

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

GOVERNMENT PERFORMANCE AND ACCOUNTABILITY COMMITTEE

Wednesday, August 13, 2003
Harvest Room, State Capitol
Bismarck, North Dakota

Representative Al Carlson, Chairman, called the meeting to order at 9:00 a.m.

Members present: Representatives Al Carlson, Ken Svedjan, Dave Weiler; Senators Randel Christmann, Michael A. Every, Ray Holmberg

Member absent: Citizen Member John Patrick Traynor

Others present: See attached appendix

Mr. Jim W. Smith, Legislative Budget Analyst and Auditor, reviewed the Legislative Council supplementary rules of operation and procedure.

Chairman Carlson announced that Senator Christmann would serve as vice chairman of the committee. Chairman Carlson said the legislation directing the study allows for three additional members to be appointed to the committee. He suggested the committee members consider recommending to the Legislative Council chairman individuals for appointment to the committee who have had experience in private sector performance and strategic planning processes.

GOVERNMENT PERFORMANCE AND ACCOUNTABILITY STUDY

The Legislative Council staff presented a background memorandum entitled *Government Performance and Accountability Study - Background Memorandum* relating to the committee's study of state government performance and accountability practices. The Legislative Council staff said 2003 House Bill No. 1497 provides for the committee's study. The study is to include a review of other states' performance budgeting practices and strategic planning efforts and how those practices and efforts may apply to North Dakota and improve North Dakota's budgeting process. The Legislative Council staff reviewed performance budgeting history in North Dakota.

1993-94 Interim

The 1993-94 Budget Section requested that the Office of Management and Budget ask all agencies and institutions to include, to the extent possible, service efforts and accomplishments in the 1995-97 budget request forms and to use this information to support the executive budget. Service efforts and accomplishments are measures used to evaluate

agency performance. The Office of Management and Budget developed a pilot project to incorporate service efforts and accomplishments into the budgeting process. The Office of Management and Budget developed statewide goals, objectives, and strategies and chose the following 14 budgets in 12 agencies to be involved in the program-based performance budgeting pilot project for the 1995-97 biennium:

1. Office of Management and Budget.
2. Information Services Division.
3. State Auditor.
4. Central Services Division.
5. Board of University and School Lands.
6. Department of Human Services - Aging Services - Vocational Rehabilitation Division.
7. Insurance Department.
8. Securities Commissioner.
9. Highway Patrol.
10. Department of Corrections and Rehabilitation - Parole and Probation Division.
11. Department of Economic Development and Finance.
12. Department of Tourism.
13. Parks and Recreation Department.
14. Department of Transportation.

Budget requests of these pilot agencies included information in support of meeting statewide and agency goals, objectives, and strategies. Under each major program of the agency, goals, objectives, and strategies were listed as well as the description and justification of the strategy and performance measures, including outcome, output, efficiency, effectiveness, and explanatory measures. The appropriation bills for these agencies included program line items rather than object code line items.

1995 Legislative Assembly

The 1995 Legislative Assembly chose to appropriate funds on a program basis rather than object code basis for 9 of the 14 pilot budgets:

1. Office of Management and Budget.
2. Information Services Division.
3. State Auditor.
4. Central Services Division.
5. Board of University and School Lands.

6. Highway Patrol.
7. Department of Corrections and Rehabilitation - Parole and Probation Division.
8. Parks and Recreation Department.
9. Department of Transportation.

The remaining five agencies listed below received object code line item appropriations but were expected to continue to monitor and strive to achieve agency performance measure goals and objectives:

1. Department of Human Services - Aging Services - Vocational Rehabilitation.
2. Insurance Department.
3. Securities Commissioner.
4. Department of Economic Development and Finance.
5. Department of Tourism.

The section below was included in 1995 Senate Bill No. 2015 providing legislative intent for the performance budgeting pilot project.

SECTION 9. INTENT - PROGRAM-BASED PERFORMANCE BUDGETING.

It is the intent of the fifty-fourth legislative assembly that the office of management and budget continue the 12 agency program-based performance budgeting pilot project through the 1997-99 biennium. Periodic reports shall be made to the budget section during the 1995-97 biennium of actual to planned expenditures by program and comparisons of planned to actual outcome, output, and efficiency and effectiveness measures. The budget section shall make a recommendation to the fifty-fifth legislative assembly regarding the continuance or expansion of program-based performance budgeting.

1995-96 Interim

As part of the performance budgeting pilot project, the Office of Management and Budget prepared agency performance reports included in *North Dakota Delivers* based on the measures developed for each agency.

The 1995-96 interim Budget Section reviewed reports on the pilot project and asked the Office of Management and Budget to continue to work with only the nine budgets in the development of the 1997-99 biennium budget requests and executive recommendation and that those agencies be subject to program reviews. In addition, the Budget Section asked that the appropriation bills for the 1997-99 biennium for the agencies with program line items include a separate section identifying the amounts for salaries and wages, operating expenses, equipment, and grants for each agency. The Budget Section also recommended that the 1997 Legislative Assembly review the program-based performance budgeting

pilot project and determine if the project should continue.

1997 Legislative Assembly

The 1997 Legislative Assembly continued the program line item appropriations for the nine pilot budgets and object code line item appropriations for the remaining five agencies. The Legislative Assembly included a separate section in the appropriations bill for each of the agencies with program line items identifying the amounts appropriated by object code also. The Legislative Assembly did not include a section providing for reporting of the agencies' performance measures.

1997-98 Interim

The 1997-98 interim Budget Committee on Government Finance studied, pursuant to House Concurrent Resolution No. 3045, the current budgeting process, the results of the program-based performance budgeting pilot project, budget reforms in other states, and the feasibility of developing a legislative budget.

The committee recommended Senate Bill No. 2031 which was not approved by the 1999 Legislative Assembly but which would have required the Legislative Council to create a legislative budget committee to coordinate and direct activities involved in the development of budget recommendations to assist the Legislative Assembly as it develops the final legislative budget. The estimated cost of implementing provisions of the bill was \$439,000 per biennium.

The 1997-98 interim committee reviewed the history of program-based performance budgeting in North Dakota and other states and recommended that if the program-based performance budgeting pilot project continues, the Appropriations Committees review agency performance and create, with agency input, performance measures for those agencies. Senate Bill No. 2031 also included a section indicating that a goal of the budgeting process is to include historic and anticipated agency performance as supporting information for budget recommendations.

1999 Legislative Assembly

The 1999 Legislative Assembly, in Senate Bill No. 2015, directed the Office of Management and Budget to discontinue the program-based performance budgeting pilot project when preparing the 2001-03 executive budget.

The following agencies that were involved in the performance budgeting pilot project continued to have program-based line items in their appropriation bills:

1. Highway Patrol.
2. Department of Corrections and Rehabilitation - Adult Services Division.

Although the appropriation bills for these agencies contained program line items, the detailed supporting budget information identified the amounts provided for each program by object code (salaries and wages, operating expenses, etc.).

2001 and 2003 Legislative Assemblies

Although the performance budgeting pilot project was discontinued after the 1999-2001 biennium, a number of agencies continue to have their appropriations made by programmatic line item rather than object code line item. The schedule below lists the types of line item appropriations for agencies for the 2003-05 biennium:

Agencies With Object Code Line Items	Agencies With Program Line Items
NOTE: Boldfaced agencies were a part of the performance budgeting pilot project.	
Legislative branch	Department of Veterans Affairs
Judicial branch	Highway Patrol
University System ¹	Department of Corrections and Rehabilitation
State Department of Health	Upper Great Plains Transportation Institute
Indian Affairs Commission	Northern Crops Institute
Aeronautics Commission	NDSU Extension Service
Veterans Home	Agricultural Experiment Station
Department of Financial Institutions	Protection and Advocacy
State Fair	State Water Commission
Council on the Arts	Workforce Safety and Insurance
Department of Transportation	
Land Department	
Children's Services	
Coordinating Committee	
Industrial Commission and related agencies	
Job Service North Dakota	
Office of Administrative Hearings	
Department of Commerce	
State Board for Career and Technical Education	
Information Technology Department	
Governor's office	
Secretary of State	
Attorney General	
State Auditor	
State Treasurer	
Tax Commissioner	
Labor Commissioner	
Public Service Commission	
Agriculture Commissioner	
Insurance Commissioner	

Securities Commissioner

Department of Human Services

Department of Public Instruction

State Library

School for the Deaf

North Dakota Vision Services - School for the Blind

Office of Management and Budget

Division of Emergency Management

Adjutant General

Seed Department

Game and Fish Department

State Historical Society

Parks and Recreation Department

Retirement and Investment Office

Public Employees Retirement System

¹The University System has two line items per campus appropriation.

The Legislative Council staff reviewed current performance reporting of the following state agencies:

- 1. University System** - Section 18 of House Bill No. 1003, approved by the 2003 Legislative Assembly, provides the accountability measures that are to be included in the State Board of Higher Education performance and accountability reports required by North Dakota Century Code (NDCC) Section 15-10-14.2. The statutory section also requires the board to develop a strategic plan to define and prioritize University System goals and objectives. Similar reporting was required during the 2001-03 biennium.
- 2. Department of Commerce** - Section 9 of House Bill No. 1019, approved by the 2003 Legislative Assembly, provides that the Department of Commerce report to either the Budget Section or another interim Legislative Council committee on North Dakota's economic goals and associated benchmarks. The Legislative Council assigned the responsibility to receive these reports to the interim Economic Development Committee. (The 2001 Legislative Assembly also had required the department to establish performance measures and to report to the Budget Section on the department's progress in meeting its measures after the first year of the 2001-03 biennium.)

The department, in cooperation with Job Service North Dakota, the Department of Human Services, and the University System, is also to report on the number of individuals

trained and the number who became employed as a result of each department's workforce development and training programs, including the state's investment, the areas of occupational training, the average annual salary of those employed, and the average increase in earnings 12 months after completion of training.

3. **Information Technology Department** - For the 2001-03 biennium, a section of legislative intent was included in 2001 House Bill No. 1043 providing that the Information Technology Department establish measures to assist the Legislative Assembly in determining the effectiveness and efficiency of the department's operations and report to the Information Technology Committee, the Budget Section, and the Legislative Audit and Fiscal Review Committee on the measures developed.

The Legislative Council staff said that during the 2003 legislative session the House and Senate majority leaders asked each agency to prepare a brief response to the following questions relating to the purpose and performance of the agency for review by the House and Senate Appropriations Committees.

1. What is the main purpose of your agency?
2. How do you measure the achievement of your purpose?
3. What can the legislature do, financially and otherwise, to help you achieve your purpose?
4. How can you report (measure) your results so the public can easily understand your purpose and evaluate your effectiveness?

Agencies submitted responses to the Appropriations Committees.

The Legislative Council staff said NDCC Section 54-10-01(4) requires the State Auditor to perform or provide for performance audits of state agencies as determined necessary by the State Auditor or the Legislative Audit and Fiscal Review Committee.

Recent performance audits completed by the State Auditor and presented to the Legislative Audit and Fiscal Review Committee include:

- Service payments for elderly and disabled (SPED) program of the Department of Human Services.
- Workers Compensation Bureau.
- Job Service North Dakota.
- Veterans Home.
- Child support enforcement program.
- Contracts for services.

The Legislative Council staff said that based on a 2000 National Conference of State Legislatures report, 33 states have approved legislation providing for performance budgeting information. Six states--Florida, Louisiana, Maine, Missouri, New Mexico, and Texas--include performance information in agency appropriation bills. The majority of other states

include the performance information in various budget documents available to the Legislative Assembly.

The Legislative Council staff reviewed information relating to the following states:

1. **Texas** - Texas requires each state agency to develop a strategic plan for its operations that must include indicators to measure its performance. The executive budget office and the Legislative Budget Board may jointly compile a long-range strategic plan for the state based on the state agency plans.

Texas requires each agency to prepare a performance budget report that compares its actual performance to the performance anticipated based on the agency's approved budget. The Texas General Appropriations Act includes agency goals, strategies, outputs, and outcomes.

2. **Florida** - Florida requires each agency's budget request to include information on:
 - a. Legislatively approved performance measures and any proposed revisions to measures.
 - b. Proposed performance standards, including justification for the standard and sources of data to be used for measurement.
 - c. Prior year performance comparisons and explanations of deviations from expected performance.
 - d. Unit costs for major activities.
 - e. Proposed performance incentives and disincentives.
3. **Louisiana** - Louisiana's appropriations acts include program objectives and performance indicators for state agencies.
4. **Alaska** - Alaska requires each agency to identify results-based indicators to measure the agency's progress in achieving the desired results issued by the legislature. This information is presented along with an assessment of the degree to which the objectives of the program have been achieved and the performance, accomplishments, and costs for the last four fiscal years.

The Legislative Council staff reviewed a 2001 Kentucky Legislative Research Commission study of performance-based budgeting. Conclusions of the commission include:

1. Legislators must determine whether they want to hold agencies accountable for what they spend or what they achieve.
2. Performance budgeting is a tool that can improve accountability in the use of public resources. To date it has not been a good tool for improving efficiency in the use of public resources.

3. Performance measures should be carefully defined to accurately capture outcomes resulting from program activities.
4. Sufficient technical and staff resources should be devoted to training and maintenance of the system.
5. One of the most difficult aspects of performance budgeting is the definition of agency performance targets that can be reliably measured on a regular basis.
6. Performance measures should be independently validated on a regular basis.
7. Careful planning should limit the number of performance measures to a small set of well-crafted indicators.

The Legislative Council staff said the National Conference of State Legislatures in 2000 reported on the experiences of a number of states which have developed performance budgeting systems. The states involved in the review were Florida, Minnesota, North Carolina, Oregon, and Texas. The report lists the advantages of performance-based budgeting as resulting in increased government accountability with more detailed oversight and better targeting of activities to citizens' needs. Disadvantages include heavy paperwork and increased staffing to collect data, monitor, and report, particularly in states where systems are not already established.

The report includes recommendations for developing and implementing a performance budgeting system. Major recommendations include:

1. Executive leadership and legislative commitment are essential for the development of performance budgeting. The executive branch must provide central direction and enforce agency commitment, and the legislative branch must be involved in selecting performance indicators and using the performance information in its decision-making process.
2. An oversight agency is needed to be responsible for developing agency instructions and performance reports and integrating this information into agency budget requests.
3. Legislators must be involved in selecting performance indicators to ensure that the measures are relevant to legislators' concerns. Performance measures should be linked to appropriations because agencies are more likely to be concerned with good performance when linked to funding levels.
4. Performance measures should be limited to those that are most relevant and best defined.
5. The identification of unit costs for select programs such as cost per mile of new highway construction provides additional useful information for the legislature to use in its decisionmaking process.

6. Agencies need to specify how funding changes will affect performance results to provide legislators with relevant information for use in decisionmaking.
7. Although attempts have been made to use incentives and disincentives to improve agency performance, adjusting the amount of agency funding as an incentive or disincentive has not been successful.
8. Additional legislative staff may be necessary to assist legislators and state agencies develop, validate, and use performance information. In states where staff resources have been dedicated to the performance process, including Florida and Texas, the system has been somewhat more successful than in states such as Minnesota and Oregon that have had relatively few staff members involved in the performance budgeting system.
9. Additional funding may be needed to develop more comprehensive information management systems to facilitate the collection, analysis, and presentation of performance information and its integration with budget requests.
10. Implementation of performance budgeting may take up to four years--18 months for an agency to design and receive approval of its proposed program structure and performance measures from the Governor and the legislature and another 30 months to complete the review of an agency's first-year performance measure results.

The Legislative Council staff said the National Conference of State Legislatures in 2000 also prepared a report entitled *Governing for Results in the States - Ten Lessons* which provides suggestions for implementing a results-oriented performance and accountability system. The publication indicates that cooperation between the executive and legislative branches is needed to successfully implement a performance and accountability system. The report also identifies the importance of adequate training and technical assistance as the system is being implemented.

PROPOSED STUDY PLAN

The Legislative Council staff proposed the following study plan:

1. Receive information from the Office of Management and Budget regarding the performance budgeting pilot project operated by the Office of Management and Budget from 1995 through 2001.
2. Review other selected states' performance budgeting practices and strategic planning efforts and how those practices and efforts

may apply to North Dakota and improve North Dakota's budgeting process.

3. Consider contracting with private organizations such as the Performance Institute, Panorama Business Views, or Turcotte Public Administration Consulting and Training for information regarding strategic planning, performance measurements, and accountability in government.
4. Receive testimony from representatives of state agencies involved in the performance budgeting pilot project operated from 1995 through 2001 and from agencies currently involved in performance and accountability reporting.
5. Receive testimony from other interested persons regarding government performance and accountability practices.
6. Consider options for improving state government performance and accountability.
7. Develop recommendations and prepare any legislation necessary to implement the recommendations.
8. Prepare a final report for submission to the Legislative Council.

Representative Svedjan asked why the performance budgeting pilot project was discontinued. The Legislative Council staff said that the primary reasons the Legislative Assembly chose to discontinue the performance budgeting pilot project were:

1. The lack of time during legislative sessions for legislators to analyze the detailed performance budgeting information.
2. Agencies rather than legislators chose the measures to be reported.
3. Concern with program rather than object code line items in the appropriation bills.

Representative Svedjan said performance measures should ensure that the service being provided by state agencies is valuable and the measures should be structured to measure the efficiency of the service.

Representative Carlson referenced the *North Dakota Delivers* report prepared in 2000. He said the measures included in the report do not provide useful information.

Ms. Pam Sharp, Director, Office of Management and Budget, commented on the performance budgeting pilot project and made suggestions for improving government performance and accountability.

Ms. Sharp said when the performance budgeting pilot project was discontinued, the Office of Management and Budget reviewed the project and determined it was not successful because:

1. Too much focus was placed on detailed inputs and outputs which required much time and effort from agency personnel.
2. The measures were developed by agencies with input from the Office of Management and Budget and the State Auditor's office.

Legislative input should also have been considered.

3. Legislators did not have enough time during legislative sessions to analyze the information.
4. The Legislative Assembly had concerns with appropriating funding by program rather than object code line item.

Ms. Sharp suggested any performance measures developed in the future be at a high level. She said many agencies have already developed strategic plans and she suggested using these strategic plans as a starting point for developing the agency performance measures.

Ms. Sharp said the budget request forms used by agencies already include substantial information on agency missions, objectives, and accomplishments. She suggested that during the appropriation hearings agencies could review this information for legislators.

Ms. Sharp offered the assistance of the Office of Management and Budget in conducting the committee's study.

Representative Carlson said during the legislative session he received information from the Office of Management and Budget on the agencies that have developed a strategic plan and that monitor performance measures. He said the information provided indicates that 54 state agencies have strategic plans and monitor performance measures while 15 do not. He asked Ms. Sharp if the Office of Management and Budget supervises this process. Ms. Sharp said currently the Office of Management and Budget does not provide oversight for agencies' strategic plans or performance measures.

Representative Svedjan asked whether performance measures should be related to budgets. Ms. Sharp said that for performance budgeting to operate as intended, agencies should be appropriated funding by program line items. She said the Legislative Assembly in the past has expressed concern regarding appropriating funding by program line item rather than object code line item.

Senator Every said performance measures should identify results, not detailed outputs. He said measures need to be specific and consistent over time in order to be useful.

Mr. Tom D. Freier, Deputy Director, Department of Transportation, commented on the department's performance and accountability practices and suggestions for improving government performance and accountability. He said the department has completed its strategic plan for the years 2002 through 2008, which it will update annually. He said the department is now in the process of developing measures which will relate to safety, system preservation and maintenance, budget management, project delivery, and employees. He said performance measures should be flexible, simple, manageable, and balanced, use existing data sources, and involve an

input, output, and outcome mix. A copy of the report is on file in the Legislative Council office.

Representative Svedjan asked if any of the department's measures will provide information on the department's efficiency. Mr. Freier said the measures will review project costs and will address how the department is using its funding to achieve its goals.

Senator Every asked if the department is measuring its performance based on its strategic plan. Mr. Freier said currently the department is informally measuring its performance but is in the process of developing a formal process.

Senator Christmann asked what the consequences are of the department not achieving its goals. Mr. Freier said in the areas where the department is not achieving its goals, employees need to reprioritize to address the area of concern.

Representative Svedjan asked if the department would develop more measures if resources were available. Mr. Freier said the department would like to receive more information on the public's perception of the state's roads, but gathering that type of information is expensive.

Major Neil Johnson, Administrative Director, Highway Patrol, commented on the Highway Patrol's performance and accountability practices and suggestions for improving government performance and accountability. Major Johnson said the Highway Patrol has incorporated several operational objectives into its multiyear plan that it evaluates annually. He said the measures allow the Highway Patrol to evaluate its enforcement programs, educational programs, prevention efforts, and also serve as a guide in determining what federal funds to pursue to assist in its mission. He said the agency reviews specific activities and projects annually as part of its program evaluations.

Major Johnson said the Highway Patrol's most extensive public review is completed in conjunction with its accreditation every three years. He said the review includes solicitation of public comment for assessing the patrol.

Colonel Jim Hughes, Superintendent, Highway Patrol, said measuring performance becomes more complicated when a number of agencies are involved in providing a public service. He suggested performance measures should address the effectiveness of a service provided by a number of agencies cooperatively.

Mr. Larry Isaak, Chancellor, North Dakota University System, commented on the University System's performance and accountability practices and suggestions for improving government performance and accountability.

Mr. Isaak said the basis for higher education operations in North Dakota is the roundtable report. He said each campus prepares an alignment plan that addresses the six "cornerstones" of higher education for North Dakota. He said it is important to maintain

consistent measures to identify trends in the data over time.

Mr. Isaak distributed the University System's second annual accountability measures report prepared in December 2002.

Mr. Isaak made the following suggestions for developing accountability measures:

1. Measures should focus on state policy outcomes.
2. Measures should not focus on inputs or process.
3. Measures should be benchmarked against regional or national data.
4. Reporting that is not compatible with the measures developed should be eliminated.
5. Measures should add value to decisionmaking.
6. Measures should be consistent and usable.

A copy of the report is on file in the Legislative Council office.

Representative Svedjan asked for consequences of poor results. Mr. Isaak said the Board of Higher Education reviews campus reports. He said if a campus is not achieving its goals, this information is discussed when the board conducts its presidential evaluations for each campus.

Representative Carlson said there should be consequences for poor results.

The committee recessed for lunch at 12:00 noon and reconvened at 1:00 p.m.

Mr. Mike Ressler, Information Technology Department, commented on the Information Technology Department's performance and accountability practices and suggestions for improving government performance and accountability.

Mr. Ressler said in small organizations it is fairly easy for managers to determine how the organization is performing. With larger organizations, he said, performance measures provide valuable information to determine the organization's performance.

Mr. Ressler said it is important to involve employees in the development of performance measures for the organization. He said performance measures should focus on key areas, including customers, employees, and financial systems.

Mr. Ressler said organizations should first develop a strategic business plan and subsequently develop measures associated with the plan.

Mr. Ressler said the enterprise resource planning system that is being implemented statewide includes an enterprise performance management module for compiling and reporting performance measure information. He indicated that Mr. Bill Monroe, Texas, who is familiar with the enterprise performance management module, has offered to share information with the committee.

Chairman Carlson asked Mr. Ressler to arrange for a conference call with the individual in Texas for the committee's next meeting.

Representative Svedjan stressed the importance of developing measures that identify efficiencies that result from information technology expenditures on a statewide basis.

Mr. Lee Peterson, Commissioner, Department of Commerce, commented on the department's performance and accountability practices and suggestions for improving government performance and accountability.

Mr. Peterson said the department has completed its 10-year strategic plan. He said the plan includes benchmarks and performance measures. He said the department will have its first draft performance report available by October 2003.

Mr. Peterson distributed the North Dakota Agricultural Products Utilization Commission report for the 2001-03 biennium and the North Dakota Development Fund, Inc., report for the 2001 and 2002 fiscal years.

At the request of the chairman, Mr. Gordy Smith, State Auditor's office, discussed the performance audit process. Mr. Smith said the State Auditor's office performance audit staff includes four individuals. He said the Legislative Audit and Fiscal Review Committee, the Legislative Assembly, and the State Auditor's office can request performance audits. He said the 2003 Legislative Assembly directed the State Auditor's office to conduct a performance audit of the Department of Veterans Affairs.

Mr. Smith said many agencies have informal performance measures. He said it is important to audit performance measure results to assure the data is valid. He said as part of the two-year biennial financial audit process, the State Auditor's office could perform limited validation tests on performance measures.

Representative Svedjan asked whether the State Auditor's office has a role in developing performance measures for agencies. Mr. Smith suggested that while the State Auditor's office conducts performance audits of an agency, the State Auditor's office could do limited performance measure reviews.

Representative Svedjan said the National Conference of State Legislatures has a performance measures advisory group and suggested the committee ask for its assistance in conducting its study.

Chairman Carlson asked that the Legislative Council staff contact the National Conference of State Legislatures and, if possible, arrange for a representative of the National Conference of State Legislatures to provide information to the committee at its next meeting.

BUDGET MONITORING

The Legislative Council staff presented a memorandum entitled *Monitoring the Status of State Agency and Institution Appropriations - Background Memorandum*.

The Legislative Council staff said the committee's responsibility to review state agency and institution appropriations could focus on expenditures of major state agencies such as the charitable and penal institutions, elementary and secondary education, Department of Human Services medical assistance and economic assistance grants, and other appropriations the committee might select. The expenditures of the selected state agencies and institutions would be monitored by having the agencies prepare estimates and comparing actual expenditures to the estimates. The Legislative Council staff would prepare a report for presentation to the committee comparing actual expenditures to estimates for the first year of the biennium and discussing the major variances.

In addition, the Legislative Council staff said the Legislative Council staff could also report on the status of agency compliance with legislative intent. These reports would include the status of state agencies and institutions implementing budget/programmatic changes and legislative directives contained in appropriation bills and other legislation and identify budget concerns of agencies.

COMMITTEE DISCUSSION

Chairman Carlson said three additional individuals could be appointed to the committee. He suggested that a representative of the Office of Management and Budget or the Governor's office, a representative of the State Auditor's office, and one additional private citizen be appointed to the committee.

It was moved by Representative Svedjan, seconded by Senator Holmberg, and carried on a voice vote that the committee recommend that the Legislative Council chairman appoint a representative of the Office of Management and Budget or the Governor's office and a representative of the State Auditor's office to the committee.

Chairman Carlson asked that the Legislative Council staff discuss with the chairman of the Legislative Council the possibility of committee members attending a "Governing" performance management conference in Denver in October and ask the Greater North Dakota Association for suggestions for a private sector individual to be appointed to the committee.

It was moved by Senator Holmberg, seconded by Senator Every, and carried on a voice vote that the committee proceed with its government performance and accountability study as follows:

1. **Receive information from the Office of Management and Budget regarding the performance budgeting pilot project operated by the Office of Management and Budget from 1995 through 2001.**
2. **Review other selected states' performance budgeting practices and strategic planning efforts and how those practices and efforts may apply to North Dakota and**

- improve North Dakota's budgeting process.
3. Consider contracting with private organizations such as the Performance Institute, Panorama Business Views, or Turcotte Public Administration Consulting and Training for information regarding strategic planning, performance measurements, and accountability in government.
 4. Receive testimony from representatives of state agencies involved in the performance budgeting pilot project operated from 1995 through 2001 and from agencies currently involved in performance and accountability reporting.
 5. Receive testimony from other interested persons regarding government performance and accountability practices.
 6. Consider options for improving state government performance and accountability.

7. Develop recommendations and prepare any legislation necessary to implement the recommendations.
8. Prepare a final report for submission to the Legislative Council.

Chairman Carlson announced that the next meeting is tentatively scheduled for Thursday, October 16, 2003.

The committee adjourned subject to the call of the chair at 2:15 p.m.

Allen H. Knudson
Assistant Legislative Budget Analyst and Auditor

Jim W. Smith
Legislative Budget Analyst and Auditor

ATTACH:1