

Introduced by

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

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

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

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

- 18 1. "Performance measure" means a quantitative or qualitative indicator used to
19 assess the outcome or result of an agency or department goal or objective.
20 2. "Performance measurement data" means performance measures, performance
21 results, performance targets, and related analytical, explanatory, and supporting
22 information.

3. "Performance result" means a numeric value relating to a performance measure calculated or determined based on actual agency or department performance for a specified time period.

4. "Performance target" means a numeric value established for a performance measure to identify an expected level of agency or department performance for a specified time period.

SECTION 3. Government performance and accountability committee -

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

SECTION 4. Government performance and accountability committee - Powers and duties - Staff services. The government performance and accountability committee has continuing existence and may meet and conduct its business during the legislative session and in the interim between sessions. The committee shall monitor state government performance and accountability by reviewing state agency missions, goals, objectives, strategic plans, and performance measurement data. The committee shall assess the effectiveness of the government performance and accountability system. The committee shall report its findings

1 and recommendations along with any necessary legislation, to the legislative council. The
2 legislative council shall provide staff services to assist the committee in performing its duties
3 and responsibilities, including assisting in the development of a consistent format for agencies
4 and departments to submit their biennial goals and objectives or strategic plans and
5 performance measurement data, analyzing agencies' and departments' proposed performance
6 measures prior to committee review, and summarizing performance measurement data for
7 review by the committee or the legislative assembly.

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

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

- 28 1. The mission, goals, and objectives of the agency.
- 29 2. Identification of the groups of people served by the agency and the results of any
30 user group, public, or employee survey used to improve services.
- 31 3. The strategies and activities utilized to meet agency goals and objectives.

4. An analysis of the use of agency resources to provide agency services.
5. Estimated future service requirements and the resources that may be necessary to meet those requirements.
6. External factors affecting services of the agency.
7. The performance measurement data developed under this Act used to evaluate and assess the agency's performance.

SECTION 7. State agency performance reports - State auditor reviews. Each executive branch agency and department shall prepare an annual performance report that summarizes its goals and objectives, compares performance results to approved performance targets, provides explanations of any major variances between performance results and targets, presents multiyear trends in performance results, and, to the extent possible, provides comparisons to other states' performance results and national benchmarks. The annual report shall be available by September first of each year and be provided to the government performance and accountability committee and to the appropriations committees of the succeeding legislative assembly. The state auditor, as part of each executive branch agency's biennial operational audit or review as required by section 54-10-01 shall review select agency performance results.

SECTION 8. Government performance - Incentive and review recommendations. The government performance and accountability committee may, based on an agency's or department's performance results, recommend to the legislative assembly that an agency or department receive an incentive or be subject to a review.

1. An incentive recommendation may include:
 - a. Additional flexibility to transfer funds between line items of the agency's appropriation.
 - b. Authorization to retain all or a portion of the agency's unspent appropriation authority at the end of a biennium.
 - c. Additional funding for the agency that may be used for one-time purposes, including employee salary adjustments, employee training, technology improvements, or other productivity enhancements.
2. A review recommendation may include:
 - a. More frequent reporting of agency performance results.

b. A state auditor performance audit of select agency programs.

c. An analysis of the structure of the agency or select programs of the agency.

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

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

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

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

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

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

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

2. Statements of actual revenue for the previous biennium, the first year of the present biennium, and the estimated revenue of the current fiscal year and of the next biennium, and a statement of unappropriated surplus expected to have accrued in the state treasury at the beginning of the next fiscal year. The statement of unappropriated surplus for the general fund must reflect any projected deficiency appropriations relating to expenditures from the general fund for the present biennium. The statements of revenue and estimated revenue must be classified by sources and by budget unit collecting them. Existing sources of revenue must be analyzed as to their equity, productivity, and need for revision, and any proposed new sources of revenue must be explained.
3. Summary statements of expenditures of the previous biennium and first year of the present biennium, itemized by budget units and classified as prescribed by the director of the budget.
4. Detailed comparative statements of expenditures and requests for appropriations by funds, budget units and classification of expenditures, showing the expenditures for the previous biennium, the first fiscal year of the present biennium, the budget of the current biennium, and the governor's recommendation for appropriations for each budget unit for the next biennium, all distributed according to the prescribed classification of expenditures. Following the lists of actual and proposed expenditures of each budget unit there must be a brief explanation of the functions of the unit and comments on its policies and plans and on any considerable differences among the amounts recommended, with any descriptive, quantitative, comparative, and other data as to work done, unit costs, and like information as may be considered necessary or desirable. For capital outlay expenditures involving construction projects to be completed in two or more fiscal years, there must be shown the total estimated cost of each such project and the amount thereof recommended to be appropriated and expended in each ensuing fiscal year until completion of the project. Capital outlay needs may be projected for at least two years beyond the period covered by the budget.
5. A detailed statement showing the estimate of all moneys required to be raised or appropriated for the payment of interest upon the funded debt of the state and its

other obligations bearing interest, and the amount of money required to be contributed in the two next ensuing fiscal years to the general sinking funds maintained for the redemption and payment of the debts of the state.

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

7. For those budget units involved in the government performance and accountability system and which submit budget estimates under section 54-44.1-04, statements summarizing each agency's or department's biennial goals and objectives or strategic plan and performance measurement data for recent years and the next biennium.

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

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

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

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

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

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

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

SECTION 13. APPROPRIATION - OFFICE OF MANAGEMENT AND BUDGET.

There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$200,000, or so much of the sum as may be necessary, to the office of management and budget for the purpose of administering provisions of this Act, for the biennium beginning July 1, 2005, and ending June 30, 2007.

SECTION 14. APPROPRIATION - STATE AUDITOR. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$89,668, or so much of the sum as may be necessary, to the state auditor for the purpose of

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

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