AND 17-7-106, MCA."
 10
 11

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

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

24 NEW SECTION. Section 2. Definitions. As used in [this
 25 act], the 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 simplest 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 measure" 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 2, chapter 15.

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 NEW SECTION. Section 3. Agency responsibility for
 19 programs, goals, objectives. (1) All state agencies or units
 20 of state government shall by January 1, 1980:

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 NEW SECTION. Section 4. Programs selected for
 11 zero-based budgeting. (1) A joint committee composed of
 12 members of the legislative finance committee and legislative
 13 audit committee shall, by July 1 of the year preceding a
 14 biennial session, select programs to be zero-based budgeted
 15 for the following 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 5-12-205, MCA, is amended to read:
 23 "5-12-205. Powers and duties of committee. The
 24 committee may:

25 (1) organize, adopt rules to govern its proceedings,

1 and meet as often as necessary, upon the call of the
2 chairman, to advise and consult with the legislative fiscal
3 analyst;

4 (2) employ and set the salary of the legislative
5 fiscal analyst, who shall serve at the pleasure of and be
6 responsible to the committee; and

7 (3) exercise the investigatory powers of a standing
8 committee under chapter 5, part 1, of this title; and

9 ~~(4) meet as often as necessary, upon the call of the~~
10 ~~chairman of the legislative finance committee, to select~~
11 ~~programs to be zero-based budgeted pursuant to [section 4 of~~
12 ~~this act]."~~

13 Section 6. Section 5-12-302, MCA, is amended to read:

14 "5-12-302. Fiscal analyst's duties. The legislative
15 fiscal analyst shall:

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

23 (2) estimate revenue from existing and proposed taxes;

24 (3) analyze the executive budget and budget requests
25 of selected state agencies and institutions, including

1 proposals for the construction of capital improvements;

2 (4) make the reports and recommendations he deems
3 ~~considers~~ desirable to the legislature ~~and to the joint~~
4 ~~legislative finance and legislative audit committee~~ and make
5 reports and recommendations as requested by the legislative
6 finance committee and the legislature; and

7 (5) assist committees of the legislature and
8 individual legislators in compiling and analyzing financial
9 information."

10 Section 7. Section 5-13-203, MCA, is amended to read:

11 "5-13-203. Meetings -- compensation. (1) The committee
12 shall meet as often as may be necessary during and between
13 legislative sessions to advise and consult with the
14 legislative auditor.

15 ~~(2) The committee shall meet jointly with the~~
16 ~~legislative finance committee, upon the call of the chairman~~
17 ~~of the legislative finance committee, to select programs~~
18 ~~pursuant to [section 4 of this act] to be zero-based~~
19 ~~budgeted.~~

20 ~~(2)(3) Committee members are entitled to receive~~
21 compensation and expenses as provided in 5-2-302."

22 Section 8. Section 5-13-307, MCA, is amended to read:

23 "5-13-307. Recommendations of legislative auditor. The
24 reports of the legislative auditor may include comments,
25 recommendations, and suggestions, including suggestions as

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

5 Section 9. Section 17-7-105, MCA, is amended to read:
 6 "17-7-105. Program budget. The biennial budget under
 7 ~~17-7-104~~ shall include a departmental analysis summarizing
 8 past and proposed spending plans by ~~for the~~ program and the
 9 means of financing the proposed plan. Information presented
 10 shall include the following:

11 (1) a statement of departmental and program
 12 objectives, effectiveness measures ~~and---program---size~~
 13 ~~indicators and intervention assumptions;~~

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

22 (3) a departmental priority listing of decision
 23 packages encompassing all alternative funding levels;

24 (4) a detailed narrative which shall include at least:

25 (a) a description of the kinds of activities carried

1 out or unusual technologies employed;

2 (b) a statement of key policies pursued;

3 (c) a description of major external trends affecting
 4 the program;

5 (d) an evaluation of how effective the program has
 6 been in the past and the apparent reasons for the level of
 7 success attained;

8 (e) a description of possible events that could result
 9 in significant variations in the size, operation, or
 10 effectiveness of the program;

11 (f) an explanation of the rationale used in
 12 determining the priority listing;

13 (g) an evaluation of alternative ways of achieving
 14 objectives and the rationale for not choosing the
 15 alternatives;

16 (5) actual disbursements for the past 2 fiscal years,
 17 the estimated disbursements for the fiscal year in progress,
 18 and the governor's recommendations for the ensuing biennium
 19 by program and disbursement category;

20 (6) a statement containing further recommendations of
 21 the governor as appropriate."

22 NEW SECTION. Section 10. Submission of zero-based
 23 budgets. (1) In the preparation of a zero-based budget the
 24 budget director shall, not later than July 1 in the year
 25 preceding the convening of the legislature, distribute to

1 all agencies or units having major responsibility for a
 2 program selected to be zero-based budgeted for the ensuing
 3 biennium, the proper forms necessary for the preparation of
 4 budget estimates. These forms shall be as prescribed by the
 5 budget director and shall include the information requested
 6 in 17-7-105 and any additional information requested by the
 7 budget director.

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

12 (3) Upon receipt of the information, the budget
 13 director shall examine it and prepare a preliminary budget
 14 for the ensuing biennium containing the information
 15 requested in 17-7-105 for the governor. The budget director
 16 may make changes considered appropriate, including changes
 17 in the priority listings of decision packages. Activities
 18 and programs that are zero-based budgeted may not have
 19 duplicates in whole or in part in the preliminary budget but
 20 so long as the distinctive features are retained may be made
 21 a part of, and treated as though a part of, the preliminary
 22 budget, and submission to the legislature shall be as
 23 specified in 17-7-122.

24 NEW SECTION. Section 11. Review of programs. (1) The
 25 legislative audit committee is responsible for having a

1 review conducted of each program selected for zero-based
 2 budgeting pursuant to [section 4]. The review shall be
 3 completed at least 3 months preceding the end of the
 4 biennium for which a zero-based budget was submitted.

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

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

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

17 Section 12. Repealer. Sections 17-7-102, 17-7-104, and
 18 17-7-106, MCA, are repealed.

19 Section 13. Severability. If a part of this act is
 20 invalid, all valid parts that are severable from the invalid
 21 part remain in effect. If a part of this act is invalid in
 22 one or more of its applications, the part remains in effect
 23 in all valid applications that are severable from the
 24 invalid applications.

-End-

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AB657

FISCAL NOTE

Form BD-15

In compliance with a written request received February 9, 19 79, there is hereby submitted a Fiscal Note for House Bill 657 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 requiring all state agencies to submit budgets in a zero-based format and providing for performance audits of programs selected by a joint legislative audit and legislative finance committee.

ASSUMPTIONS:

1. The joint committee will meet once in each fiscal year and committee members will be reimbursed as provided by law.
2. The implementation of zero-based budgeting in all state agencies would require four additional budget analysts for a two year period to develop information and train agency staff.

FISCAL IMPACT:

	<u>FY80</u>	<u>FY81</u>
Proposed Law:		
Personal Services	\$74,350	\$74,350
Operational Costs:		
Joint committee	2,440	2,440
Budget analyst	<u>2,400</u>	<u>2,544</u>
Total expenditures under proposed law	79,190	79,334
Expenditures under current law	<u>0</u>	<u>0</u>
Increased expenditures under proposed law	<u>\$79,190</u>	<u>\$79,334</u>

Richard L. Franzen
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2/16/79