

Introduced by

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

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

5 **SECTION 1. Government performance and accountability committee -**

6 **Appointment - Additional participation.** The legislative council, during each biennium, shall
7 appoint a government performance and accountability committee in the same manner as the
8 council appoints other interim committees. The council shall appoint to the committee up to six
9 members of the house of representatives, no more than four of whom may be from the same
10 political party and up to six members of the senate, no more than four of whom may be from the
11 same political party. The council shall designate the chairman of the committee. The council
12 may invite up to two citizens to participate as non-voting members of the committee. These
13 members are entitled to compensation under section 54-35-10 for attendance at meetings of
14 the committee. The council may invite the governor, or the governor's designee, and the state
15 auditor, or the state auditor's designee, to participate as non-voting members of the committee.
16 The chairman may invite up to three additional members of the house of representatives and up
17 to three additional members of the senate to attend meetings of the committee when committee
18 discussion relates to the members' legislative standing committee assignments. These
19 members are non-voting but are entitled to compensation under section 54-35-10 for
20 attendance at the meeting. The committee shall operate in accordance with the statutes and
21 procedures governing the operation of other legislative council interim committees.

22 **SECTION 2. Government performance and accountability committee - Powers**
23 **and duties.** The government performance and accountability committee has continuing
24 existence and may meet and conduct its business during the legislative session and in the

1 interim between sessions. The committee shall monitor state government performance and
2 accountability by reviewing state agency strategic plans and performance measure outcome
3 reports. The committee shall report its finding and recommendations along with any necessary
4 legislation, to the legislative council and to the legislative assembly regarding state agency
5 performance measurement indicators.

6 **SECTION 3. Agency and department cooperation and staff assistance.** Each state
7 agency and department, shall provide information and assistance as requested by the
8 government performance and accountability committee to perform its duties and
9 responsibilities.

10 **SECTION 4. Government performance and accountability system.** The office of
11 management and budget shall establish and maintain, subject to approval of the government
12 performance and accountability committee, a government performance and accountability
13 system for executive branch agencies and departments. The system must utilize agency and
14 department strategic plans and designated performance measurement indicators that focus on
15 results and outcomes to provide agency managers, the governor, the legislative assembly, and
16 the public with the information necessary to evaluate and assess agency performance for the
17 purpose of ensuring that state government services are effective and state resources are used
18 efficiently. Performance measure indicators include those approved by the legislative assembly
19 in agency and department appropriation measures and other performance measure indicators
20 recommended by the office of management and budget and approved by the government
21 performance and accountability committee. The measurement indicators, must measure the
22 performance of major agency activities and be comparable to the extent possible, to other
23 states' performance results.

24 **SECTION 5 - State agency strategic plans.** Each executive branch state agency and
25 department shall establish and maintain a five-year strategic plan to guide its operations and
26 activities. The strategic plan must include:

- 27 1. The mission, goals, and objectives of the agency.
- 28 2. Identification of the groups of people served by the agency, and the results of any
29 user group, public, and employee surveys to improve it services.
- 30 3. The strategies and activities utilized to meet agency goals and objectives.
- 31 4. An analysis of the use of agency resources to provide agency services.

1 5. Estimated future needs and resources that may be necessary to meet those
2 needs.

3 6. External factors affecting services of the agency.

4 7. The measurement indicators developed under this Act used to evaluate and
5 assess the agency's performance.

6 **SECTION 6. State agency performance reports - Reviews.** Each Executive branch
7 agency shall present, as requested, its strategic plan including performance measure indicators
8 to the government performance and accountability committee. Each executive branch agency
9 and department shall prepare an annual performance report that summarizes its strategic plan's
10 goals and objectives and includes comparisons of actual performance data to approved
11 performance goals, explanations of any major variances from performance goals, and multi
12 year trends in performance data. The annual report shall be available by September 1 of each
13 year and shall be made available to the appropriations committees of the succeeding legislative
14 assembly. The state auditor, as requested by the legislative assembly or the government
15 performance and accountability committee, shall review and validate agency and department
16 performance reports.

17 **SECTION 7 - Government performance - Rewards and Penalties.** The government
18 performance and accountability committee may, based on an agency's actual performance,
19 recommend to the legislative assembly that an agency receive a reward or be imposed a
20 penalty. A reward may include:

- 21 1. Additional flexibility to transfer funds between line items of the agency's
22 appropriation.
- 23 2. Authorization to retain all or a portion of the agency's unspent appropriation
24 authority at the end of a biennium.
- 25 3. Additional funding for the agency that may be used for employee merit salary
26 increases, employee training, technology improvements, or other productivity
27 enhancements.

28 A penalty may include:

- 29 1. More frequent reporting of agency performance measures.
- 30 2. A performance audit of select programs of the agency by the state auditor.
- 31 3 Restructuring the agency or select programs of the agency.

1 **SECTION 8. AMENDMENT.** Section 54-44.1-06 of the North Dakota Century Code is
2 amended and reenacted as follows:

3 **54-44.1-06. (Effective through June 30, 2005) Preparation of the budget data -**

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

6 1. Summary statements of the financial condition of the state, accompanied by the
7 detailed schedules of assets and liabilities as the director of the budget determines
8 desirable, which must include the following:

- 9 a. Summary statements of fund balances and assets showing in detail for each
10 fund the surplus or deficit at the beginning of each of the two fiscal years of
11 the previous biennium and the first fiscal year of the present biennium, the
12 actual revenue for those years, the total appropriations for the previous and
13 present biennium, and the total expenditures for those fiscal years; and
14 b. Similar summary statements of the estimated fund balances and assets for
15 the current fiscal year and each of the fiscal years of the next biennium.

16 Summary statements may include a comparative consolidated balance sheet
17 showing all the assets and liabilities of the state and the surplus or deficit, as the
18 case may be, at the close of the first fiscal year of the current biennium.

19 2. Statements of actual revenue for the previous biennium, the first year of the
20 present biennium, and the estimated revenue of the current fiscal year and of the
21 next biennium, and a statement of unappropriated surplus expected to have
22 accrued in the state treasury at the beginning of the next fiscal year. The
23 statement of unappropriated surplus for the general fund must reflect any projected
24 deficiency appropriations relating to expenditures from the general fund for the
25 present biennium. The statements of revenue and estimated revenue must be
26 classified by sources and by budget unit collecting them. Existing sources of
27 revenue must be analyzed as to their equity, productivity, and need for revision,
28 and any proposed new sources of revenue must be explained.

29 3. Summary statements of expenditures of the previous biennium and first year of the
30 present biennium, itemized by budget units and classified as prescribed by the
31 director of the budget.

- 1 4. Detailed comparative statements of expenditures and requests for appropriations
2 by funds, budget units and classification of expenditures, showing the expenditures
3 for the previous biennium, the first fiscal year of the present biennium, the budget
4 of the current biennium, and the governor's recommendation for appropriations for
5 each budget unit for the next biennium, all distributed according to the prescribed
6 classification of expenditures. Following the lists of actual and proposed
7 expenditures of each budget unit there must be a brief explanation of the functions
8 of the unit and comments on its policies and plans and on any considerable
9 differences among the amounts recommended, with any descriptive, quantitative,
10 comparative, and other data as to work done, unit costs, and like information as
11 may be considered necessary or desirable. For capital outlay expenditures
12 involving construction projects to be completed in two or more fiscal years, there
13 must be shown the total estimated cost of each such project and the amount
14 thereof recommended to be appropriated and expended in each ensuing fiscal
15 year until completion of the project. Capital outlay needs may be projected for at
16 least two years beyond the period covered by the budget.
- 17 5. A detailed statement showing the estimate of all moneys required to be raised or
18 appropriated for the payment of interest upon the funded debt of the state and its
19 other obligations bearing interest, and the amount of money required to be
20 contributed in the two next ensuing fiscal years to the general sinking funds
21 maintained for the redemption and payment of the debts of the state.
- 22 6. A summary statement of the unappropriated fund balance estimated to be
23 available at the beginning of the next biennium, and the estimated revenue of the
24 next biennium, as compared with the total recommended amounts of appropriation
25 for all classes of expenditures for the next biennium, and if the total of the
26 recommended expenditures exceeds the total of the estimated resources,
27 recommendations as to how the deficiency is to be met and estimates of any
28 proposed additional revenue.
- 29 7. For those budget units involved in the governmental performance and
30 accountability system, statements summarizing each agency or department's
31 strategic plan for the next biennium with comparisons of actual to anticipated

performance for recent fiscal years. The statements must identify the relationship of the governor's recommendations for appropriations for each budget unit to the anticipated strategic plan and performance goals of the budget unit.

8. Drafts of proposed general and special appropriations acts embodying the budget data and recommendations of the governor for appropriations for the next biennium and drafts of such revenues and other acts recommended by the governor for putting into effect the proposed financial plan. The recommended general appropriation for each budget unit must be specified in a separate section of the general appropriations act. The draft of the proposed appropriations act for the North Dakota university system must include block grants for a base funding appropriation and for an initiative funding appropriation for specific strategies or initiatives and an appropriation for asset funding for renewal and replacement of physical plant assets at the institutions of higher education.

~~8.~~ 9. A list of every individual asset or service, excluding real estate, with a value of at least fifty thousand dollars and every group of assets and services comprising a single system with a combined value of at least fifty thousand dollars acquired through a capital or operating lease arrangement or debt financing arrangement by a state agency or institution. The list must include assets or services acquired in the current biennium and anticipated assets or services to be acquired in the next biennium.

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

(Effective after June 30, 2005) Preparation of the budget data - Contents. The director of the budget, through the office of the budget, shall prepare budget data which must contain and include the following:

1. Summary statements of the financial condition of the state, accompanied by the detailed schedules of assets and liabilities as the director of the budget determines desirable, which must include the following:
 - a. Summary statements of fund balances and assets showing in detail for each fund the surplus or deficit at the beginning of each of the two fiscal years of the previous biennium and the first fiscal year of the present biennium, the

1 actual revenue for those years, the total appropriations for the previous and
2 present biennium, and the total expenditures for those fiscal years; and

3 b. Similar summary statements of the estimated fund balances and assets for
4 the current fiscal year and each of the fiscal years of the next biennium.

5 Summary statements may include a comparative consolidated balance sheet
6 showing all the assets and liabilities of the state and the surplus or deficit, as the
7 case may be, at the close of the first fiscal year of the current biennium.

8 2. Statements of actual revenue for the previous biennium, the first year of the
9 present biennium, and the estimated revenue of the current fiscal year and of the
10 next biennium, and a statement of unappropriated surplus expected to have
11 accrued in the state treasury at the beginning of the next fiscal year. The
12 statement of unappropriated surplus for the general fund must reflect any projected
13 deficiency appropriations relating to expenditures from the general fund for the
14 present biennium. The statements of revenue and estimated revenue must be
15 classified by sources and by budget unit collecting them. Existing sources of
16 revenue must be analyzed as to their equity, productivity, and need for revision,
17 and any proposed new sources of revenue must be explained.

18 3. Summary statements of expenditures of the previous biennium and first year of the
19 present biennium, itemized by budget units and classified as prescribed by the
20 director of the budget.

21 4. Detailed comparative statements of expenditures and requests for appropriations
22 by funds, budget units and classification of expenditures, showing the expenditures
23 for the previous biennium, the first fiscal year of the present biennium, the budget
24 of the current biennium, and the governor's recommendation for appropriations for
25 each budget unit for the next biennium, all distributed according to the prescribed
26 classification of expenditures. Following the lists of actual and proposed
27 expenditures of each budget unit there must be a brief explanation of the functions
28 of the unit and comments on its policies and plans and on any considerable
29 differences among the amounts recommended, with any descriptive, quantitative,
30 comparative, and other data as to work done, unit costs, and like information as
31 may be considered necessary or desirable. For capital outlay expenditures

1 involving construction projects to be completed in two or more fiscal years, there
2 must be shown the total estimated cost of each such project and the amount
3 thereof recommended to be appropriated and expended in each ensuing fiscal
4 year until completion of the project. Capital outlay needs may be projected for at
5 least two years beyond the period covered by the budget.

6 5. A detailed statement showing the estimate of all moneys required to be raised or
7 appropriated for the payment of interest upon the funded debt of the state and its
8 other obligations bearing interest, and the amount of money required to be
9 contributed in the two next ensuing fiscal years to the general sinking funds
10 maintained for the redemption and payment of the debts of the state.

11 6. A summary statement of the unappropriated fund balance estimated to be
12 available at the beginning of the next biennium, and the estimated revenue of the
13 next biennium, as compared with the total recommended amounts of appropriation
14 for all classes of expenditures for the next biennium, and if the total of the
15 recommended expenditures exceeds the total of the estimated resources,
16 recommendations as to how the deficiency is to be met and estimates of any
17 proposed additional revenue.

18 7. Drafts of a proposed general appropriations act and special appropriations acts
19 embodying the budget data and recommendations of the governor for
20 appropriations for the next biennium and drafts of such revenues and other acts
21 recommended by the governor for putting into effect the proposed financial plan.
22 The recommended general appropriation for each budget unit must be specified in
23 a separate section of the general appropriations act.

24 8. A list of every individual asset or service, excluding real estate, with a value of at
25 least fifty thousand dollars and every group of assets and services comprising a
26 single system with a combined value of at least fifty thousand dollars acquired
27 through a capital or operating lease arrangement or debt financing arrangement by
28 a state agency or institution. The list must include assets or services acquired in
29 the current biennium and anticipated assets or services to be acquired in the next
30 biennium.

9. Any other information as the director of the budget determines desirable or as is required by law.

SECTION 9. AMENDMENT. Section 54-44.1-08 of the North Dakota Century Code is amended and reenacted as follows:

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

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

SECTION 10. GOVERNMENT PERFORMANCE AND ACCOUNTABILITY SYSTEM - IMPLEMENTATION. The office of management and budget in developing a government performance and accountability system shall assist executive branch and departments agencies in developing proposed strategic plans and performance measurement indicators, to be presented to the government performance and accountability committee. The Office of Management and Budget shall implement the system by July 1, 2011. In order to implement the system in a phased-in approach the legislative assembly supports the following implementation schedule.

1. During the 2005-07 biennium - 17 agencies
 - Office of management and budget
 - Information technology department
 - Land department
 - Department of career and technical education
 - Veterans home

Fifty-ninth
Legislative Assembly

- 1 Department of veterans affairs
- 2 Department of human services
- 3 Job service
- 4 Labor commissioner
- 5 Bank of North Dakota
- 6 Mill and elevator
- 7 Workforce safety and insurance
- 8 Highway patrol
- 9 Department of commerce
- 10 Council on the arts
- 11 Parks and recreation
- 12 Department of transportation
- 13 2. During the 2007-09 biennium - 17 agencies
- 14 Governor
- 15 Secretary of state
- 16 State auditor
- 17 State treasurer
- 18 Attorney general
- 19 Tax commissioner
- 20 Department of public instruction
- 21 Department of health
- 22 Insurance commissioner
- 23 Industrial commission
- 24 Public service commission
- 25 Securities department
- 26 Department of corrections and rehabilitation
- 27 Department of agriculture
- 28 Seed department
- 29 Game and fish department
- 30 Water commission
- 31 3. During the 2009-11 biennium - 16 agencies

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- 1 Office of administrative hearings
- 2 Retirement and investment office
- 3 Public employees retirement system
- 4 State library
- 5 School for the deaf
- 6 Vision services/school for the blind
- 7 Indian affairs commission
- 8 Children's services coordinating committee
- 9 Protection and advocacy
- 10 Aeronautics commission
- 11 Department of financial institutions
- 12 Housing finance agency
- 13 Division of emergency management
- 14 Adjutant general
- 15 State fair association
- 16 State historical society
- 17 The office of management and budget may, subject to approval of the government performance
- 18 and accountability committee, accelerate or adjust the implementation schedule included in this
- 19 section.