

HOUSE BILL NO. 1035

Introduced by

Legislative Council

(Government Performance and Accountability Committee)

1 A BILL for an Act to provide for a state government performance and accountability system; to
2 amend and reenact sections 54-44.1-06 and 54-44.1-08 of the North Dakota Century Code,
3 relating to information included in the executive budget; and to provide an appropriation.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1. Government performance and accountability system.** The
6 government performance and accountability system is created to provide agency managers, the
7 governor, the legislative assembly, and the public with the information necessary to evaluate
8 and assess agency performance and accountability for the purpose of ensuring that state
9 government services are effective and state resources are used efficiently. The office of
10 management and budget shall establish and maintain, subject to the input of and review by the
11 government performance and accountability committee, the government performance and
12 accountability system for executive branch agencies and departments. The system must focus
13 on the results of major agency activities. The university system shall participate in the system
14 in accordance with section 15-10-14.2 and shall present its performance and accountability
15 information to the government performance and accountability committee upon request.

16 **SECTION 2. Definitions. As used in this Act:**

- 17 1. "Goal" means a purpose statement that guides the efforts of an agency or
18 program.
- 19 2. "Objective" means a measurable statement identifying the accomplishments that
20 an agency or program must achieve to realize the successful completion of a goal.
- 21 3. "Performance measure" means a quantitative or qualitative indicator used to
22 assess the outcome or result of an agency or department objective.

- 1 4. "Performance measurement data" means performance measures, performance
2 results, performance targets, and related analytical, explanatory, and supporting
3 information.
- 4 5. "Performance result" means a numeric value relating to a performance measure
5 calculated or determined based on actual agency or department performance for a
6 specified time period.
- 7 6. "Performance target" means a numeric value established for a performance
8 measure to identify a projected level of agency or department performance for a
9 specified time period.

10 **SECTION 3. Government performance and accountability committee -**

11 **Appointment - Additional participation.** The legislative council, during each biennium, shall
12 appoint a government performance and accountability committee in the same manner as the
13 council appoints other interim committees. The council shall appoint to the committee up to
14 four members of the house of representatives, no more than three of whom may be from the
15 same political party and up to four members of the senate, no more than three of whom may be
16 from the same political party. The council shall designate the chairman of the committee. The
17 council may appoint up to two citizens to the committee to serve up to three 2-year terms.
18 These members are entitled to compensation under section 54-35-10 for attendance at
19 meetings of the committee. The council shall consider reappointment of members to the
20 committee to maintain continuity. The director of the office of management and budget, or the
21 director's designee, and the state auditor, or the state auditor's designee, are members of the
22 committee. The chairman may invite up to three additional members of the house of
23 representatives and up to three additional members of the senate to attend meetings of the
24 committee when committee discussion relates to the members' legislative standing committee
25 assignments. These members are entitled to vote and to compensation under section 54-35-10
26 for attendance at meetings to which they are invited under this section. The committee shall
27 operate in accordance with the statutes and procedures governing the operation of other
28 legislative council interim committees.

29 **SECTION 4. Government performance and accountability committee - Powers**
30 **and duties - Staff services.** The government performance and accountability committee has
31 continuing existence and may meet and conduct its business during the legislative session and

1 in the interim between sessions. The committee shall monitor state government performance
2 and accountability by reviewing state agency missions, goals, objectives, strategic plans, and
3 performance measurement data. The committee shall assess the effectiveness of the
4 government performance and accountability system. The committee shall report its findings
5 and recommendations along with any necessary legislation, to the legislative council. The
6 legislative council shall provide staff services to assist the committee in performing its duties
7 and responsibilities, including assisting in the development of a consistent format for agencies
8 and departments to submit their biennial goals and objectives or strategic plans and
9 performance measurement data, analyzing agencies' and departments' proposed performance
10 measures prior to committee review, and summarizing performance measurement data for
11 review by the committee or the legislative assembly.

12 **SECTION 5. Biennial goals - Performance measurement data.** Each executive
13 branch agency and department, as identified by the office of management and budget, shall
14 prepare proposed biennial goals and objectives and related performance measurement data for
15 major programs of the agency or department for the next biennium. The performance
16 measures proposed must provide the data necessary to assess the performance of major
17 activities of an agency, including a program's efficiency and effectiveness; and provide a
18 comparison, to the extent appropriate, to other states' performance measures. Each executive
19 branch agency or department shall present its proposed biennial goals and objectives and
20 related performance measurement data to the office of management and budget and the
21 government performance and accountability committee upon request and shall make revisions
22 to performance measurement data as requested by the office of management and budget or
23 the government performance and accountability committee. An elected official who objects to
24 revisions requested by the government performance and accountability committee may submit
25 to the committee, in writing, the elected official's objections and the reasons for the objections.

26 **SECTION 6. State agency strategic plans.** Within two years of approval by the
27 legislative assembly or government performance and accountability committee of an agency's
28 or department's performance measures, the agency or department shall establish and maintain
29 a three-year to five-year strategic plan to guide its operations and activities. The strategic plan
30 must include:

31 1. The mission, goals, and objectives of the agency.

- 1 2. Identification of the groups of people served by the agency and the results of any
- 2 methodology used to assess and improve services.
- 3 3. The strategies and activities utilized to meet agency goals and objectives.
- 4 4. A general description of the agency's sources and uses of funds.
- 5 5. Estimated future service requirements and the resources that may be necessary to
- 6 meet those requirements.
- 7 6. External factors affecting services of the agency.
- 8 7. The performance measurement data developed under this Act used to evaluate
- 9 and assess the agency's performance.

10 **SECTION 7. State agency performance reports - State auditor reviews.** Each

11 executive branch agency and department shall prepare an annual performance report that

12 summarizes its goals and objectives, compares performance results to performance targets,

13 provides explanations of any major variances between performance results and targets,

14 presents multiyear trends in performance results, and, to the extent possible, provides

15 comparisons to other states' performance results and national benchmarks. The annual report

16 must be available by September first of each year and be provided to the government

17 performance and accountability committee and to the appropriations committees of the

18 succeeding legislative assembly. The state auditor, as part of each executive branch agency's

19 biennial operational audit or review as required by section 54-10-01 shall review selected

20 agency performance results.

21 **SECTION 8. Government performance - Incentive and review recommendations.**

22 Based on an agency's or department's performance results, the government performance and

23 accountability committee may recommend to the legislative assembly that an agency or

24 department receive an incentive or be subject to a review.

- 25 1. An incentive recommendation may include:
- 26 a. Additional flexibility to transfer funds between line items of the agency's
- 27 appropriation.
- 28 b. Authorization to retain all or a portion of the agency's unspent appropriation
- 29 authority at the end of a biennium.

- 1 c. Additional funding for the agency that may be used for one-time purposes,
2 including employee salary adjustments, employee training, technology
3 improvements, or other productivity enhancements.
- 4 2. A review recommendation may include:
- 5 a. More frequent reporting of agency performance results.
- 6 b. A state auditor performance audit of select agency programs.
- 7 c. An analysis of the structure of the agency or select programs of the agency.

8 **SECTION 9. Legislative and judicial branch participation.** The legislative branch
9 and the judicial branch shall participate in the government performance and accountability
10 system by providing to the government performance and accountability committee information
11 on their missions, goals, objectives, services provided, strategies and activities, the use of
12 agency resources, estimated future service and resource requirements, and external factors
13 affecting services and performance measurement data as requested by the committee. The
14 legislative branch and the judicial branch, as requested, shall assist the government
15 performance and accountability committee to identify appropriate performance measures to
16 assess their programs and, to the extent appropriate, provide a comparison to other states'
17 performance measures.

18 **SECTION 10. AMENDMENT.** Section 54-44.1-06 of the North Dakota Century Code,
19 as effective after June 30, 2005, is amended and reenacted as follows:

20 **54-44.1-06. (Effective after June 30, 2005) Preparation of the budget data -**

21 **Contents.** The director of the budget, through the office of the budget, shall prepare budget
22 data which must contain and include the following:

- 23 1. Summary statements of the financial condition of the state, accompanied by the
24 detailed schedules of assets and liabilities as the director of the budget determines
25 desirable, which must include the following:
- 26 a. Summary statements of fund balances and assets showing in detail for each
27 fund the surplus or deficit at the beginning of each of the two fiscal years of
28 the previous biennium and the first fiscal year of the present biennium, the
29 actual revenue for those years, the total appropriations for the previous and
30 present biennium, and the total expenditures for those fiscal years; and

- 1 b. Similar summary statements of the estimated fund balances and assets for
2 the current fiscal year and each of the fiscal years of the next biennium.
3 Summary statements may include a comparative consolidated balance sheet
4 showing all the assets and liabilities of the state and the surplus or deficit, as the
5 case may be, at the close of the first fiscal year of the current biennium.
- 6 2. Statements of actual revenue for the previous biennium, the first year of the
7 present biennium, and the estimated revenue of the current fiscal year and of the
8 next biennium, and a statement of unappropriated surplus expected to have
9 accrued in the state treasury at the beginning of the next fiscal year. The
10 statement of unappropriated surplus for the general fund must reflect any projected
11 deficiency appropriations relating to expenditures from the general fund for the
12 present biennium. The statements of revenue and estimated revenue must be
13 classified by sources and by budget unit collecting them. Existing sources of
14 revenue must be analyzed as to their equity, productivity, and need for revision,
15 and any proposed new sources of revenue must be explained.
- 16 3. Summary statements of expenditures of the previous biennium and first year of the
17 present biennium, itemized by budget units and classified as prescribed by the
18 director of the budget.
- 19 4. Detailed comparative statements of expenditures and requests for appropriations
20 by funds, budget units and classification of expenditures, showing the expenditures
21 for the previous biennium, the first fiscal year of the present biennium, the budget
22 of the current biennium, and the governor's recommendation for appropriations for
23 each budget unit for the next biennium, all distributed according to the prescribed
24 classification of expenditures. Following the lists of actual and proposed
25 expenditures of each budget unit there must be a brief explanation of the functions
26 of the unit and comments on its policies and plans and on any considerable
27 differences among the amounts recommended, with any descriptive, quantitative,
28 comparative, and other data as to work done, unit costs, and like information as
29 may be considered necessary or desirable. For capital outlay expenditures
30 involving construction projects to be completed in two or more fiscal years, there
31 must be shown the total estimated cost of each such project and the amount

- 1 thereof recommended to be appropriated and expended in each ensuing fiscal
2 year until completion of the project. Capital outlay needs may be projected for at
3 least two years beyond the period covered by the budget.
- 4 5. A detailed statement showing the estimate of all moneys required to be raised or
5 appropriated for the payment of interest upon the funded debt of the state and its
6 other obligations bearing interest, and the amount of money required to be
7 contributed in the two next ensuing fiscal years to the general sinking funds
8 maintained for the redemption and payment of the debts of the state.
- 9 6. A summary statement of the unappropriated fund balance estimated to be
10 available at the beginning of the next biennium, and the estimated revenue of the
11 next biennium, as compared with the total recommended amounts of appropriation
12 for all classes of expenditures for the next biennium, and if the total of the
13 recommended expenditures exceeds the total of the estimated resources,
14 recommendations as to how the deficiency is to be met and estimates of any
15 proposed additional revenue.
- 16 7. For those budget units involved in the government performance and accountability
17 system and which submit budget estimates under section 54-44.1-04, statements
18 summarizing each agency's or department's biennial goals and objectives or
19 strategic plan and performance measurement data for recent years and the next
20 biennium.
- 21 8. Drafts of a proposed general appropriations act and special appropriations acts
22 embodying the budget data and recommendations of the governor for
23 appropriations for the next biennium and drafts of such revenues and other acts
24 recommended by the governor for putting into effect the proposed financial plan.
25 The recommended general appropriation for each budget unit must be specified in
26 a separate section of the general appropriations act.
- 27 ~~8.~~ 9. A list of every individual asset or service, excluding real estate, with a value of at
28 least fifty thousand dollars and every group of assets and services comprising a
29 single system with a combined value of at least fifty thousand dollars acquired
30 through a capital or operating lease arrangement or debt financing arrangement by
31 a state agency or institution. The list must include assets or services acquired in

1 the current biennium and anticipated assets or services to be acquired in the next
2 biennium.

3 ~~9-~~ 10. Any other information as the director of the budget determines desirable or as is
4 required by law.

5 **SECTION 11. AMENDMENT.** Section 54-44.1-08 of the North Dakota Century Code is
6 amended and reenacted as follows:

7 **54-44.1-08. Budget report - Contents - When submitted to legislative assembly.**

8 The official budget report must be transmitted by the governor to all holdover legislators and
9 legislators-elect not later than three days after the commencement of the session of the
10 legislative assembly. Such report is not a third-class item under section 46-02-05. The budget
11 director shall provide for the duplication or other satisfactory reproduction or printing of the
12 official budget report, so as to ensure delivery of same as provided in this section. Such reports
13 must contain the budget and revenue proposals recommended by the governor and the
14 information required in subsections 1, 2, 3, 5, ~~and 6,~~ and 7 of section 54-44.1-06 and all other
15 data and information as the governor shall decide. The budget director shall make available
16 any and all information regarding budget data to the governor, the legislative assembly and its
17 designees, legislators, and to the governor-elect as may be requested. The governor may
18 present any additional budget information in any manner to the legislative assembly as the
19 governor may desire.

20 **SECTION 12. Government performance and accountability system -**
21 **Implementation.** The office of management and budget, in developing a government
22 performance and accountability system, shall assist executive branch agencies and
23 departments to develop biennial goals and objectives, strategic plans, and performance
24 measurement data to be presented to the government performance and accountability
25 committee. The office of management and budget shall arrange for selected state agencies
26 and departments to implement the system during the 2005-07 biennium and the remainder of
27 the agencies and departments during the 2007-09 biennium.

28 **SECTION 13. APPROPRIATION - OFFICE OF MANAGEMENT AND BUDGET.**

29 There is appropriated out of any moneys in the general fund in the state treasury, not otherwise
30 appropriated, the sum of \$200,000, or so much of the sum as may be necessary, to the office of

1 management and budget for the purpose of administering provisions of this Act, for the
2 biennium beginning July 1, 2005, and ending June 30, 2007.

3 **SECTION 14. APPROPRIATION - STATE AUDITOR.** There is appropriated out of any
4 moneys in the general fund in the state treasury, not otherwise appropriated, the sum of
5 \$89,668, or so much of the sum as may be necessary, to the state auditor for the purpose of
6 administering provisions of this Act, for the biennium beginning July 1, 2005, and ending
7 June 30, 2007.

8 **SECTION 15. APPROPRIATION - LEGISLATIVE COUNCIL.** There is appropriated
9 out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum
10 of \$115,191, or so much of the sum as may be necessary, to the legislative council for the
11 purpose of administering provisions of this Act, for the biennium beginning July 1, 2005, and
12 ending June 30, 2007.