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La Costa Richard
Operator's Signature

10/16/03
Date

2003 HOUSE APPROPRIATIONS

HB 1497

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Colista Rickford
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10/6/03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1497

House Appropriations Committee

☐ Conference Committee

Hearing Date 02-18-03

Tape Number	Side A	Side B	Meter #
1	X		50.0-end
		X	0.0-31.7
Committee Clerk Signature <i>Chris E. Nyquist</i>			

Minutes:

Chairman Svedjan Opened HB 1497 for discussion.

Rep. Carlson Gave brief introduction of the bill. I move to Amendments 30465.0302 to HB 1497 2nd Brusegaard

Rep. Monson We don't have interim committees with citizens on them do we?

Rep. Brusegaard Yes we do. The Higher Education Roundtable is an example.

Rep. Skarphol A module of PeoplSoft Software gives us an already purchased tool to use

Rep. Delzer Are four legislators enough to have on this committee?

Rep. Carlson the smaller the number of people on it, the more manageable it is.

Rep. Timm The Legislative Council wouldn't have to appoint anyone except legislators to the committee if they wanted, correct? There is nothing in the language to stop them.

Rep. Carlson Correct, you can make it more restrictive if you want.

Rep. Aarsvold How will this work with the Audit and Fiscal Review Committee?

Page 2

House Appropriations Committee

Bill/Resolution Number HB 1497

Hearing Date 02-18-03

Rep. Carlson I'm not sure.

Rep. Wald Audit and Fiscal Review deals with fiscal areas, and this looks more into the policies.

Rep. Delzer This drives policy, The Legislative Audit and Fiscal Review Committee looks at the past and its accuracy to the Code.

Rep. Carlson The first page, in section 2, lines 21-23 it really says what this Committee is supposed to do. "To improve program effectiveness and accountability by focusing on program impact and result, service quality, and customer satisfaction." These results drive the bottom line. It was not our attempt to duplicate, but it was to set a direction for agencies.

Chairman Svedjan This creates an impacting culture on how to more effectively run agencies. There is real value in this.

Rep. Kerzman I think this stifles creativity, is labor intensive, and doesn't focus on outcome bases. We shouldn't micro manage.

Chairman Svedjan This won't stifle creativity or micro manage. This isn't punitive.

Rep. Metcalf This fiscal note isn't effective until we plug in into the budget.

Rep. Carlson This doesn't give additional funding. If they already do strategic reports, that's a jump-start.

Rep. Metcalf I was looking at the mechanics, not philosophy of it. So my question is to Alan. This doesn't carry any money and we have to implement it into departments.

Alan Knudson Correct.

Rep. Kerzman Did any of us make any judgments in our subcommittees on the information that was handed out to us? No. We just looked at it and filed it.

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House Appropriations Committee
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Hearing Date 02-18-03

Rep. Carlisle I think your going to get buried in paperwork with this. How can it be avoided.

Rep. Carlisle We are only asking for 5 pieces of information.

Motion Carries.

Rep. Gulleeson I move amendment .30465.0303 to HB 1497. Second Aarsvold.

Rep. Warnke How many departments do this, or is it only the Department of Commerce?

Rep. Carlisle We just passed the Dept. of Commerce and they have accountability measures already in it.

Rep. Gulleeson I did see that paragraph in the Commerce bill, but I think there needs to be some consistency in the level of that. This bill indicates a higher level. I can't imagine why we'd have a fear of this.

Rep. Carlson This proposed amendment is all right, but if we do it, it won't come out of the bill.

Rep. Glassheim As I read the language at the bottom of page 1, this amends, during the initial biennium. One of the 5 during the first 2 years will probably be the Department of Commerce. I don't think this should burden an agency forever.

Rep. Skarphol Once an agency is picked, they are expected to continue to do this. Ultimately, we are going to do all the agencies if this works well.

Rep. Delzer The Department of Commerce is a pretty big budget. We should leave that up to the committee.

The motion carries 12 yeas, 11 nays, 0 A/NV

Rep. Brusegaard I move Do Pass As Amended. 2nd by Rep. Carlson.

Rep. Aarsvold This encroaches on the responsibilities of the Executive Branch.

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House Appropriations Committee
Bill/Resolution Number HB 1497
Hearing Date 02-18-03

Rep. Carlson The legislative body has usurped some of its duties when it comes to budgetary items. If you read the Constitution it is very simple. We were created as a policy making and funding mechanism of government. We have the tie to the people back home. We can't shirk that duty and we must pass this bill.

Rep. Metcalf If this committee would have been in existence 8 years ago, it could have averted the problem we have at the Veteran's Home now. It is a step in the right direction.

Motion Carries 20 yeas, 3 nays, 0 A/NV Rep. Carlson will carry the bill.

La Costa Richard
Operator's Signature

10/6/03
Date

FISCAL NOTE
Requested by Legislative Council
04/10/2003

Amendment to: HB 1497

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$2,400	\$2,400		\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

Assuming the committee would meet six times during the biennium, legislative pay for the four legislators on the committee would amount to \$2,400 for the biennium.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The \$2,400 of expenditures are related to legislative pay for the four legislators on the committee.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Pam Sharp	Agency:	OMB
Phone Number:	328-4606	Date Prepared:	04/10/2003

Richard Costa
Operator's Signature

10/16/03
Date

FISCAL NOTE
Requested by Legislative Council
01/21/2003

Bill/Resolution No.: HB 1497

1A. State fiscal effect: Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$653,330	\$0	\$690,930	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. County, city, and school district fiscal effect: Identify the fiscal effect on the appropriate political subdivision.

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2. Narrative: Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

The Office of Management and Budget and the respective pilot agencies will incur additional expenses in implementing HB1497. Staff and operating expenses will be necessary for items such as strategic planning, performance reporting, establishing measures, seeking public input, and staff training. The Office of the State Auditor would incur salary expenditures for staff in auditing the performance measures.

3. State fiscal effect detail: For information shown under state fiscal effect in 1A, please:

A. Revenues: Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

This fiscal note assumes general fund expenses only. If an agency with other funds were selected as a pilot agency, the Office of the State Auditor could bill that agency for time spent auditing the performance measures.

B. Expenditures: Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

The Office of Management and Budget will require 1.00 FTE and operating expenses to cover costs such as personal computer, telephone, office equipment, printing, and training costs.

Salaries and benefits	\$140,000
Operating expenses	<u>25,000</u>
Total	\$165,000

The Office of the State Auditor will incur salary expenditures of \$28,330 for hours spent auditing the performance measures and the time of an audit manager to review the audit.

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Depending on which agencies are selected for participation, costs will vary. For example, a very large department may require staff where smaller agencies may require only operating expenses. Costs will also vary depending on an agency's ability to complete strategic planning internally or their need to use a consultant. Again, large agencies could incur substantially more costs to assure public input than a smaller agency.

Assuming 2 of the 5 agencies would need an additional FTE, salary and benefit costs would be \$280,000. Assuming 4 of the 5 agencies would use consultants to assist in developing strategic plans, costs are estimated at \$100,000 (\$25,000 for 4 agencies). Operating expenses for the 2 agencies hiring an FTE would be \$50,000 (\$25,000 for 2 agencies). Internal operating expenses for the 3 agencies that do not hire an employee are estimated at \$30,000 (\$10,000 for 3 agencies).

Total expenditures of agencies to implement HB1497 are \$653,330.

C. Appropriations: Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

No appropriations have been provided in the executive budget to implement HB1497.

Name:	Sheila Peterson	Agency:	OMB
Phone Number:	328-4905	Date Prepared:	01/27/2003

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Valosta Rickford
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10/16/03
Date

30465.0302
Title.

Prepared by the Legislative Council staff for
Representative Carlson
January 27, 2003

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1497

Page 1, line 7, replace "a seven-member" with "an eight-member"

Page 1, line 8, after the period insert "The council shall appoint at least four legislators to the committee."

Page 2, line 18, remove the second "and"

Page 2, remove line 19

Page 2, line 20, remove "each even-numbered year,"

Page 2, line 21, after the period insert "A copy of the strategic plan shall be submitted to the office of management and budget and the legislative council by March fifteenth of each even-numbered year."

Renumber accordingly

30465.0305
Title.0400

Prepared by the Legislative Council staff for
House Appropriations
February 18, 2003

VR
2/18/03

HOUSE AMENDMENTS TO HOUSE BILL NO. 1497 APP 2-19-03

Page 1, line 7, replace "a seven-member" with "an eight-member"

Page 1, line 8, after the period insert "The council shall appoint at least four legislators to the committee."

HOUSE AMENDMENTS TO HB 1497

APP 2-19-03

Page 2, line 1, after the period insert "At least one of the five state agencies or departments selected must be an agency or department that spends state funding to provide development assistance to private businesses."

Page 2, line 18, remove the second "and"

Page 2, remove line 19

Page 2, line 20, remove "each even-numbered year,"

Page 2, line 21, after the period insert "A copy of the strategic plan must be submitted to the office of management and budget and the legislative council by March fifteenth of each even-numbered year."

Renumber accordingly

Date: 2-18
Roll Call Vote #: 6

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1497

House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 0303, 0302

Action Taken DPAA

Motion Made By Brusegaard Seconded By Carlson

Representatives	Yes	No	Representatives	Yes	No
Rep. Ken Svedjan (Chair)	✓		Rep. Bob Skarphol	✓	
Rep. Mike Timm (Vice-Chair)	✓		Rep. Blair Thoreson	✓	
Rep. Bob Martinson	✓		Rep. Eliot Glassheim	✓	
Rep. Thomas Brusegaard	✓		Rep. Joe Kroeber	✓	
Rep. David Monson	✓		Rep. John Warner		✓
Rep. Earl Rennerfeldt	✓		Rep. Jeff Delzer	✓	
Rep. Francis J. Wald	✓		Rep. Amy Warnke	✓	
Rep. Ole Aarsvold		✓	Rep. Larry Bellew	✓	
Rep. Pam Gulleason	✓		Rep. Keith Kempenich	✓	
Rep. Ron Carlisle	✓		Rep. James Kerzman		✓
Rep. Al Carlson	✓		Rep. Ralph Metcalf	✓	
Rep. Kim Koppelman	✓				

Total (Yes) 20 No 3

Absent 0

Floor Assignment Carlson

If the vote is on an amendment, briefly indicate intent:

Copy Amend .0302 from Svedjan's Book.

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10/16/03
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REPORT OF STANDING COMMITTEE (410)
February 19, 2003 8:30 a.m.

Module No: HR-32-3221
Carrier: Carlson
Insert LC: 30465.0305 Title: .0400

REPORT OF STANDING COMMITTEE

HB 1497: Appropriations Committee (Rep. Svedjan, Chairman) recommends
AMENDMENTS AS FOLLOWS and when so amended, recommends **DO PASS**
(20 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). HB 1497 was placed on the
Sixth order on the calendar.

Page 1, line 7, replace "a seven-member" with "an eight-member"

Page 1, line 8, after the period insert "The council shall appoint at least four legislators to the
committee."

Page 2, line 1, after the period insert "At least one of the five state agencies or departments
selected must be an agency or department that spends state funding to provide
development assistance to private businesses."

Page 2, line 18, remove the second "and"

Page 2, remove line 19

Page 2, line 20, remove "each even-numbered year,"

Page 2, line 21, after the period insert "A copy of the strategic plan must be submitted to the
office of management and budget and the legislative council by March fifteenth of each
even-numbered year."

Renumber accordingly

2003 SENATE APPROPRIATIONS

HB 1497

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Salvatore Riccardi
Operator's Signature

10/16/03
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1497

Senate Appropriations Committee

☐ Conference Committee

Hearing Date 3-6-03

Tape Number	Side A	Side B	Meter #
2	X		814- end
		X	0-3156
Committee Clerk Signature <i>Sandra Davison</i>			

Minutes: CHAIRMAN HOLMBERG opened the hearing to HB 1497. A bill relating for state government performance and accountability; relating to information included in the executive budget.

(Meter 864) REPRESENTATIVE CARLSEN, primary sponsor of the bill. See written testimony Exhibit 1. Went through the hand outs and explained the bill.

(Meter 1556) CHAIRMAN HOLMBERG, cosponsor of the bill, just handed out a newspaper article, from the March issue of the Fed Gazette, see Exhibit 2. He also asked the Representative if this bill is based on other states experience or was done on our own?

(Meter 1619) REPRESENTATIVE CARLSEN stated that our language is unique but other states also have this in place. He named several states that have this in policy and why. We need to make sure we continue to balance our budget and have a long term plan in place. Of 69 agencies, 54 have strategic plans in place, 15 do not.

Salvatore Riccardi
Operator's Signature

10/16/03
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Senate Appropriations Committee
Bill/Resolution Number HB 1497
Hearing Date 3-6-03

(Meter 1950) SENATOR MATHERN asked how we address the potential of an oversight committee become a controlling issue? Would you be sure that minority and majority included? Who would designate how they would be appointed to this committee? Who looks at the audit's books? (Meter 2045) REPRESENTATIVE CARLSEN explained that the committee should function with elective officials, which are Legislators and are picked by the Legislative Council just like they are picked for the audit and fiscal review committees. People who have an understanding and willingness who want to dig into these budgets and look at performance measures. He continued to explain who exactly he wants to see on this committee.

(Meter 2226) SENATOR KRAUTER stated one of his questions was answered about the grants but also asked if we have an eight member committee why use the word "shall" and then the other "may". Why not have them the same with all government entities? (Meter 266) REPRESENTATIVE CARLSEN stated he would not have a problem changing the wording to be all the same. He was not sure how the response of mandating to the governors office or auditor office that they had to be part of it.

(Meter 2311) SENATOR THANE asked if he thought we were reaching a time where duties and extended duties of the Legislative Council have reached their limit. And we shouldn't be expanding on what the Legislative Council should be doing. He stated he feels that it seems that every legislative session they come up with some new function for the legislative council. As with the budget section and has become mini legislature in a sense. (Meter 2366) REP. CARLSEN stated he did not believe so and never viewed it that way. He does have some concerns about the budget section about granting too much authority to approve or disapprove

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Senate Appropriations Committee

Bill/Resolution Number HB 1497

Hearing Date 3-6-03

various spending when they are not in session. But as far as the Council, it seems they have the ability to pick and choose the committees that are set up for the interim.

(Meter 2458) SENATOR ANDRIST stated that it seems like this is another step in growing government. If it was done, wouldn't it replace audit and fiscal view because the two of them seem to be redundant. How would you envision that it would work since this committee would be controlled by the majority (whoever they would be) and they would be examining offices minority (whoever they may be), it is going to be tainted and politicized it seems regardless what they find. How would you respond?

(Meter 2527) REPRESENTATIVE CARLSEN feels this is a different function than the audit and fiscal review. He feels that when you do performance measures, your focusing on instead of the line item expenditure you are trying to achieve specific goals and services to the citizens. And audit and fiscal review is many times only geared for the expenditures as they relate to the budget that we pass out of the assembly. It takes it a hold step further than that. And on the second question, he doesn't feel that it is growing government for us to try and sort out the duplication of services or waste or any positions that could be reduced or combined. Does this or could this committee go after one particular agency and attempt to change the course of that agency? He feels the intentions are very straight forward and to try to adopt realistic expectations and try in making a more efficient government for the citizens.

(Meter 2686) SENATOR ROBINSON stated there hasn't been any opportunity to heard the Houses' discussion and abate on their view. Are we running some risk of becoming a bit too involved or too much emphasis on finding what is wrong versus praising and enforcing and building upon what is right. Reading through this, there is some of that in there but feels the

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Senate Appropriations Committee
Bill/Resolution Number HB 1497
Hearing Date 3-6-03

emphasis should be on what's right. To recognize performance, to recognize success, to build upon extraordinary accomplishments? For a pro active sense, would that be approach that would accomplish more?

(Meter 2852) REPRESENTATIVE CARLSEN stated that he feels those rewards are in place in this bill. We are looking to enhance those things that work and undo or redo things that don't.

(Meter 3000) CHAIRMAN HOLMBERG stated that part of this bill has to do with the assistance and the development implementation of strategic planning by agencies. According to your comments earlier this year, they majority leader sent a letter to state agencies which asked a series of questions, what is the purpose of your agency, how do you measure the achievements, what can the legislature do financially to achieve your purpose? He read what one agency wrote and asked Representative Carlsen to respond. "The legislature can assist by funding the agency budget at a level that enables the agency to perform it's duties as required by law. The legislature could also assist in the development of a ongoing strategic planning process not only for DPI but for K-12 education, it is necessary for all entities to work together to afford the uniform education system mandated by the ND constitution." That statement duck tails what HB 1497 is all about?

(Meter 3132) REPRESENTATIVE CARLSEN agreed with CHAIRMAN HOLMBERG and went over the bill with the committee and spoke on monitoring the strategic plans and planning.

(Meter 3282) CHAIRMAN HOLMBERG pointed out that that agency was not necessarily supporting the bill but he found it to be very interesting what that agency found to assisting in the strategic planning process. (Meter 3300) REPRESENTATIVE CARLSEN stated that with asking the agencies about their strategic plans was also asked what were the results. Many stated they

Richard Costa
Operator's Signature

10/16/03
Date

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Senate Appropriations Committee

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wrote a new plan. It was asked of some of them what the results were Not a lot of monitoring of the last strategic plan. This monitors those results. They hope this is the direction the bill takes.

SENATOR MATHERN on line 14 and 15 the process about new members it appears to give the committee to set its own future outside the legislative council. I am just wondering what the rational for this is? This committee if it appoints its new members it might go in a different direction. I understand your motives for the bill but it seems like if this committee appoints new members might go in a different direction. SENATOR KRAUTER section 6 talks about the accountability and performing I am wondering if that was considered for the fiscal note? Do you see that as duplicate there and this is included in the fiscal note that makes sense for the auditor? REPRESENTATIVE CARLSON Our assumption there would be no new staff and no new money for those budgets when we put it in. SENATOR KILZER From the agencies point of view this may just be another review they have to do. I would think maybe we should auditor's report as we look at the appropriations bill. SENATOR THANE understand that this is the first time we have seen the bill and our reservations are on, how do you look at the agency as a department are the a fourth branch of government, part of the executive branch, part of the legislative branch, or are they is no man's land by themselves? REPRESENTATIVE CARLSON The separation of powers in government that was established. If you go back to the constitution of North Dakota the legislative branch was the policy making branch of government and it was the expenditure branch of government, so years back we took that authority and the governor's office and OMB were given the authority to create budgets. The point of the bill is we need to make sure that we as a legislative branch also have checks and balances that we are providing the best use of our tax payers dollars and the best services that can be provided by those dollars.

La Costa Richard
Operator's Signature

10/16/03
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Senate Appropriations Committee
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SENATOR THANE there is not necessary to agree but to accept. REPRESENTATIVE

SVEDJAN Complimented Representative Carlson's view, spoke on his private employment which his actively involved in the performance and accountability. Value helps focus on matters that are important on a whole also as each department. SENATOR MATHERN How does your organization apply the concept of someone involved with expertise like for example the auditor's office here. What is the corollary function? Do you have a specific expertise department on performance measure or do you get that somewhere else? REPRESENTATIVE SVEDJAN In our organization we run it through our marketing and public affairs department. The are the central focal point not only in terms of conducting the initial training with the both the balance and performance part but the balance score card as well. Departments are all very actively involved with this. The collation of the information is done by the marketing and public affairs office. LIEUTENANT GOVERNOR JACK DALRYMPLE Governor's office is not paranoid at this nor stonewalling what some think is a goes idea. Governor's office spent a lot of time on performance measures. I was on the appropriation committee in the house at that time part of the time serving as chairman and I worked with those measures and I recall when we came down to the end of that process, it was the appropriation committee itself questioned whether that information was valuable to us in our role as spending policy makers. We looked at much material on how many licenses the highway department has issued and how many culls have been handled but such agencies. They were never totally sure what they were suppose to be doing with that information. They are in a role of deciding how much money should be allocated to an agency, you can never make the connection between that responsibility and measuring the management performance of an agency. Information is great and you have lots of it. But there are

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To Costa Rickford

10/16/03
Date

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Senate Appropriations Committee
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Hearing Date 3-6-03

times when you have to decide how useful is it and who is the one that is suppose to be using it.

We are prepared to work on this if legislatures want to. We think there should be balance of the committee it shouldn't be weighted in one branch of government over another. If you have 4 people who are connected to the legislative branch then you have more of a chance to have a balanced discussion over what it is you are trying to accomplish. The national picture is not always essential to ND, and to ND agencies. PAM SHARPE, OMB (Exhibit 3)

REPRESENTATIVE BERG supports the concept to be good and success of the essence of the needs of the people of ND. Give agencies a focus of the needs of the people of ND. SENATOR ANDRIST Response to fears of creating a monster that's overlapping the legislature. Feels it is micro management. REPRESENTATIVE BERG This will set policies. For example the tax commissioner office, as we as legislatures sat and thought about that we would say what are the most important things to the people of ND about the tax commissioners office. How do you measure success or failure of an agency, it is whether they got more money or less money that the last biennium. Not whether they helped more people off of welfare but whether the agency got more or less money. It is hard to go to the public and say the agencies are doing better, worse or about the same. SENATOR ROBINSON As legislatures we want the best of both worlds, we tell out agencies to function more like a business, we provide all kinds of restrictions were they can not begin to function like a business yet we hold them accountable to private sector performance. I know of a number of people who has worked for state government and left and loved into the private sector and their comments are I can't believe the flexibility. When we want to do something we just do it. REPRESENTATIVE BERG State agencies at times dont' know where

La Costa Richard
Operator's Signature

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Bill/Resolution Number HB 1497
Hearing Date 3-6-03

e want them to go. This would also allow employees of the agencies to know what is needed. If we say to a department that we need this and this is the two most important parts and they deliver then we give them the benefit of the doubt. There was an article in Florida State Legislature all of there budgeting ties into these performance cards. Once they start they committee and they look at what they have done and show how they can do it better. SENATOR TALLACKSON fears some committees if have wrong make-up, it then could be a witch hunt. He would like to see some safe guards. REPRESENTATIVE BERG feels that this would prevent a witch hunt, if you look at it from all aspects. SENATOR KRAUTER The statue already has incentives, is this counter productive? REPRESENTATIVE BERG Private sector moving to government agencies. TAX COMMISSIONER RICK CLAYBURG, Neutral on bill, From an agencies management perspective, we feel there does need a alliance with in the committee. I support the concept. SENATOR MATHERN It is interesting that Rep. Berg used the tax commissioner as an example. Maybe their isn't enough time as a legislature, do we need more time to communicate. RICK CLAYBURG the agency should have it laid out. Communication is important. How and who decides what agency is doing a good or bad job? SENATOR ROBINSON asks how that he is experienced on both sides of this how does it all play out? RICK CLAYBURG Because of experience as a legislature for his department he knows what information needs to be revealed. This type of legislation needs to written correctly. SENATOR ANDRIST I have some concern, it seems to me that the more things we do like this, the more demands we place on your office, that are a distraction from the job you are suppose to do, from an administrative stand point would

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Richard Costa
Operator's Signature

10/6/03
Date

Page 9

Senate Appropriations Committee

Bill/Resolution Number HB 1497

Hearing Date 3-6-03

you see this as some what owneress? RICK CLAYBURG No to that, a well run agency should have some objectives that they lay out so they know if they are meeting their objectives. Those items should be available to be shared or are available to be shared. If we are down in an area it could be perfectly good analysis that we need some additional resources to make this better. You need to have the feedback of the agencies. If you start doing too much then it does have a fiscal effect. I am not afraid of this bill, I just think if it is not done right it will not reach its objectives and make further burdens.

CLOSED HB 1497

Salvatore Rickford
Operator's Signature

10/16/03
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1497 Vote

Senate Appropriations Committee

☐ Conference Committee

Hearing Date April 9, 2003

Tape Number	Side A	Side B	Meter #
2	x		378 - 1080
Committee Clerk Signature <i>Sandra Dawson</i>			

Minutes:

CHAIRMAN HOLMBERG opened the discussion on HB 1497.

SENATOR ANDRIST presented proposed amendments 30465.0401. This makes it a legislative initiative and makes the legislative branch and the executive branch co-equals in the process of measuring of performance. He doesn't like it much better than the original bill but he is a born peace maker.

It was moved by SENATOR ANDRIST and seconded that the committee adopt amendment 30465.0401.

SENATOR ROBINSON said he will oppose the amendment because we do have three separate branches of government and while he believes in checks and balances, he sees some things developing, not only with this bill but potentially in the area of IT, creating some unnecessary friction between the legislature and the executive branch. He intends to resist the amendment and the bill.

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La Costa Richard
Operator's Signature

10/16/03
Date

Page 2

Senate Appropriations Committee

Bill/Resolution Number HB 1497

Hearing Date 04/09/03

SENATOR SCHOBINGER asked why are we proposing the branch we are looking to hold accountable be the chair of the committee responsible for holding that branch of government accountable?

SENATOR ANDRIST said the answer is because. We were trying to find something acceptable.

SENATOR SCHOBINGER said he has no doubt they would find it acceptable. He said if we are to pass this amendment it should be the chairman of the Legislative Council who names the chair of the committee rather than the governor naming one of the executive branch representatives as chairman of the committee.

CHAIRMAN HOLMBERG asked SENATOR ANDRIST if he discussed the amendments with some of the sponsors of the bill?

SENATOR ANDRIST said it is a little difficult to talk about this. The amendment is a product of a request to find a bill as close to the original bill that the executive branch would find acceptable to sign. He is inclined to agree with SENATOR ROBINSON to vote no on both or to vote yes on the amendment and no on the bill.

The motion to adopt amendment 30465.0401 was passed by a voice vote.

It was moved by SENATOR ROBINSON, seconded by SENATOR LINDAAS and passed (8 yes, 6 no, 0 absent and not voting) on a roll call vote that the committee take a DO NOT PASS AS AMENDED action on HB 1497. SENATOR SCHOBINGER will carry the bill to the floor.

30465.0401
Title.0500

Prepared by the Legislative Council staff for
Senator Andrist
March 25, 2003

23
4-9-03

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1497

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for state government performance measurement.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. Government performance committee - Appointment -

Acceptance of funds. An eight-member government performance committee is created. The legislative council, during each biennium, shall appoint four members of the legislative assembly to the committee. The governor, during each biennium, shall appoint four executive branch representatives to the committee. The governor shall designate one of the executive branch representatives as chairman of the committee. The committee may accept gifts, grants, or assistance to accomplish its purpose.

SECTION 2. Government performance committee - Powers and duties.

The government performance committee may meet and conduct its business during the legislative session and in the interim between legislative sessions. The committee shall review program effectiveness by focusing on program impacts and results, service quality, and customer satisfaction. During each biennium, the committee shall select at least five agencies for review of each agency's strategic plan and performance measures.

SECTION 3. Performance reporting. Each agency selected for review by the government performance committee annually shall prepare and present a performance report to the government performance committee. The report must include an analysis of the agency's actual performance results. During each regular session of the legislative assembly, each selected agency shall present its most recent performance report to the appropriations committees of the legislative assembly."

Renumber accordingly

Amendment
Andrist - Motion
Carried

Date: 4/9/03
Roll Call Vote #: 7

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1497

Senate Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DO NOT PASS as amended.

Motion Made By Robinson Seconded By Lindaas

Senators	Yes	No	Senators	Yes	No
Senator Holmberg, Chairman		✓			
Senator Bowman, Vice Chair		✓			
Senator Grindberg, Vice Chair		✓			
Senator Andrist	✓				
Senator Christmann		✓			
Senator Kilzer		✓			
Senator Krauter	✓				
Senator Kringstad		✓			
Senator Lindaas	✓				
Senator Mathern	✓				
Senator Robinson	✓				
Senator Schobinger	✓				
Senator Tallackson	✓				
Senator Thane	✓				

Total (Yes) 8 No 6

Absent _____

Floor Assignment ~~Mathern~~ Schobinger

If the vote is on an amendment, briefly indicate intent:

To Costa Richardson
Operator's Signature

10/6/03
Date

REPORT OF STANDING COMMITTEE (410)
April 9, 2003 4:51 p.m.

Module No: SR-64-7222
Carrier: Schobinger
Insert LC: 30465.0401 Title: .0500

REPORT OF STANDING COMMITTEE

HB 1497, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (8 YEAS, 6 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1497 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for state government performance measurement.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. Government performance committee - Appointment - Acceptance of funds. An eight-member government performance committee is created. The legislative council, during each biennium, shall appoint four members of the legislative assembly to the committee. The governor, during each biennium, shall appoint four executive branch representatives to the committee. The governor shall designate one of the executive branch representatives as chairman of the committee. The committee may accept gifts, grants, or assistance to accomplish its purpose.

SECTION 2. Government performance committee - Powers and duties. The government performance committee may meet and conduct its business during the legislative session and in the interim between legislative sessions. The committee shall review program effectiveness by focusing on program impacts and results, service quality, and customer satisfaction. During each biennium, the committee shall select at least five agencies for review of each agency's strategic plan and performance measures.

SECTION 3. Performance reporting. Each agency selected for review by the government performance committee annually shall prepare and present a performance report to the government performance committee. The report must include an analysis of the agency's actual performance results. During each regular session of the legislative assembly, each selected agency shall present its most recent performance report to the appropriations committees of the legislative assembly."

Renumber accordingly

2003 HOUSE APPROPRIATIONS

CONFERENCE COMMITTEE

HB 1497

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Operator's Signature

Yolanda Rickford

Date

10/16/03

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1497

☒ House Appropriations Committee

☒ Conference Committee

Hearing Date 04-24-03

Tape Number	Side A	Side B	Meter #
1	X		0.0 - 5.0
Committee Clerk Signature <i>Chris S. Nylund</i>			

Minutes:

Chairman Rick Berg Opened conference committee meeting on HB 1497. All members were present, including Sens. Holmberg, Stenehjem, and O'Connell and Reps. Berg, Svedjan, and Boucher.

Chairman Berg We want to change this to an interim study.

Sen. Holmberg I move that the Senate recede to their amendments and further amend with amendment number .0306. 2nd.

Sen. O'Connell So who makes up the committee?

Chairman Berg Legislative Council will appoint a 10-member committee.

Rep. Boucher We should define the committee breakdown. It's unclear right now.

Chairman Berg It can't be more than 10 people, as stated in the bill.

Motion made and seconded for a Do Pass As Amended. Motion Carries 4-2.

Date: 04-24-03
Roll Call Vote #: 1

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1497

House Appropriations Committee

☒ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken _____

Motion Made By _____ Seconded By _____

Representatives	Yes	No	Representatives	Yes	No
Sen. Holmberg	✓		Rep. Berg	✓	
Sen. Stenehjem	✓		Rep. Svedjan	✓	
Sen. O'Connell		✓	Rep. Svedjan <i>Bricker</i>		✓

Total (Yes) 4 No 2

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

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Salvatore Riccardi
Operator's Signature

10/6/03
Date

REPORT OF CONFERENCE COMMITTEE (420)
April 24, 2003 12:37 p.m.

Module No: HR-74-8337

Insert LC: 30465.0402

REPORT OF CONFERENCE COMMITTEE

HB 1497, as engrossed: Your conference committee (Sens. Holmberg, Stenehjem, O'Connell and Reps. Berg, Svedjan, Boucher) recommends that the **SENATE RECEDE** from the Senate amendments on HJ page 1682, adopt amendments as follows, and place HB 1497 on the Seventh order:

That the Senate recede from its amendments as printed on page 1682 of the House Journal and page 1274 of the Senate Journal and that Engrossed House Bill No. 1497 be amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative council study of state government performance and accountability."

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE COUNCIL STUDY - GOVERNMENT PERFORMANCE AND ACCOUNTABILITY - APPOINTMENT - ACCEPTANCE OF FUNDS - EXPENDITURES. The legislative council shall consider studying, during the 2003-04 interim, state government performance and accountability practices. The legislative council shall appoint a ten-member government performance and accountability committee in the same manner as the council appoints other interim committees. The council shall appoint at least six legislators to the committee. The council may appoint two citizen members to the committee. The council may also include the governor, or the governor's designee, and an additional executive branch representative as members of the committee. The council shall designate the chairman of the committee. The committee shall operate in accordance with the statutes and procedures governing the operation of other legislative council interim committees. The committee may accept and use gifts, grants, or assistance to accomplish its purposes. The study, if conducted, must include a review of other state's 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 shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the fifty-ninth legislative assembly."

Renumber accordingly

Engrossed HB 1497 was placed on the Seventh order of business on the calendar.

2003 TESTIMONY

HB 1497

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Yolanda Rickford
Operator's Signature

10/16/03
Date

Testimony on HB 1497
House Appropriations Committee
Pam Sharp, Interim Director
Office of Management and Budget

It has often been said that the budget is the most important policy document of both the executive and legislative branches of government. Implementing and carrying out programs generally takes money. As the Governor builds his budget and the Legislature debates and passes the budget for state government, inherent in the discussions are the value and priority of each and every program.

Each agency, in their budget request, is required to provide information on their statutory authority, mission, and major accomplishments. Each program within an agency is required to provide information on their program objectives, services provided, statistical data and program costs. In other words, agencies have always had to explain the value and accomplishment of their programs, which is in turn are weighed against the value and accomplishments of all state funded programs.

OMB is certainly supportive of continuing to collect and provide data on agency missions, accomplishments and performance through the budget process.

As some of you may recall, OMB spearheaded a pilot project for performance measures in the mid-ninety's at the request of the legislature. That program is no longer in existence, but we did learn some valuable lessons from the project. One of the things we learned was that there was too much 'process', too much 'paperwork' in that pilot project. We learned there was too much of a focus on inputs and outputs, and not enough focus on the real outcome measures. It was too labor intensive, involved gathering of information for the sake of more information, was quite complicated and too detailed for users to quickly understand. As a result, the data was not used and the pilot project was discontinued. We learned that for performance and accountability measures to be easily understood and widely used, they needed to be extremely focused and very high level. Let me give you an example of what I mean.

Governor Hoeven's strategic vision for North Dakota is summarized in his 6 broad Pillars – Education, Economic Development, Agriculture, Energy, Technology, and Quality of Life. As agencies build their budgets, they have been asked to explain their responsibilities in meeting the 6 Pillars. Governor Hoeven regularly reports on the progress made in this six areas using, for example, his State of the State message and the Money Matters publication. These are high level goals that

are used daily by the executive branch to track and report progress. It is high level and simple.

Although this bill is certainly more focused on outcome measures, we think that this bill mirrors the pilot project of the mid 90's and may be too labor intensive or too 'process' bound.

Based on our knowledge of state agencies and the data we gather through the budget process, we know that a large number of state agencies are already doing strategic plans. In addition, many of them are doing performance measures as well.

For instance ITD has a strategic plan and actually publishes their performance measures. Job Service has a strategic planning process, has very clear performance measures and is mandated to have a performance audit done on a regular basis, as is Workers Comp.

Highway Patrol was one of the original pilot agencies for performance measures a few years ago and continues to use their performance measures, and has a strategic plan as well. Other agencies that were previously pilot agencies, like OMB and the Land Department continue to track performance measures.

We know there are other agencies, such as the Department of Health, that are currently undergoing a strategic planning process. They hope to complete their strategic plan by July 1 and performance measures will be completed shortly after that. They, along with most federally funded agencies, must report performance measures to the federal government when submitting periodic reports.

Higher education also has very clear accountability measures.

We're concerned that the requirement of strategic planning in this bill may duplicate what is already being done by agencies. Our preference would be that we build on the strategic plans that agencies already have and encourage the remaining agencies to develop strategic plans and high level performance measures.

Performance measure data could continue to be collected, and perhaps expanded, as OMB collects data from agencies in their budget requests.

Before I conclude my remarks, I would like to briefly explain the fiscal note on this bill as it pertains to OMB. As you know, OMB is heavily involved in ConnectND. Our staff is stretched extremely thin and it would be absolutely

impossible for us to take on the duties as outlined in this bill without an additional FTE and funding.

In conclusion, I would like to reiterate that OMB is very supportive of the concept of performance measures for agencies and are very willing to assist in this endeavor, however, we would like to see a gradual expansion of our existing efforts, overseen by OMB and managed with input from the Legislative branch.

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Colista Rickford
Operator's Signature

10/6/03
Date



Representative Al Carlson
District 41
63 Prairiewood Crossing
Fargo, ND 58103
acarlson@state.nd.us

NORTH DAKOTA HOUSE

STATE CAPITOL
600 EAST BOULEVARD
BISMARCK, ND 58505-0360



COMMITTEES:
Appropriations - Government Operations Division,
Vice Chairman

Exhibit 1

State Government Performance and Accountability Act

State Government is the largest ongoing enterprise in North Dakota. Every two years we, as legislators, review the budgets of each agency vying for a larger piece of the taxpayer funded pie. Unlike the Board of Directors of most large enterprises, we do not, as a legislature, review and approve a business plan with a corresponding budget and subsequently, regularly monitor and measure whether they are accomplished in the most efficient means possible.

This bill will improve performance of state government by making it more accountable for the results our citizens expect at the least possible cost to taxpayers. Important pieces of this legislation keep agencies focused on the basic results our citizens expect through the following:

- 1) Having agencies develop and follow a **dynamic, results-based strategic plan**;
- 2) Developing **basic agency performance measures** that agency employees and public can understand;
- 3) Creating a **Government Performance and Accountability Committee** made up of legislators, the Governor, the State Auditor, and citizen representatives to review and approve agency strategic plans and corresponding basic measures of performance;
- 4) Developing a **reporting system** which ensures the actual results produced by the agency are easily **available for the public to review**; and
- 5) Requiring the **committee to make recommendations to improve the performance of state government** to future legislative assemblies and committees.

A hallmark of this bill is its focus on making state government more accountable to its customers who use its services and the taxpayers who fund it by measuring performance on an ongoing basis. The Government Performance and Accountability committee created under this bill will look for agencies and departments with overlapping missions and corresponding performance measures with the goal of reducing waste and duplication and improving performance across all of state government. The bill directs the committee to make recommendations for improvement to future legislative assemblies. These recommendations may include incentives for agencies to participate and improve performance.

About the bill itself:

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Operator's Signature

Salvatore Riccardi

10/6/03
Date

Section 1. Creates a government performance and accountability committee:

- ♦ Appointed by legislative council
- ♦ Legislators (four)
- ♦ Two citizen members
- ♦ Governor-- ex-officio voting
- ♦ State Auditor-- ex-officio voting
- ♦ 8 year maximum terms
- ♦ May accept gifts, grants

Section 2. Outlines the Purpose and Duties of Committee

- ♦ To improve state agency program effectiveness and accountability by focusing on impact and results, service quality, and customer satisfaction.
- ♦ To select at least five state agencies to develop and implement strategic planning and performance measures and related reporting.
- ♦ May select additional agencies.
- ♦ Charged with reviewing and approving basic performance indicators for each selected agency to measure its overall performance and communicate this to our citizens in an easy to understand manner.
- ♦ Ensures ongoing performance monitoring of the agency's operations including the development of a four-year strategic plan.
- ♦ May use the auditor's office to validate performance measures if it is necessary.
- ♦ Will encourage public input on agency strategic plans and ongoing performance.
- ♦ Will also report any agency non-compliance with the performance and accountability act to the appropriations committee of the subsequent legislative assembly.

Section 3. Agency and Department Cooperation and Staff Assistance

- ♦ Requires all state agencies, including Office of Management and Budget (OMB), and Auditor's office to provide assistance and information about the committee requests.

Section 4. Strategic Planning

- ♦ Each agency selected by the Committee shall develop a four year strategic plan and submit it to OMB and Legislative Council by March 15th of each even numbered year.
- ♦ The strategic plan shall include: overall goals and objective to accomplish the agency's purpose; performance measures used to measure results of the agency; and an analysis of the resources used to achieve the goals and objectives.
- ♦ This section also requires an analysis of the agency's performance results compared to the results anticipated in the strategic plan submitted to the legislature.
- ♦ OMB is in the best position to provide training and assistance to agency personnel to prepare strategic plans and report measures of performance.

- ♦ OMB shall develop methods of making strategic plans available to our citizens to improve government's accountability to the public.

Section 5. Requires Agency Accountability for Results

- ♦ Requires annual report on performance of agency to performance and accountability committee.
- ♦ Requires each selected agency to present most recent performance report to appropriations committee's of legislature.

Section 6. State Auditor to Review and Validate Performance Measures

- ♦ Allows the governmental performance and accountability committee to utilize the state Auditor to review and validate agency performance measures.

Section 7 and 8. Requires Agency Reporting and the Committee to Report to the Budget Section and make Recommendations to Legislative Council

- ♦ Requires agencies to report on progress and performance.
- ♦ Requires agencies to identify how their proposed budgets relate to their strategic plan.
- ♦ Requires the Government Performance and Accountability Committee to report to the Budget Section by May 2004 its recommendations concerning the agencies involved and whether to continue and/or improve or expand the strategic planning and performance review system.
- ♦ Includes the notion that the committee recommends legislation that may include among other things, incentives for state agencies to improve performance and participate in the strategic planning system.

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La Costa Richard
Operator's Signature

10/16/03
Date

Senator Holmberg

HB 1497

Changing the way lawmakers make spending decisions

By STEVE ROTHSCHILD
Chairman, Twin Cities RISE!

Many a lawmaker has been heard lamenting that "there's no accurate way to compare results between programs," or that the data they're provided "doesn't measure meaningful outcomes" or "that there's little accountability once spending decisions are made." As a result, policymakers often make critical decisions based on incomplete, inadequate or misleading information. The consequences are that less effective programs are sometimes funded while more effective ones are not, and that all of us have less faith

in economic decisions like lawmakers often do. They focus on benefit, value or return, not just cost, before making spending decisions. And, they make payment after the product or service is received, not beforehand. For example, do farmers buy the cheapest tractor or the one that provides the best return based on its revenue production, longevity and cost? And would a business pay for a service before it's provided or when it is delivered according to the specification?

those in poverty led to an innovative pay-for-performance pilot training program, which provided a 90 percent return on investment to the state. The state's return was achieved from two sources: higher sales and income tax receipts from higher incomes and lower state payments for health and welfare and prisons, totaling an average of \$3,800 for each year at the higher income. When compared to the state's one-time cost for a successful trainee, the current state return equates to 42 percent and the discounted future return equals 400 percent. Similar analysis can be made for evaluating the effects of other programs that have both a social and economic value to government.

Consumers, businesspersons and farmers wouldn't think of making economic decisions like lawmakers often do. They focus on benefit, value or return, not just cost, before making spending decisions. And, they make payment after the product or service is received, not beforehand.

While some providers of public services might initially object to these changes, over time they will realize the benefits, too. Providers will develop new and innovative programs that generate more meaningful outcomes because they will be rewarded for the value of their outcomes, not merely because they offer a low-cost program. For example, in addition to lower-cost "welfare to work" programs that don't boost many individuals out of poverty, there will be more programming that ladders individuals further to "living wage jobs" because the return on investment to government will be higher and the payoff to providers will be greater.

that our tax money is well spent. This issue is magnified by Minnesota's current \$4.5 billion budget deficit, where decisions about what to support and what to cut are all the more important.

Why do lawmakers find themselves in this predicament? It's a function of both how spending decisions and how payments for services are made in government. First, lawmakers overwhelmingly make spending decisions based on a program's cost alone without a complete assessment of its benefit. Because the legislative process doesn't require the balancing of cost with revenue at the committee level where programmatic decisions are made, committees are held accountable for spending within a budget, not for delivering the "highest public return." Second, because most government spending is made in the form of a grant usually paid to the provider of service before the service is completed, it is not based on measurable outcomes but rather on expectations. Lawmakers often must make spending decisions without understanding a program's actual benefit, its return on investment or its value compared to alternatives.

Consumers, businesspersons and farmers wouldn't think of making eco-

Lawmakers could improve the quality of their spending decisions and receive greater value by incorporating these benefit and accountability rules into their decision making, too. But how?

First, utilize "return on investment" analysis for spending decisions instead of relying on cost comparisons alone. The advantages include assessing both the cost and benefit of programs, more easily comparing one program's value with another, more completely assessing program outcomes and also evaluating both short-term and long-term impacts of decisions. For example, the measurable benefits of training and educational programming include increased sales and income tax receipts from incomes and expense savings from reducing public subsidies like lower welfare payments.

Second, directly tying the payment of service to an actual outcome would create more accountability for results on the part of providers and government, and more confidence by policymakers and taxpayers that money is well spent.

Examples of return on investment analysis and outcomes payments already exist in state government. For example, a study by Minnesota Planning of the economic value of boosting incomes of

It's impractical to expect lawmakers to make a wholesale change in the way they conduct business overnight, but what they might consider is asking each committee to adopt return on investment and outcomes payments for five programs it sponsors this year. In this way an assessment can be made of the benefits and difficulties in using these tools.

Lawmakers have a tough enough job dealing with competing interests and requests without the benefit of utilizing the best available tools to do their job. Adopting return on investment criteria for spending decisions and using more outcomes-based payments should improve the effectiveness and efficiency of government while also serving the public better. ■

Rothschild is the founder of Twin Cities RISE, an anti-poverty nonprofit program. Previously he was an executive vice president of General Mills Inc.

Exhibit 3

Testimony on HB 1497
Senate Appropriations Committee
Pam Sharp, Interim Director
Office of Management and Budget

It has often been said that the budget is the most important policy document of both the executive and legislative branches of government. Implementing and carrying out programs generally takes money. As the Governor builds his budget and the Legislature debates and passes the budget for state government, inherent in the discussions are the value and priority of each and every program.

Each agency, in their budget request, is required to provide information on their statutory authority, mission, and major accomplishments. Each program within an agency is required to provide information on their program objectives, services provided, statistical data and program costs. In other words, agencies have always had to explain the value and accomplishment of their programs, which is in turn are weighed against the value and accomplishments of all state funded programs.

OMB is certainly supportive of continuing to collect and provide data on agency missions, accomplishments and performance through the budget process.

As some of you may recall, OMB spearheaded a pilot project for performance measures in the mid-ninety's at the request of the legislature. That program is no longer in existence, but we did learn some valuable lessons from the project. One of the things we learned was that there was too much 'process', too much 'paperwork' in that pilot project. We learned there was too much of a focus on inputs and outputs, and not enough focus on the real outcome measures. It was too labor intensive, involved gathering of information for the sake of more information, was quite complicated and too detailed for users to quickly understand. As a result, the data was not used and the pilot project was discontinued. We learned that for performance and accountability measures to be easily understood and widely used, they needed to be extremely focused and very high level. Let me give you an example of what I mean.

Governor Hoeven's strategic vision for North Dakota is summarized in his 6 broad Pillars – Education, Economic Development, Agriculture, Energy, Technology, and Quality of Life. As agencies build their budgets, they have been asked to explain their responsibilities in meeting the 6 Pillars. Governor Hoeven regularly reports on the progress made in this six areas using, for example, his State of the State message and the Money Matters publication. These are high level goals that are used daily by the executive branch to track and report progress. It is high level and simple.

Although this bill is certainly more focused on outcome measures, we are still concerned that this may be too labor intensive or too 'process' bound.

Based on our knowledge of state agencies and the data we gather through the budget process, we know that a large number of state agencies are already doing strategic plans. In addition, many of them are doing performance measures as well.

For instance ITD has a strategic plan and actually publishes their performance measures. Job Service has a strategic planning process, has very clear performance measures and is mandated to have a performance audit done on a regular basis, as is Workers Comp.

Highway Patrol was one of the original pilot agencies for performance measures a few years ago and continues to use their performance measures, and has a strategic plan as well. Other agencies that were previously pilot agencies, like OMB and the Land Department continue to track performance measures.

We know there are other agencies, such as the Department of Health, that are currently undergoing a strategic planning process. They hope to complete their strategic plan by July and performance measures will be completed shortly after that. They, along with most federally funded agencies, must report performance measures to the federal government when submitting periodic reports.

Higher education also has very clear accountability measures.

We're concerned that the requirement of strategic planning in this bill may duplicate what is already being done by agencies. Our preference would be that we build on the strategic plans that agencies already have and encourage the remaining agencies to develop strategic plans and high level performance measures.

Performance measure data could continue to be collected, and perhaps expanded, as OMB collects data from agencies in their budget requests.

Before I conclude my remarks, I would like to briefly explain the fiscal note on this bill as it pertains to OMB. As you know, OMB is heavily involved in ConnectND. Our staff is stretched extremely thin and it would be absolutely impossible for us to take on the duties as outlined in this bill without an additional FTE and funding.

In conclusion, I would like to reiterate that OMB is very supportive of the concept of performance measures for agencies and is very willing to assist in this endeavor, however, we would like to see a gradual expansion of our existing efforts, overseen by OMB and managed with input from the Legislative branch.

Strategic Plan or Performance Measures Executive Branch Agencies

2/5/03

	<u>Current Strategic Plan</u>	<u>Performance Measures</u>
101 Office of the Governor	Yes	Yes
108 Office of the Secretary of State	Yes	Yes
110 Office of Management and Budget	Yes	Yes
112 Information Technology Department	Yes	Yes
117 Office of the State Auditor	Yes	Yes
120 Office of the State Treasurer	No	No
125 Office of the Attorney General	No	No
127 Office of the State Tax Commissioner	Yes	Yes
140 Office of Administrative Hearings	No	No
190 Retirement and Investment Office	Yes	Yes
192 Public Employees Retirement System	Yes	Yes
201 Department of Public Instruction	Yes	Yes
215 ND University System	Yes	Yes
226 State Land Department	Yes	No
227 Bismarck State College	Yes	Yes
228 Lake Region State College	Yes	Yes
229 Williston State College	Yes	Yes
230 University of North Dakota	Yes	Yes
235 North Dakota State University	Yes	Yes
238 ND State College of Science	Yes	Yes
239 Dickinson State University	Yes	Yes
240 Mayville State University	Yes	Yes
241 Minot State University	Yes	Yes
242 Valley City State University	Yes	Yes
243 Minot State University - Bottineau	Yes	Yes
244 North Dakota Forest Service	Yes	Yes
250 State Library	Yes	Yes
252 School for the Deaf	Yes	No
253 School for the Blind	Yes	Yes
270 State Board for Voc. & Tech. Education	Yes	Yes
301 Department of Health	Yes	Yes
313 Veterans' Home	No	No
316 Indian Affairs Commission	No	No.
321 Department of Veterans Affairs	Yes	No
324 Children's Svc. Coord. Committee	No	No
325 Department of Human Services	Yes	Yes
360 Protection & Advocacy Project	Yes	Yes

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La Costa Richard
Operator's Signature

10/6/03
Date

	<u>Current Strategic Plan</u>	<u>Performance Measures</u>
380 Job Service North Dakota	Yes	Yes
401 Office of the Insurance Commissioner	Yes	Yes
405 Industrial Commission	Yes	Yes
406 Office of the Labor Commissioner	No	Yes
408 Public Service Commission	No	No
412 Aeronautics Commission	No	Yes
413 Department of Financial Institutions	No	No
414 Office of the Securities Commissioner	No	No
471 Bank of North Dakota	Yes	Yes
473 ND Housing Finance Agency	Yes	Yes
475 ND Mill and Elevator Association	Yes	Yes
485 Workers Compensation Bureau	No	Yes
504 Highway Patrol	Yes	Yes
512 Div. Of Emergency Management	Yes	Yes
530 Department of Corrections & Rehab	Yes	Yes
540 Adjutant General	Yes	Yes
601 Department of Commerce	Yes	Yes
602 Department of Agriculture	Yes	Yes
616 State Seed Department	No	No
627 Upper Great Plains Transportation Institute	No	No
628 Branch Research Centers	Yes	Yes
630 NDSU Extension Service	Yes	Yes
638 Northern Crops Institute	Yes	Yes
640 NDSU Main Research Center	Yes	Yes
649 Agronomy Seed Farm Fargo	Yes	Yes
665 ND State Fair	No	Yes
701 State Historical Society	Yes	Yes
709 Council on the Arts	Yes	No
720 Game & Fish Department	Yes	Yes
750 ND Parks & Recreation	Yes	Yes
770 State Water Commission	Yes	Yes
801 Dept. of Transportation	Yes	Yes
Totals		
69 agencies	54 Yes	54 Yes
	15 No	15 No

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Salvatore Riccardi
Operator's Signature

10/16/03
Date