

MINUTES

HOUSE COMMITTEE ON APPROPRIATIONS

November 22-23, 1993
Room 514-S -- Statehouse

Members Present

Representative Rochelle Chronister, Chairperson
Representative Jo Ann Pottorff, Vice-Chairperson
Representative George Teagarden, Ranking Minority Member
Representative Tom Bradley
Representative Tim Carmody
Representative Betty Jo Charlton
Representative George Dean
Representative Richard J. "Dick" Edlund
Representative Denise Everhart
Representative Fred Gatlin
Representative Kent Glasscock (November 23)
Representative Gilbert Gregory
Representative Delbert Gross
Representative David Heinemann
Representative Robin Jennison
Representative Phil Kline
Representative James Lowther
Representative Eloise Lynch
Representative Bob Mead
Representative Melvin Minor
Representative Richard Reinhardt
Representative Rand Rock

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Staff Present

Alan Conroy, Kansas Legislative Research Department
Tim Colton, Kansas Legislative Research Department
Debra Duncan, Kansas Legislative Research Department
Russell Mills, Kansas Legislative Research Department
Laura Howard, Kansas Legislative Research Department
Pat Mah, Kansas Legislative Research Department
Scott Rothe, Kansas Legislative Research Department
Richard Ryan, Kansas Legislative Research Department
James Wilson, Office of Revisor of Statutes

Conferee

Gloria Timmer, Director, Division of the Budget

November 22, 1993
Morning Session

Review of FY 1995 Consensus Revenue Estimates

The meeting was called to order by Chairperson Rochelle Chronister at 10:05 a.m. Others attending were welcomed by the Chair (Attachment 1).

Richard Ryan, Kansas Legislative Research Department, reviewed a staff memorandum on State General Fund receipts showing revised estimates for FY 1994 and estimates for FY 1995. Mr. Ryan explained the membership of the Consensus Estimating Group and their track record of estimates from FYs 1975 through 1993. The economic forecast prepared by the Consensus Estimating Group reflects their opinion that the recovery from the 1990-1991 national recession will not be as strong as after many other downturns. Revised estimates for FY 1994 show major increases in revenues from individual income taxes, financial institutions privilege taxes, inheritance taxes, retail sales and compensating use taxes, severance taxes, and gas excise taxes. Excise tax revenues on oil are predicted to be much lower, due mainly to a decline in gross production. Another significant reduction from prior estimates was in interest earnings, and in agency earnings and miscellaneous revenue. Mr. Ryan reviewed a table on State General Fund receipts showing FY 1993 actual data and consensus estimates for both FY 1994 and FY 1995. He said that the bottom line shows a growth in FY 1993 of 18.9 percent, which reflects the school finance package. FY 1994 indicates an estimated 5.3 percent growth rate with a 4.4 percent growth rate predicted for FY 1995 (Attachment 2).

Mr. Ryan responded to questions and said that the new FY 1995 consensus estimate receipts figure is \$69 million more than projected for the Legislative Budget Committee in August, resulting in the new 4.4 percent growth rate instead of 4.0 percent. The August profile is being updated and will be presented to the Budget Committee on December 1, 1993, with revised estimates for demand transfers and school finance. Mr. Ryan reviewed the current status of the lawsuit against the State of Kansas regarding taxing military retirement income. He said that a settlement would have to be approved by the judge and the Legislature may have to decide how to fund refunds. One possible source is \$75 million in the Budget Stabilization Fund, but this cannot be touched without an act of the Legislature.

Chairperson Chronister told the Committee to be aware that since the 1993 Session ended in May, when they were facing a possible \$59 million cut, several changes were made over the summer, some positive and some negative. It cost \$25 million less to fund the education portion of the budget to go to school districts. A major negative was in changes in Medicaid payments affecting SRS, resulting in a reduction of \$62 million for FY 1995, plus an additional \$10 for each succeeding year. The Chair reported that there is almost \$25 million in the SRS Contingency Fee Fund.

Alan Conroy, Kansas Legislative Research Department, responded to a question by the Chair and said that the preliminary count is around \$27 million in General Fund requested

supplementals included in the revised 1994 budgets. The Committee discussed the Department of Wildlife and Parks audit. The Chair said the audit could result in costing the state between \$5 million and \$6 million, but the federal government could be open to negotiations.

Debra Duncan, Kansas Legislative Research Department, reported that the audit was a confidential preliminary one conducted by the Office of the Inspector General (OIG). Wildlife and Parks is currently responding to the Denver Office of the U.S. Fish and Wildlife that they disagree with the findings of the audit. Ms. Duncan explained that there appear to be two different types of problems charged in the audit: (1) specific diversion of the Wildlife Fee Fund; and (2) a difference in the bottom balance of the Wildlife Fee Fund between what OIG thinks it should be *versus* the way it is. Wildlife and Parks should receive a final answer from OIG in February or March, 1994. Ms. Duncan said that there is no appeal provision from the final decision. If Wildlife and Parks receives an adverse ruling, the state would have to reimburse the Wildlife Fee Fund for the amount set by the U.S. government. In response to a question, Ms. Duncan replied that she thinks confidentiality will be lifted on the final OIG audit.

The Chairperson mentioned the fire which had damaged Anderson Hall at Kansas State University. A member of the Committee reported that the estimated cost to repair the fire damage is less than \$2 million.

The Chair cautioned the Committee that the increase in state revenues looks good, but not to forget there are unanticipated problems, such as the \$62 million SRS cut.

Staff Presentation on Budget Process Reform

Tim Colton, Kansas Legislative Research Department, reviewed a staff memorandum on the budget process reform used by the State of Oregon. He noted that the Legislative Budget Committee had previously looked at several states' process for reforming appropriations and was especially interested in the process used by the State of Oregon. Mr. Colton highlighted Oregon's use of benchmarks and performance measurements in their appropriations process. He said that it is still too early to say whether the benchmarks have caused any fundamental change in the way Oregon's government spends it taxpayers' dollars, or whether they have had any permanent effect on the way Oregon's state government does business. Oregon's experience with benchmarks shows that measuring the results of government programs is very difficult. However, the benchmarks have enjoyed widespread popular support, as well as bipartisan support within Oregon state government. Mr. Colton said that the Oregon Legislature and the Budget and Management Division of the Executive Department are encouraging agencies to develop performance measurements, which are meant to be stepping stones on the road to achievement of the goals set out in the benchmarks (Attachment 3). Responding to questions, Mr. Colton said that the State of Oregon has used benchmarks in two legislative sessions and is currently in the process of developing the performance measurements. The benchmarks are constantly being refined and updated.

The Chair requested Representative Mead explain the process used by his subcommittee during the 1993 Session to develop some measurable outcomes for the Department of Social and Rehabilitation Services (SRS). Representative Mead said the subcommittee has stressed the importance for stated public policy goals and for specific outcomes and objectives. He also said that the agency should present strategies for achieving goals and should use outcome/evaluation measures. Representative Mead stated this is a standardized format and one that will help the subcommittee

get through the SRS budget process much easier (Attachment 4). Responding to a question, Representative Mead said that each program within SRS would be subject to this format.

The Chair said that she had asked staff to review all the state's pilot programs and present the findings for Committee review. The Committee discussed the necessity for agencies to collect and submit accurate information in the budget process and questioned the SRS policy of reducing overinstitutionalization of the elderly in nursing homes. A member said that there could be a problem with a change in administration which results in changing the mission of an agency.

The meeting recessed for lunch.

Afternoon Session

The Chairperson reconvened the meeting at 1:40 p.m.

Gloria Timmer, Director, Division of Budget, reported on the progress of reforming the budget process. She said that in the past few years, the Governor and many legislators have indicated their dissatisfaction with the kind of information available on the budget. There is a perception that there is very little linkage between the amount of money put into a program and the desired results. Director Timmer said that the Budget Division has implemented several changes in an attempt to refocus the budget review from a minutia-oriented procedure more to an outcome measured procedure. She reported that the Division is trying to work with state agencies toward giving them more flexibility without sacrificing their accountability. According to the Director, the Kansas Corporation for Change and the Kansas Department of Education are both making an effort to develop outcomes. Kansas currently has two parts to their budgets -- performance indicators, which receive very limited review, and object code detail. The Director said the Division has focused on object code detail, which indicates what is put into a budget but does not give a good idea of what they are getting out of it. When the Division is in the process of writing appropriations, they have all the detail work at hand that is rarely used because they use a line item appropriation. Director Timmer said that this year the Division has tried to move toward a better program review of the Departments of Revenue, Administration, and Corrections and the Board of Tax Appeals and Judiciary agencies. The Director said that the major weakness in the process is that agencies have not put enough time and effort into performance indicators, and will require training to address this shortfall. The Division has done the performance review for the Department of Corrections. Findings show that DOC does not have good performance indicators but is being allowed some flexibility due to increases in programs, mandates, and numbers of inmates. In summary, the Director said that, overall, agencies have been very receptive to the idea of performance indicators. She predicted that it will take time to implement budget process reform in Kansas.

In response to questions, Director Timmer said that efforts will be made to reduce the number of separate fund categories for federal grants received by the state. She also replied that the Division plans to add a few more agencies next year to the review process, not including SRS, which presents an overwhelming task in the future.

The Chair stated that the agencies will have to be firm in what goals are, and the difference between a legislative goal and a gubernatorial goal may be where the difficulties come for an agency.

Staff was called on by the Chair to review examples of the suggested format for use by agencies for reform of the budget process.

Alan Conroy, Kansas Legislative Research Department, reviewed draft copies prepared for two fee agencies, the Office of the Securities Commissioner and the State Board of Pharmacy. He said that the Budget Division will be working with these agencies to try to refine the performance information (Attachment 5). The Committee discussed the agency mission shown for the Office of the Securities Commissioner and several members said that it was too vague. Members stressed that agency mission statements must be clearly articulated and must be understood by both the agencies and the Legislature.

Chairperson Chronister asked that legislators not ask agencies for additional budget detail in the first year of changing to the new format. She said that the only way to really evaluate is to not request the additional information. A member said that extra detail on a particular program can be important, especially if a program becomes questionable and needs closer evaluation. Staff responded that historical material would still be available.

Staff distributed a memorandum dated October 19, 1993, regarding the appropriations process in other states (Attachment 6).

Staff reviewed a chart comparing the appropriations process in Kansas to four other states (Attachment 7). Laura Howard, Kansas Legislative Research Department, compared Florida's process to Kansas. She said that Florida has extensive estimating processes for other things beyond consensus revenue estimating, such as social services estimating on caseloads, demographics estimating, plus education and criminal justice estimating. The Chair commented that it would be helpful if there would be estimates for the number of SRS cases. Staff responded to questions and said Florida has a three-month legislative session starting in April each year but does appropriations work throughout the year.

Pat Mah, Kansas Legislative Research Department, said that a review of the appropriations process in Mississippi indicates that there are three major differences from Kansas. First, a legislative budget, rather than an executive budget, is used as the base for adjustment by the full Legislature to make its annual appropriations, which makes the role of legislative staff in Mississippi similar to the Governor's budget staff in Kansas. Second, the Mississippi Legislature maintains much tighter controls over the funds appropriated. Third, Mississippi plans to use a new budget concept which places greater emphasis on use of performance measures to evaluate effectiveness of state agencies.

Russell Mills, Kansas Legislative Research Department, said that the State of Texas has implemented a new budgeting process just this year which requires each state agency to prepare a six-year strategic plan. An agency's progress is judged by output measures, outcome measures, and efficiency measures. The agency's progress (or lack of progress) in meeting its goals may trigger spending adjustments. Staff also said that even though the Texas system has been in operation only for a short time, a number of states are watching to see whether any elements of the new system would be usable in their budgeting process. He commented that the key to understanding Texas appropriations is an entity called the Legislative Budget Board. Responding to questions, staff said that there is a provision in Texas law which allows the Legislative Budget Board to adjust agency budgets during the interim, when the Legislature is not in session.

The Committee discussed the comparisons between the Kansas appropriations system and that of other states. The Chair said that the Consensus Estimating Group, plus excellent legislative staff, are pluses for Kansas. A member said that Kansas' system is simpler and easier to operate than that of other states. Another member said he would like to see state agencies encouraged by the use of monetary incentives to be frugal in their spending.

Alan Conroy, Kansas Legislative Research Department, reviewed a staff memo on recent legislative interim activities concerning budget process reform, the Kansas budgeting process, and a general overview of various budget processes in other states. Also included in the memo was a list prepared by the National Conference of State Legislatures of "Dos and Don'ts" of budget reforms (Attachment 8).

Chairperson Chronister distributed a list prepared by the Legislative Budget Committee for recommendation of a bill to allow biennial budgeting for some state agencies. The Chair said that the biennial budgets are suggested for fee-funded agencies, elected officials, and the larger agencies with little or no State General Fund financing. The Chair said that the idea is to allow more time in the second year for discussion of policy issues of the large agencies. A member said that it would be best to begin the biennial budget with the second year of each two-year session. The Chair requested the members review the list and said she anticipates there will be changes in the list (Attachment 9).

Chairperson Chronister discussed her memo to the Legislative Budget Committee, listing suggested changes to reform the budget process. The Chair suggested that there be only one appropriations bill for each session. She said that agency programs could be better understood if there were some type of outcomes base performance-based budget. The Chair would like the Committee to be better informed on hot items in the budget, such as the mental health/mental retardation institution questions, funding for community colleges, health and environment, wildlife and parks, and flooding issues. The Chair also suggested that if a subcommittee has a particular hot item, the chair of the subcommittee be in charge of the full Committee when the hot item is discussed (Attachment 10).

The meeting adjourned at 4:20 p.m.

November 23, 1993

Chairperson Chronister called the meeting to order at 9:10 a.m.

Staff Review of Draft Legislation Concerning Alternative Dispute Resolution and Mediation Services

Staff distributed information on mediation programs submitted by William Henry, Executive Secretary, Kansas Association of Defense Counsel (Attachment 11), and copies of a letter on dispute resolution legislation from Jerry Beneventi, Kansas Committee for Community Mediation (Attachment 12).

Jim Wilson, Revisor of Statutes Office, reviewed in detail a draft bill concerning dispute resolution and said that it was drawn primarily from the Nebraska act and includes minor changes to reflect Kansas organizations or provisions of Kansas statutes. The Committee discussed possible changes to the draft bill such as clarifying authority for appointments and training, liability for civil damages, and adding language for: shoplifting, small claims court referrals, employer-employee relations, divorce and custody cases, disputes between victims and offenders, and disputes referred by district and county attorneys. The Chair requested adding for discussion the question if, after two meetings of the council, approval or denial of a center's application must be made by the director. The Chair suggested that public hearings be held on this bill the first week of the 1994 Session. A member asked whether there would be some way to grandfather in current mediation facilities. Another member said to include for-profit groups.

Scott Rothe, Kansas Legislative Research Department, explained the appropriations and fees for the Nebraska mediation program. He said that the first session after their act passed, the appropriation bill was passed for two years. For FY 1992, \$109,000 was appropriated and \$240,000 for FY 1993. \$40,000 in the second year was for the salaries of the director and one half-time secretary. The remainder of the funds in FY 1993 (\$180,000) was split among the centers around the state. Above and beyond this appropriation, centers are permitted to raise funds through fees charged to clients or contracts they may have with other groups.

A motion was made by Representative Teagarden, seconded by Representative Gatlin, to introduce the draft bill on dispute resolution. The motion carried.

Staff said that they would mail to members an updated draft bill reflecting the changes suggested by the Committee.

Other Business

A motion was made by Representative Pottorff, seconded by Representative Gross, to approve the minutes of September 29-30, 1993. The motion carried.

The Chair said that staff would mail the members the Committee report and if there are any questions, to contact staff within five days.

The meeting was adjourned at 11:10 a.m.

Prepared by Alan Conroy

Approved by Committee on:

December 23, 1993

(Date)

HOUSE COMMITTEE ON APPROPRIATIONS

DATE 11/22/93

NAME

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REPRESENTING

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House Appropriations Cmte
Attachment 1

HOUSE COMMITTEE ON APPROPRIATIONS

DATE _____

ADDRESS

REPRESENTING

[illegible]

MEMORANDUM

Kansas Legislative Research Department

300 S.W. 10th Avenue
Room 545-N - Statehouse
Topeka, Kansas 66612-1504
Telephone (913) 296-3181 FAX (913) 296-3824

November 18, 1993

To: Governor Joan Finney and Legislative Budget Committee
From: Kansas Division of the Budget and Kansas Legislative Research Department
Re: State General Fund Receipts

ESTIMATES FOR FY 1994 (REVISED) AND FY 1995

For 20 years, the Division of the Budget and its consulting economists,* the Department of Revenue, and the Legislative Research Department have cooperated in the preparation of estimated receipts to the State General Fund. The economists and staff members of the three agencies met on November 17, 1993, to discuss estimates that each of them had prepared independently for FY 1994 (revised estimates) and FY 1995. The "consensus estimates" agreed upon at the meeting are presented in Table 1 along with actual receipts in FY 1993. Table 2 compares the last preceding estimates and the current revised estimates for FY 1994.

To provide some perspective concerning the consensus estimates, tabulated on the following page are the original and revised estimates and actual receipts in fiscal years 1975-1993. The current estimating procedure began in the fall of 1974 with the revised estimate for FY 1975.

* Dr. Darwin Daicoff from the University of Kansas, Dr. Jarvin Emerson from Kansas State University, and Dr. Glenn Fisher from Wichita State University.

11/22/93
House Appropriations Cmte
Attachment 2

STATE GENERAL FUND ESTIMATES

Fiscal Year	Adjusted Original Estimate*	Adjusted Final Estimate**	Actual Receipts	Difference from Original Estimate		Difference from Final Estimate	
				Amount	Percent	Amount	Percent
1975	--	\$614.9	\$627.6	--	--	\$12.7	2.1%
1976	\$676.3	699.7	701.2	\$24.9	3.7%	1.4	0.2
1977	760.2	760.7	776.5	16.3	2.1	15.8	2.1
1978	830.1	861.2	854.6	24.5	3.0	(6.5)	(0.8)
1979	945.2	1,019.3	1,006.8	61.6	6.5	(12.5)	(1.2)
1980	1,019.3	1,095.9	1,097.8	78.5	7.7	1.9	0.2
1981	1,197.1	1,226.4	1,226.5	29.4	2.5	0.1	0.01
1982	1,351.3	1,320.0	1,273.0	(78.3)	(5.8)	(47.0)	(3.6)
1983	1,599.2	1,366.9	1,363.6	(235.6)	(14.7)	(3.2)	(0.2)
1984	1,596.7	1,539.0	1,546.9	(49.8)	(3.1)	7.9	0.5
1985	1,697.7	1,679.7	1,658.5	(39.2)	(2.3)	(21.3)	(1.3)
1986	1,731.2	1,666.4	1,641.4	(89.8)	(5.2)	(25.0)	(1.5)
1987	1,903.1	1,764.7	1,778.5	(124.6)	(6.5)	13.8	0.8
1988	1,960.0	2,031.5	2,113.1	153.1	7.8	81.6	4.0
1989	2,007.8	2,206.9	2,228.3	220.5	11.0	21.4	1.0
1990	2,241.2	2,283.3	2,300.5	59.3	2.6	17.2	0.8
1991	2,338.8	2,360.6	2,382.3	43.5	1.9	21.7	0.9
1992	2,478.7	2,454.5	2,465.8	(12.9)	(0.5)	11.3	0.5
1993	2,913.4	2,929.6	2,932.1	18.7	0.6	2.5	0.1

* The adjusted original estimate is the estimate made in November or December prior to the start of the next fiscal year in July and adjusted to account for legislation enacted, if any, which affected receipts to the General Fund.

** The final estimate is the adjusted original estimate plus or minus changes subsequently made by the Consensus Estimating Group. It also includes the estimated impact of legislation on receipts.

In the first six fiscal years, actual receipts were higher than the original estimate, ranging from 2.1 percent to 7.7 percent. Receipts in the next six years ranged between 2.3 percent and 14.7 percent lower than the original estimate. In the next four years receipts were again higher, from 1.9 to 11.0 percent, than the original estimate. In FYs 1992 and 1993, actual receipts were 0.5 percent lower and 0.6 percent higher, respectively, than the original estimate.

As might be expected, there has been a smaller difference between actual receipts and the final estimate, ranging from only one-hundredth of 1 percent to 4.0 percent. In the last five years, the difference was no more than 1 percent. Also, it will be noted that in six of the 19 fiscal years actual receipts were below the final estimate, which has been made in late March or early April with the fiscal year ending on June 30.

Economic Forecasts

The following table lists certain economic forecasts which, along with other things such as actual receipts in FY 1993 and through mid-November of FY 1994, were considered in making the revenue forecasts.

Economic Forecasts

	<u>CY 1990</u>	<u>CY 1991</u>	<u>CY 1992</u>	<u>CY 1993*</u>	<u>CY 1994*</u>	<u>CY 1995*</u>
Kansas Personal Income (growth rate)	8.0%	3.2%	7.2%	4.3%	5.4%	5.1%
Inflation Rate (CPI-U)	5.4%	4.2%	3.0%	3.0%	3.2%	3.3%
	<u>FY 1990</u>	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>	<u>FY 1994*</u>	<u>FY 1995*</u>
Applicable Interest Rates**	--	--	--	4.66%	4.65%	4.98%
Oil and Gas						
Oil price (avg. per bbl.)	\$18.95	\$23.41	\$18.96	\$18.79	\$16.00	\$17.00
Taxable oil production (000 bbls)	32,388	34,791	37,003	32,579	30,080	25,680
Gas price (avg. per mcf-gross)	\$1.51	\$1.45	\$1.33	\$1.69	\$1.80	\$1.87
Gas taxable value (\$000)	\$805,051	\$814,809	\$757,583	\$1,032,714	\$1,127,610	\$1,180,204

* Estimated.

** These are the rates on the total investment portfolio applicable to interest earnings for the State General Fund, based on the legislation enacted by the 1992 Legislature.

The current forecast period insofar as General Fund receipts are concerned is a span of 20 months from November 1993 through June 1995, *i.e.*, the last eight months of FY 1994 and all of FY 1995. Many things affecting the Kansas economy could occur during that period, including developments outside of the control of Kansas policymakers, *e.g.*, changes in federal fiscal and monetary policies and actions taken by OPEC with respect to oil production and prices. Like most other forecasters, it is our opinion that the recovery from the 1990-1991 national recession will not be as strong as after many other downturns. Middling growth is what is expected to occur during the forecast period.

Forecasted Outlook

Kansas personal income rose by 7.2 percent in 1992, an increase of 4.0 percentage points from the previous (recession) year. Such income is estimated to increase by 4.3 percent in CY 1993, by 5.4 percent in CY 1994, and by 5.1 percent in CY 1995. The growth rate in 1992 was largely due to increases of 7.0 percent in salaries and wages (by far the largest component of personal income),

about 35 percent in farm proprietors' income, 10 percent in nonfarm proprietors' income, and nearly 11 percent in transfer payments. The forecast is that those growth rates will not be sustained in CYs 1993-1995. Income in 1992 was not affected by the recent layoffs at Boeing and that year was a banner one for farm income, which is estimated to decline in 1993 and not change much in the next two years.

Inflation, as measured by the CPI-U for the nation, rose by 3.0 percent in CY 1992 and is expected to increase by the same rate in CY 1993, by 3.2 percent in CY 1994, and by 3.3 percent in CY 1995. All of those forecasts are less than the corresponding estimates of the growth rates in Kansas personal income.

Significant changes relating to the investment of state idle funds were enacted by the 1992 Legislature. Previous memoranda from the Consensus Estimating Group had presented interest rate projections for 91-day treasury bills and federal funds as indicators of interest earnings for the State General Fund on inactive accounts and repurchase agreements. The legislation enacted in 1992 allows the Pooled Money Investment Board (PMIB) latitude for longer term and for different types of investments than previously permitted. Based on this new legislation and current investment practice of the PMIB, the approximate rates of return for FY 1994 and FY 1995, along with the actual rate in FY 1993, are provided for the whole portfolio, which includes bank CDs, repurchase agreements and statutorily authorized securities (the latter are by far the largest component of the portfolio). The rate of return is estimated at 4.65 percent for FY 1994 and 4.98 percent for FY 1995, compared with 4.66 percent for FY 1993.

As has been the case in recent years, Kansas crude oil and natural gas production and prices will be strongly influenced by what OPEC is able to do with respect to managing its production and price levels.

Crude oil prices for severance tax purposes are estimated to average \$16 per barrel in FY 1994 and \$17 in FY 1995. The average was \$18.79 in FY 1993. Estimated average price typically reflects many fluctuations within and among months of a fiscal year.

Taxable oil production is expected to decline from 32.58 million barrels in FY 1993 to 30.08 million barrels in FY 1994, due mainly to a decline in gross production. For FY 1995, the forecast is that taxable production will decrease to 25.68 million barrels due to a further decline in gross production and to an increase in exempt production which results from lower prices.

For natural gas, it is estimated that the average price will be \$1.80 per mcf in FY 1994 and \$1.87 per mcf in FY 1995 (the average was \$1.69 in FY 1993). Taxable value of gas is estimated at \$1.128 billion in FY 1994 and \$1.180 billion in 1995. These estimates are based on the assumption that winter weather will be more normal than, for example, the unusually warm winter in FYs 1991 and 1992.

Fiscal Year 1994

The revised estimate of General Fund receipts in FY 1994 is \$3.086 billion. That amount is \$50.3 million, or 1.7 percent, more than estimated last April as adjusted for 1993 legislation which became law. Table 2 compares, in detail, the current estimates with the April adjusted estimates. The revised estimate is 5.3 percent above actual receipts in FY 1993.

No single factor accounts for the revision of the estimates for the wide variety of sources of State General Fund revenue. Each source was analyzed independently. Consideration was given to such things as the current economic forecasts, information provided by the Departments of Revenue and of Insurance with respect to taxes they collect, and the difference between estimated and actual receipts through October. The latter carried less weight for some sources than others depending upon whether such difference seemed relevant to the estimate for all of the fiscal year.

The largest single increase from the previous estimate is \$27.2 million for the individual income tax. Receipts from that tax were \$15.9 million over the estimate through October due in part to the lagged effects of the tax rate increases enacted in 1992 on balance due remittances, withholding, and estimated tax payments. However, when tax returns for tax year 1993 are filed in 1994, it is expected that tax refunds will be higher and balance due remittances will be less than in the spring of 1993, thus reducing the overall increase for all of FY 1994 from what might be indicated from merely projecting the data for the first four months of the fiscal year.

Sales and use taxes are \$18.7 million more than the prior estimate. Revenue from those taxes were \$11.4 million above the estimate through October. Part of that gain was due to the lagged effects of the tax rate and base changes enacted in 1992 and to greater purchases of replacement items in the early part of FY 1994 resulting from the 1993 flood, neither of which will be sustained for all of FY 1994.

Revenue from the privilege tax on financial institutions has been increased by \$7.0 million, mainly because of the recent discovery that a large institution did not file estimated tax payments in April, June, and September of 1993 as required by a law enacted in 1992. Compliance with that law beginning in December of 1993 will result in an estimated one-time increase of about \$4 million in FY 1994.

Severance tax receipts are \$4.55 million (net) above the previous estimate. Revenue from the tax on gas has been raised by \$8.65 million due to higher prices and production, while revenue from the tax on oil was lowered by \$4.10 million because the outlook for oil prices and taxable production has deteriorated.

The new estimate of corporation income tax receipts is only \$100,000 more than the last estimate, but the revised estimate of \$195.0 million is 15.3 percent more than collected in FY 1993. (There was no change in revenue from FY 1992 to FY 1993.) That estimate does include about \$11.0 million of extraordinary assessments, based on information provided by the Department of Revenue. There is a lawsuit pending in the Kansas Supreme Court which could result in a significant reduction of corporation income tax receipts if the state loses the case. Our estimate does not take the lawsuit into account since a decision had not been handed down when the Consensus Estimating Group met on November 17.

Aside from the severance tax on oil, there were only two significant reductions from the prior estimates. One was a decrease of \$6.7 million in interest earnings, which largely resulted from a change from amortization of income on securities (*e.g.*, when a premium was paid) on the maturity date to amortization on each coupon date. This results in moving such amortization into earlier fiscal years rather than later years. The other decrease was \$2.9 million in agency earnings and miscellaneous revenue due mainly to an estimated decline in fines, penalties, and forfeitures credited to the General Fund.

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Fiscal Year 1995

It is estimated that General Fund receipts in FY 1995 will total \$3.221 billion, which would be \$135.3 million or 4.4 percent over the revised estimate for FY 1994. Table 1 shows the details.

As the table shows, the estimated growth rate of General Fund total receipts in FY 1995 is almost a percentage point less than the revised percentage increase for FY 1994. Much of that decline is attributable to lower rates of growth in FY 1995 from sales and use taxes because the estimates for FY 1994 included revenue from lagged collections and effects of the 1993 flood.

Also note that estimated corporation income tax receipts are the same as in FY 1994, but the estimate for FY 1994 includes \$11.0 million in extraordinary assessments. No such assessments are estimated for FY 1995, based on information provided by the Department of Revenue. The potential effects of the aforementioned pending lawsuit also are not reflected in the estimate for FY 1995.

The estimate of revenue from the privilege tax on financial institutions is less in FY 1995 than in FY 1994, but as explained above the estimate for FY 1994 includes one-time revenue of \$4.0 million; we estimate that such revenue will be \$1.0 million in FY 1995.

Another decrease in receipts from FY 1994 to FY 1995 is that from net transfers. This is because the 1993 Legislature made certain one-time transfers in FY 1994 to the General Fund from other funds.

The most significant growth from FY 1994 to FY 1995 is that of individual income tax revenue, an increase of \$85 million or 7.2 percent, around double the increase from FY 1993 to FY 1994. It is our belief that the previously discussed lagged effects of the 1992 tax rate increases which held down the estimated growth in FY 1994 will not be much of a factor in FY 1995.

Concluding Comments

The revenue estimates for FYs 1994 and 1995 are based on federal and state laws in effect when the Consensus Estimating Group met on November 17. By law, the Group must meet again by April 4. It will then review all the economic forecasts discussed in this memorandum, the trend of actual FY 1994 receipts, and any federal or state legislation and court decisions enacted or handed down since November 17 that will have an impact on General Fund revenue. New estimates will be made and presented to the Governor and Legislature at that time.

Table 1
STATE GENERAL FUND RECEIPTS
(IN THOUSANDS)

	Consensus Estimates, November 17, 1993					
	FY 1993		FY 1994 (Revised)		FY 1995	
	<u>Amount</u>	<u>Percent Increase</u>	<u>Amount</u>	<u>Percent Increase</u>	<u>Amount</u>	<u>Percent Increase</u>
Property Tax:						
Motor Carrier	\$9,846	(1.3)%	\$11,000	11.7 %	\$12,200	10.9 %
Income Taxes:						
Individual	\$1,144,202	21.9 %	\$1,185,000	3.6 %	\$1,270,000	7.2 %
Corporation	169,118	0.0	195,000	15.3	195,000	0.0
Financial Inst.	49,504	96.7	42,000	(15.2)	40,000	(4.8)
Domestic Ins. Co.	557	(8.4)	510	(8.4)	1,100	115.7
Total	\$1,363,381	20.3 %	\$1,422,510	4.3 %	\$1,506,100	5.9 %
Inheritance	\$56,742	8.0 %	\$60,000	5.7 %	\$61,000	1.7 %
Excise Taxes:						
Retail Sales	\$1,014,515	26.6 %	\$1,085,000	6.9 %	\$1,125,000	3.7 %
Compensating Use	116,134	15.4	130,000	11.9	135,000	3.8
Cigarette	51,257	(4.2)	50,000	(2.5)	49,000	(2.0)
Tobacco Prod.	2,227	8.0	2,500	12.2	2,700	8.0
Cereal Malt Bev.	2,784	(5.3)	2,700	(3.0)	2,600	(3.7)
Liquor Gallonage	12,443	0.2	12,400	(0.3)	12,600	1.6
Liquor Enforce.	24,386	4.2	25,000	2.5	25,500	2.0
Liquor Dr. Places	4,381	8.3	4,500	2.7	4,600	2.2
Corp. Franchise	10,623	4.3	11,500	8.3	12,000	4.3
Severance	91,772	16.1	92,800	1.1	94,400	1.7
Gas	68,952	33.6	73,400	6.5	76,800	4.6
Oil	22,820	(16.8)	19,400	(15.0)	17,600	(9.3)
Total	\$1,330,523	22.1 %	\$1,416,400	6.5 %	\$1,463,400	3.3 %
Other Taxes:						
Insurance Prem.	\$82,194	(1.8)%	\$86,300	5.0 %	\$92,300	7.0 %
Miscellaneous	970	6.7	1,000	3.1	1,100	10.0
Total	\$83,164	(1.7)%	\$87,300	5.0 %	\$93,400	7.0 %
Total Taxes	\$2,843,656	20.0 %	\$2,997,210	5.4 %	\$3,136,100	4.6 %
Other Revenues:						
Interest	\$50,609	18.4 %	\$56,000	10.7 %	\$54,700	(2.3)%
Net Transfers	833	--	(3,540)	--	(6,920)	--
Agency Earnings	37,011	(11.2)	36,400	(1.7)	37,500	3.0
Total Other Revenue	\$88,454	(8.0)%	\$88,860	0.5 %	\$85,280	(4.0)%
TOTAL RECEIPTS	\$2,932,110	18.9 %	\$3,086,070	5.3 %	\$3,221,380	4.4 %

Table 2

**STATE GENERAL FUND RECEIPTS -- COMPARISON OF ESTIMATES FOR FY 1994
MADE ON APRIL 2, 1993, AND NOVEMBER 17, 1993 (IN THOUSANDS)**

	<u>Estimate *</u> <u>4/2/93</u>	<u>Revised</u> <u>Estimate</u> <u>11/17/93</u>	<u>Difference</u>
Property Tax:			
Motor Carrier	\$10,000	\$11,000	\$1,000
Income Taxes:			
Individual	\$1,157,770	\$1,185,000	\$27,230
Corporation	194,900	195,000	100
Financial Inst.	35,000	42,000	7,000
Domestic Ins. Co.	675	510	(165)
Total	\$1,388,345	\$1,422,510	\$34,165
Inheritance	\$58,000	\$60,000	\$2,000
Excise Taxes:			
Retail Sales	\$1,073,330	\$1,085,000	\$11,670
Compensating Use	123,000	130,000	7,000
Cigarette	50,000	50,000	0
Tobacco Prod.	2,350	2,500	150
Cereal Malt Bev.	2,700	2,700	0
Liquor Gallonage	12,400	12,400	0
Liquor Enforce.	25,300	25,000	(300)
Liquor Dr. Places	4,600	4,500	(100)
Corp. Franchise	11,500	11,500	0
Severance	88,250	92,800	4,550
Gas	64,750	73,400	8,650
Oil	23,500	19,400	(4,100)
Total	\$1,393,430	\$1,416,400	\$22,970
Other Taxes:			
Insurance Prem.	\$86,700	\$86,300	(\$400)
Miscellaneous	1,000	1,000	0
Total	\$87,700	\$87,300	(\$400)
Total Taxes	\$2,937,475	\$2,997,210	\$59,735
Other Revenues:			
Interest	\$62,680	\$56,000	(\$6,680)
Net Transfers	(3,678)	(3,540)	138
Agency Earnings	39,330	36,400	(2,930)
Total Other Revenue	\$98,332	\$88,860	(\$9,472)
TOTAL RECEIPTS	\$3,035,807	\$3,086,070	\$50,263

* As adjusted for enacted legislation.

MEMORANDUM

Kansas Legislative Research Department

300 S.W. 10th Avenue
Room 545-N – Statehouse
Topeka, Kansas 66612-1504
Telephone (913) 296-3181 FAX (913) 296-3824

November 22, 1993

To: House Committee on Appropriations
From: Timothy Colton, Fiscal Analyst
Re: Use of Benchmarks in Oregon's Appropriations Process

Oregon's appropriations process differs from the one used in Kansas in several ways,
e.g.,

- ▶ Oregon's budget is biennial. Appropriations are made for an entire biennium. The budget is passed by a legislature that meets once each biennium.
- ▶ Appropriations decisions are made by a Joint Committee on Ways and Means. The 16-member Committee is divided into six standing subcommittees, for General Government, Human Resources, Natural Resources/Economic Development, Transport/Regulation, Education, and Public Safety. There are *ad hoc* subcommittees for capital improvements and pay raises for state employees. Subcommittees are composed of both House and Senate members. The Committee Co-Chairmen and Subcommittee Chairmen are appointed by the presiding officers of each house, with Subcommittee chairmanships rotating biennially. Subcommittee decisions are rarely challenged in full Committee. Committees of the Whole may return appropriations bills to Committee, but may not amend them. There are no conference committees on appropriations bills. (Oregon's legislative staff mention this as a very positive feature of their process.)
- ▶ Joint Committee rules prohibit minority reports, thus forcing subcommittees to work hard at finding compromises acceptable to all members.
- ▶ The Legislative Fiscal Office provides a summary of the Governor's budget recommendations (approximately 100 pages) to all legislators. A more in-depth analysis of agencies' budget requests and the Governor's recommendations (similar to the Kansas Legislative Research Department's *Budget Analysis*) is reserved to the Joint Committee on Ways and Means. Legislative Fiscal Analysts not only provide analyses of budgets, but also make recommendations to subcommittees on those budgets.

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House Appropriations Ante

Attachment 3

- There are about 140 appropriations bills (the Oregon Legislative Fiscal Office reports that the Oregon Legislative Assembly is working to reduce this number, however).

Perhaps the most salient difference between the Oregonian budgetary process and that employed in Kansas is Oregon's attempt to develop a method whereby the effectiveness of state spending can be measured, *i.e.*, **benchmarks** and **performance measurements**.

Oregon's benchmarks were not originally intended for use as a budgeting tool. In 1987, then Governor Neil Goldschmidt commissioned an evaluation of what was needed to ensure long-term growth while protecting that "quality of life for which Oregon is renowned." The evaluation was published in 1989 in the report *Oregon Shines: An Economic Strategy for the Pacific Century*. The report contained a plan for maintaining high quality of life, educating a superior workforce, and establishing in the state an "international frame of mind" that would allow the state to exploit its position on the Pacific Rim.

The report also recommended that a state agency be created to see that the suggestions contained in the report were implemented. On the basis of that recommendation, the Oregon Legislature, in 1989, created the Oregon Progress Board. The Board, whose membership comprises the Governor and eight gubernatorial appointees (subject to confirmation by the Senate; the appointees come from both public- and private-sector backgrounds; there are, however, no legislators on the Board), is assigned the task of designing a plan for Oregon's social, cultural, and economic progress over the next several decades. The Board must also report, once each biennium, to the Legislature on progress towards achievement of the goals outlined in the plan.¹ Such progress is measured by means of 158 **benchmarks**.

The benchmarks are meant to be measurable indicators of the state's well-being. They are meant to show results and outcomes, *e.g.*, changes in the state's literacy rate, rather than simply quantify activities, *e.g.*, the number of students served by schools, or per-pupil spending. The benchmarks encompass indicators from hate crimes to teen pregnancy to levels of air pollution.

The benchmarks are divided into three categories: benchmarks affecting people, those affecting quality of life, and those affecting the economy. Seventeen benchmarks were designated "lead benchmarks," meaning that they required immediate action. Thirteen benchmarks were called "key," meaning that their effect on the well-being of Oregonians was fundamental. Key benchmarks included air quality, crime, literacy, and personal income.

What follows are some of examples of the benchmarks.

¹ It is also the Board's responsibility to update the plan. The Board is to evaluate the relative importance of the various goals in the state's strategic plan in light of current circumstances, and, if necessary recommend modifications. As part of the continuing updating of the plan, the Board, in 1992, solicited input from more than 7,500 firms, community organizations, government agencies, and individual citizens. The Board presented its first update of the benchmarks to the 1993 Legislature.

Benchmarks for People

1990	Lead	1995	1990	Key	2010
12	Hate Crimes per 10,000 People	5	35%	Adults Proficient at Written and Quantitative Skills	65%
9%	High Schoolers Enrolled in Technical Education	18%	46%	Adults with Good Health Practices	75%
89%	Babies Born to Drug-Free Mothers	95%	12th (of 15 Countries)*	International Ranking of High School Seniors' Math Ability	1st
19.5%	Teen Pregnancy Rate per 1,000 Females	9.8%			

* Using the ranking for the USA as a whole.

Benchmarks Affecting Quality of Life

1990	Lead	1995	1990	Key	2010
94%	Oregonians with Geographic Access to Health Care	96%	144	Crimes per 1,000 People	50
			?	Quantity of Groundwater	?
84%	Oregonians who can Afford Basic Health Care	90%			
			100%	Current Agricultural Lands, Forests, and Wetlands Still Preserved for those Uses	99%
29%	Oregonians who Commute to Work Using Energy-Saving Transport (Carpools, Busses, Bicycles etc.)	40%			
			89%	Oregonians who Live Where Air is Clean**	100%
89%	Oregonians who Live Where Air is Clean	100%			
* Where no levels are specified, data are not yet available, and measures are being developed.					
** Clean air is both a short- and a long-term goal because clean air is a prerequisite for attaining other goals, and must be maintained over the long term.					

3-4

Benchmarks Affecting the Economy

1990	Lead	1995	1990	Key	2010
28%	Lumber Industry Employees in Value-Added Manufacturing	39%	103% 85%	Per-Capita Income as a Percentage of USA Average Portland Rest of State	115% 106%
8th	Oregon's National Ranking in Workers' Compensation Costs	20th-25th	71%	Manufacturing Employees in Industries Other than the State's Largest	80%
?	Land Classified as Industrial That is Suitable for Development	100%			
			22%	Manufactured Goods Sold Overseas	50%
90%	Taxes <i>per capita</i> as Percentage of USA Average	90% to 100%			
			55%	Oregonians Working Outside Portland	55%

The Oregon Legislature gave approval to the benchmarks in 1991.

Election of a new Governor in 1990 and a fiscal shortfall of approximately \$1.0 billion (which came about through a popular initiative and referendum) led to the incorporation of the benchmarks into the budget-making process in Oregon.² Governor Barbara Roberts saw the benchmarks as a tool for focusing scarce state revenues on popular goals, as well as a way to combat perceived public mistrust of government.

² The funding shortfall came about through a voter initiative limiting property taxes and requiring the state to replace property tax revenue lost by school districts.

At the beginning of her administration, Governor Roberts asked state agencies to develop concrete mission statements, and to devote a portion of their resources to the achievement of certain benchmarks. Agency heads were required to rank their programs in order of importance, and to defend those programs before panels composed of other agency heads. The agency heads had to show the panels how each program contributed to the fulfilling of the agency's mission statement, and how programs promoted achievement of the benchmarks.

The goal of this exercise was to prod agencies into designing programs that would promote progress towards achievement of the benchmarks, and to encourage them to devote resources to those programs. For example, in response to a benchmark that envisioned a dramatic increase in the number of high school students entering technical-education programs (from 9 percent in 1990 to 55 percent in 2010), higher education gave more emphasis to the training of technical teachers.

In 1992, the Governor created a formal nexus between the benchmarks and agency funding. Agencies were directed to reduce their budget requests for the 1993-1995 biennium by 20 percent (!) from levels approved for the 1991-1993 biennium. Agencies were allowed to appeal the loss of funding in two ways:

1. First, agencies were given the opportunity to show that up to 10 percent of the lost funding was essential to the agency in carrying out its mission, as defined by the mission statements discussed above.
2. Then, agencies were given the chance to recover another 10 percent of the reduced funding by demonstrating a clear connection between requested expenditures and the 17 lead benchmarks.

Legislative reaction to the incorporation of the benchmarks into the appropriations process seemed generally to have been positive. The Speaker of the Oregon House, Larry Campbell, said that "the lead benchmarks [would] serve as a spotlight on a few critical issues. As we make progress, others will move into the lead category."³ The Legislative Fiscal Officer, John Lattimer, believes that "if agencies will collect data and maintain them in connection with clearly-defined missions and goals, it will simplify legislative audit of their performance."⁴ However, since the 1993-1995 biennium was the first budget cycle in which benchmarks were utilized in the appropriations process, it would be premature to say that benchmarks have become an important budget-evaluating tool for lawmakers. They do, though, have the potential of becoming such a tool.

The Oregon Legislature and the Budget and Management Division of the Executive Department are encouraging agencies to develop *performance measurements*. The performance measurements are meant to be stepping stones on the road to achievement of the goals set out in the benchmarks. Legislators and executive-branch budget officials want to see the results of agency activity; agencies have been warned specifically not simply to give activity measurements. Ideally, the performance measurements will allow legislators and citizens to determine whether moneys given

³ *State Legislatures*, July, 1992, page 34.

⁴ *Ibid.*

to fund agencies and their programs are well spent, while, at the same time, giving them a glimpse of progress being made towards achievement of the benchmarks.

Mr. Lattimer reported that the Budget and Management Division is offering training to agencies on the establishments of performance measurements, and that a new statewide accounting system is being developed which links performance measures and agency funding.

The linking of benchmarks to agency funding is a process that is still in its early developmental stages. While there is anecdotal evidence to show that some lawmakers involved in the appropriations process have found benchmarks useful, it is still too early to say whether the benchmarks have caused any fundamental change in the way Oregon's government spends its taxpayers' dollars, or whether they have had any permanent effect on the way Oregon's state government does business. Even at this early stage, however, there are some evident lessons that can be drawn from Oregon's experience:

- ▶ The Oregon Progress Board and the benchmarks that the Board has developed have enjoyed widespread popular support, as well as bipartisan support within Oregon state government. Shortly after her election, Governor Barbara Roberts appointed her opponent to the Progress Board. The legislation adopting the benchmarks was approved by large margins, both in the Republican-controlled House, and the Democratically-controlled Senate. This has helped to keep the benchmarks from simply being the *dernier cri* of budget reform, to be abandoned as soon as the next fad comes along.
- ▶ The establishment of the Oregon Progress Board has helped to institutionalize the role of benchmarks in Oregon state government.⁵
- ▶ Whether a budgetary process based on outcomes will succeed depends on the accuracy of the data given to lawmakers involved in the appropriations process. Oregon's experience with benchmarks shows that measuring the results of government programs is very difficult. For example, social-service agencies often do not follow the progress of their clients. If an agency does track a client's progress, for how long should such tracking continue? Information of this nature is hard to collect, and is expensive to maintain. Faced with such difficulties, some agencies gravitate towards activity measurements, *e.g.*, numbers of clients processed, or numbers of students enrolled. Such numbers can be useful, but they say nothing about the quality of services rendered, or the benefits derived from those services. Oregon has an advantage with regard to the collection of data in that it performs its own census; it can tailor census questions to collect information necessary in establishing baselines for the benchmarks and evaluating progress towards goals. It has also performed special surveys in order to establish benchmark baselines.
- ▶ The Speaker of the Oregon House believes that the benchmarks will, over the long term, be useful in helping legislators to withstand pressure from interest

⁵ The Progress Board has a staff of four people. Other staff are borrowed as needed from state agencies for specific projects.

groups. With solid performance data, it will, he believes, be easier for the Legislature to eliminate politically-popular but ineffectual programs.⁶

For state governments under pressure to demonstrate to taxpayers what sort of return they are getting on their investment, Oregon's model could be useful, in spite of its difficulties. As the Oregon Progress Board remarked in its report to the 1993 Legislature: "By staying focused on outcomes, and by keeping track of results, leaders . . . can reset priorities, and adapt and modify programs as they learn what works."⁷

Documents on Benchmarks and Performance Measurements

For legislators who desire to know more about Oregon's benchmarks and its attempts to incorporate them into the appropriations process, the Legislative Research Department has a number of documents on the subject, including the ones listed below. Legislators desiring a copy of any of the materials listed below should contact the Research Department.

► ***Oregon Shines: An Economic Strategy for the Pacific Century.*** Governor Neil Goldschmidt, in 1987, commissioned a study of what was needed to ensure economic growth in Oregon, while at the same time maintaining quality of life. The study was undertaken by 16 committees composed of about 180 leaders from private business, labor, education, and the public sector. Topics studied included competitiveness, education and work force, international trade, state and local partnerships, economic climate, and general strategies for economic development. The report *Oregon Shines*, released in 1989, contains the results of the study, along with the committees' recommendations and plans for Oregon's future for the next two decades.

► ***Oregon Literacy Survey: Measuring Adults' Functional Skills.*** In some cases, Oregon did not possess enough data to establish baselines for measuring progress towards achievement of benchmark targets. In some cases, the Progress Board commissioned special studies in order to gather necessary data. One

► ***Oregon Benchmarks: Setting Measurable Standards for Progress.*** The benchmarks were developed by the Oregon Progress Board. Benchmarks are divided into three categories: benchmarks affecting people, benchmarks affecting quality of life, and benchmarks affecting the economy. Some benchmarks were designated as "lead benchmarks" requiring immediate action; others were called "key benchmarks," meaning that they were fundamental to the well-being of the state's inhabitants. The Oregon Legislature ratified the benchmarks in 1991, and directed the Progress Board to make a report once each biennium on progress towards the goals of the state's strategic plan as measured by the benchmarks.

► ***Oregon Benchmarks: Standards for Measuring Statewide Progress and Government Performance.*** This is the Progress Board's first report to the Oregon Legislature on its ongoing refinement of the benchmarks, its updating of previous benchmark measures, and filled in blanks where data had previously

⁶ *State Legislatures*, July, 1992, page 35.

⁷ *Ibid.*

example of such a study is the *Oregon Literacy Survey: Measuring Adults' Functional Skills*. The report was issued in May of 1991.

► *Urgent Benchmarks and the 1993 Legislature: Opportunities for Progress*. Barbara Roberts, elected Governor of Oregon in 1990, linked the benchmarks to the appropriations process in an effort to deal with a fiscal crisis created through a popular initiative which placed limits on property taxes and required the state to replace the revenue lost by school districts. Her program for achieving benchmark targets and continuing progress towards the goals of the state's strategic plan was contained in this report. The report listed a number of urgent benchmarks, *e.g.*, early childhood development, teen pregnancy reduction, job skill preparation, and rural health care, along with proposals contained in the Governor's Budget which would, according to the Governor, promote progress towards the benchmark goals. The report also listed relevant bills that would affect progress towards the benchmarks, and a staff contact in the Governor's office or other executive branch agency.

not been available. Some of the modifications to the benchmarks were undertaken at the encouragement of the Oregon Legislature; others were reactions to suggestions from the public.

► *The Benchmarks and Performance Measurement Linkage*, by the Oregon Progress Board, has been used in training sessions on the development of benchmark-linked performance measurements, and gives examples of such measurements. The performance measurements are meant to show the results of agency activity; agencies have been cautioned to avoid simply giving activity measurements. However, according to Mr. John Lattimer, Legislative Fiscal Officer for the Oregon Legislature, the process of developing such performance measurements has been difficult, and, in spite of warnings, agencies have often reverted to simple activity measurements.

DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

PROGRAM:

PUBLIC POLICY GOALS

(Articulated Policy, Desired Results of the Program)

OUTCOMES AND OBJECTIVES

(Specific, measurable aims or the desired results, includes time frame)

STRATEGIES TO REACH GOALS

(Specific plans or methods for achieving goals, objectives and outcomes, which will include budget trends and progress towards reaching goals)

BARRIERS

(Articulate programs and policies that are ineffectual or serve as barriers to meeting stated goals)

OUTCOME/EVALUATION MEASURES

(Should measure success in meeting articulated goals. Through independent analysis select models for evaluating programs, including comparison to the best operating programs in the country)

*This should serve as a standardized format for agency reporting of programs.

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House Appropriations Committee
Attachment 4

DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

PROGRAM: Medical Assistance -- Long-term Care

PUBLIC POLICY GOAL (MISSION)
(Articulated Legislative Policy)

To reduce overinstitutionalization of the elderly in nursing homes and provide a continuum of community-based services for clients, thereby reducing nursing home expenditures and providing care as desired by clients in community-based settings

OUTCOMES AND OBJECTIVES
(Specific, measurable aims or the desired results, includes time frame)

1. Reduce the number of elderly persons served by Medicaid from 90 percent in nursing homes to 10 percent, with corresponding increases in community services by the year 2000.
2. For the immediate, year establish a goal of no growth in the number of Medicaid clients in nursing homes from FY 1993 to FY 1994.
3. Establish a nursing home moratorium to prevent bed growth.

STRATEGIES TO REACH GOALS
(Specific plans or methods for achieving goals, objectives and outcome)
(Including Budget Trends and Future Projections)

1. Divert Clients from Nursing Homes
 - a. Prescreening Admission (\$1.3 million savings -- FY 1994)
 - b. 300 Percent Cap (\$2.0 million savings FY 1994)
2. Establish a continuum of community-based services
 - a. Shift nursing home caseload increases to community services
(Shift \$2.1 million from nursing home budget to HCBS waiver)
 - b. Expansion of Senior Care Act Statewide
(Continue funding to serve clients statewide)
(Assumes this delays nursing home entry and subsequently Medicaid eligibility by 18 months, \$3.0 million in savings in FY 1995)

c. and the number of personal care homes
(Increased cost of \$2.1 million in FY 1994, savings in Nursing Home Budget of \$500,000 in FY 1995, \$1.4 million in FY 1996, and \$2.9 million in FY 1997)

d. Direct estate recovery proceeds to community based services.
(Expand community services by \$1.0 million in FY 1994)

Budget Information

	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996
Nursing Facilities					
All Funds	208,725,551	226,362,294	230,363,131	241,881,288	246,718,913
State Funds	171,651,639	147,885,075	143,244,558	150,406,786	153,414,922
Community-Based Services:					
HomeCare					
All Funds	11,562,498	16,572,057	17,139,891	17,996,886	18,356,823
State Funds	8,692,446	11,149,669	11,961,139	12,559,196	12,810,380
HCBS-NF Waiver					
All Funds	6,337,069	6,561,174	6,561,174	6,889,233	7,027,017
State Funds	2,661,569	2,755,693	2,755,693	2,893,478	2,951,347
Total - LTC - Elderly					
All Funds	226,625,118	249,495,525	254,064,196	266,767,406	272,102,754
State Funds	183,005,654	161,790,437	157,961,390	165,859,460	169,176,649

Budget Assumptions: The outyear budgets assume the strategies above would be implemented to meet the stated goals. In the absence of these strategies the nursing facility budget would be expected to increase to \$260.0 million in FY 1995 and \$285.0 million in FY 1996 based on the increasing elderly population.

BARRIERS TO REACHING GOALS

1. Inadequate reimbursement of home health services to attract providers.
2. Lack of targeting of available resources to those most likely to enter nursing home.

OUTCOME/EVALUATION MEASURES

(Should measure success in meeting articulated outcome)
(Including comparison to peer or model states in program area)

Outcome Measures:

Percentage of Aging Population in Nursing Homes (Trend)
Trends Analysis of Available Community-Based Services

Model State Comparison:

Comparison with Oregon:

Total Nursing Facility Expenditures
Total Nursing Facility Recipients
Total HCBS Expenditures
Total HCBS Recipients

Chart GOALS

Same years as budget information

DRAFT

OFFICE OF THE SECURITIES COMMISSIONER

Expenditure	Actual FY 93	Agency Est. FY 94	(DOB) Governor's Rec. FY 94	Agency Req. FY 95	(DOB) Governor's Rec. FY 95
Securities Act Fee Fund:					
State Operations	\$ 1,390,910	\$ 1,465,253	\$ 1,463,385	\$ 1,613,382	\$ 1,475,820
Percentage Change	2.7%	5.3%	5.2%	10.1%	0.8%
FTE Positions	26.0	26.0	26.0	26.0	26.0

Agency Mission

The Kansas Securities Commissioner is empowered to administer and enforce the Kansas Securities Act which requires regulation of securities and investment offerings and the businesses and individuals involved with securities transactions in Kansas. The agency provides two primary services: regulation and enforcement. Examples of regulation services include the registration of securities offerings, subdivided land offerings, investment advisers, broker-dealers, agents and loan brokers; monitoring registrants for statutory and regulatory compliance and examination of securities registration statements. Enforcement involves the investigation of alleged violations of the Kansas Securities Act, the Uniform Land Sales Practices Act and Kansas Loan Broker's Act; field examination of registrants where there is reason to suspect violations; and remedial provisions of the statutes for cases where evidence of violations exist.

BUDGET OVERVIEW

A. FY 1994 – Current Year

The Securities Commissioner's revised FY 1994 budget estimate totals \$1,465,253 or \$330 less than the approved expenditure limitation of \$1,465,583. The Governor recommends \$1,463,385 in FY 1994, a reduction of \$1,868 in contractual services.

B. FY 1995 – Budget Year

The Securities Commissioner requests \$1,613,382 for state operations in FY 1995, an increase of \$148,129 (10.1 percent) over the revised FY 1994 estimate. The FY 1995 request includes \$47,176 to provide coverage under the Kansas Police and Fire (KP&F) retirement system for 9.0 FTE Investigator positions which, according to the agency, require qualification as law enforcement officers. KP&F coverage for these positions would require a statutory change. The FY 1995 request also includes a nonreportable expenditure for a \$20,000 grant to the Kansas Council on Economic Education to support the "Stock Market Game" in public schools. This is a continuation of an initiative begun in FY 1993. The agency also anticipates expansion of other types of public education and awareness. Budget items including an educational video, educational brochures, a booth at the State Fair and travel and subsistence to allow agency staff to make presentations at conferences total \$32,900.

The Governor recommends \$1,475,820 in FY 1995, a reduction of \$137,562 from the agency's request. The recommendation decreases salaries and wages (\$97,162), contractual services (\$38,650), and commodities (\$1,750). The

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House Appropriations Cmte Attachment 5

Governor recommends \$10,000 for the Stock Market Game, \$10,000 less than the agency's request. The Governor not recommend participation in the KP&F retirement system for the agency's 9.0 investigator positions. The Governor also removed funding requested by the agency for step movement and unclassified merit and longevity pay.

C. Agency Trends

According to the agency, it is not possible to accurately predict the volume of securities registrations based on historical trends because of the many unpredictable variables affecting the securities markets. The agency anticipates that the volume of securities registrations and licensing of persons in the securities industry will continue for the next few years at substantial levels. Meanwhile, the agency is experiencing increases in the number and complexity of investigations. Relaxed regulation or no regulation of some facets of securities offering by federal agencies results in greater responsibilities for state regulatory agencies to provide adequate investor protection. The following table illustrates actual and anticipated performance indicators for the Security Commissioner:

<u>Indicators</u>	<u>Actual FY 1991</u>	<u>Actual FY 1992</u>	<u>Actual FY 1993</u>	<u>Estimated FY 1994</u>	<u>Estimated FY 1995</u>
Total securities filed	3,399	5,423	5,800	6,090	6,395
Original applications	10,130	11,157	12,650	13,283	13,948
Renewal applications	22,267	24,382	27,296	28,662	30,095
Investigations initiated	314	261	204	220	230
Investigations closed	264	267	210	220	230
Average case load per investigator	18	16	15	15	15
Open cases at end of year	194	188	182	182	182

Because of the difficulty in projecting outcomes dependent upon findings or judgments resulting from administrative hearings or court proceedings or because of significant fluctuations depending on varying circumstances, it is difficult to predict outcomes for the following performance indicators. Therefore, only actual information is available.

<u>Findings or Judgments</u>	<u>Actual FY 1991</u>	<u>Actual FY 1992</u>	<u>Actual FY 1993</u>
Administrative orders	183	115	71
Orders to censure and/or fine	29	13	30
Denials, suspensions & revocations	12	6	18
Fines collected	\$8,765	\$12,790	\$149,240
Criminal referrals	32	26	36
Criminal convictions	22	21	17
Restitution and Rescissions	\$1,487,900	\$1,806,272	\$70,696,711

D. Fee Fund Analysis

The Office of the Securities Commissioner generates revenues by assessing fees for registration of securities, licensure of agencies and brokers, subdivided land offerings, field audit and inspections. Of the fees received by the Securities Commissioner, 80 percent are credited to the Securities Act Fee Fund and 20 percent (up to a maximum of \$200,000 per year) are credited to the State General Fund. At the end of each fiscal year, any balance in the Securities Act Fee Fund in excess of \$500,000 is transferred to the State General Fund. The agency estimates

transfers to the State General Fund of \$2,451,333 at the end of FY 1994 and \$2,689,189 at the end of FY 1995. The following table summarizes estimated receipts, expenditures, transfers, and fund balances based on the agency's request and the Governor's recommendations.

Resource Estimate	Actual FY 93	Agency Est. FY 94	Governor's Rec. FY 94	Agency Req. FY 95	Governor's Rec. FY 95
Beginning Balance	\$ 500,230	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Net Receipts	3,871,375	3,916,586	4,416,586	4,122,471	4,122,471
Total Funds Available	\$ 4,371,605	\$ 4,416,586	\$ 4,916,586	\$ 4,622,471	\$ 4,622,471
Less: Expenditures	1,390,910	1,465,253	1,463,385	1,613,382	1,475,820
Transfer to SGF	2,470,695	2,451,333	2,953,201	2,489,089	2,636,651
Nonreportable	10,000	--	--	20,000	10,000
Ending Balance	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Ending Balance as a Percentage of Expenditures	35.9%	34.1%	34.1%	31.0%	33.9%

E. New Initiatives and Program Enhancements for FY 1995

First Year Costs for Investigators to Participate in the Kansas Police and Firemen's (KP&F) Retirement System. The agency requests \$47,176 for KP&F for nine investigator positions that require qualification as law enforcement officers. According to the agency, the investigators have experience and job duties equivalent to other law enforcement officers who participate in KP&F and this benefit is deemed necessary for future recruiting purposes. The agency anticipates costs of participation in KP&F in future years to be approximately 4 percent higher, or \$14,700 based on current salaries, than regular KPERS costs. For securities investigators to receive KP&F benefits, relevant statutes must be amended. (Staff Note: The House Subcommittee considered this issue during the 1993 Legislative Session and recommended that the broader issue of KP&F coverage for securities investigators and other similar classes be studied further by either the House Appropriations Subcommittee reviewing the KPERS budget or the Joint Committee on Pensions, Investments and Benefits.)

The Governor does not recommend this initiative.

Investor and Entrepreneur Education. Funding was approved during the 1993 Legislative Session for a grant to the Kansas Council on Economic Education to support the "Stock Market Game" in public schools. Because of savings in the FY 1993 budget, the transfer was increased to \$10,000.

For FY 1995, the agency requests funding of \$52,900 to expand consumer education programs. Funding would be increased for the "Stock Market Game" to boost student participation; the agency believes that public awareness of investment alternatives and regulatory services can be increased at a relatively low cost, by informing the public about abusive types of securities offerings and sales practices; and the agency hopes, through the distribution of brochures and participation in small conferences, to provide small businesses with information and guidance about new regulations that facilitate capital formation at lower costs than previously possible. A breakdown of the FY 1995 funding request for education is as follows.

▶ Grant to Kansas Council on Economic Education for promotion of the "Stock Market Game"	\$ 20,000
▶ Production of an educational video for investors	20,000
▶ Printing and distribution of education brochures	7,450
▶ Operation of a booth at the Kansas State Fair	2,450
▶ Travel and subsistence for staff presentations	3,000
Total Cost	<u>\$ 52,900</u>

The agency proposes that educational expenditures be financed primarily by fines resulting from disposition of enforcement cases. Actual fines during FY 1993 totaled \$149,240.

The Governor recommends \$10,000 for the stock market game in FY 1995. The other educational enhancements are not recommended.

Additional Office Space – Topeka Office. The Securities Commissioner has offices in Topeka and Wichita. The Topeka office is located in a privately owned building under a five-year lease agreement which expires March 31, 1994. For the last three months of FY 1994, after the expiration of the lease agreement, the agency would like to rent an additional 600 square feet of office space (\$7,500) at ground level to make space accessible as required by the ADA. The Commissioner anticipates that the space would include a conference room plus two offices for interviews or meetings. The current office, located on the second floor, is accessible only by stairs or by an elevator in a neighboring dentist office. Additionally, the agency must currently rent meeting rooms for hearings.

The Governor does not recommend the additional office space requested by the agency.

Hearing and Litigation Costs. The agency is requesting \$30,000 for hearing and litigation cost in FY 1995. An expenditure limitation of \$20,000 was established, by proviso, for hearing and litigation costs for FY 1994. Actual and anticipated expenditures exceed the proviso limitation. The following table depicts estimated costs:

	<u>Actual FY 1993</u>	<u>Estimated FY 1994</u>	<u>Requested FY 1995</u>
Communications	\$ 6	\$ --	\$ --
Express Mail	104	--	--
Copies	1,660	2,000	2,000
Travel/Subsistence	4,444	5,000	6,000
Fees -- Other Services	4,968	6,000	7,000
Professional Fees	9,906	12,000	15,000
TOTAL	<u>\$ 21,088</u>	<u>\$ 25,000</u>	<u>\$ 30,000</u>

According to the agency, expenditures for copies and fees-other services are for subpoenaed records and other legal documents to be used in trials or hearings. Travel costs are for agency lawyers or investigators to attend trials and hearings. Professional fees are for hearing officers, expert witnesses and court reporters.

The Governor recommends \$25,000 in FY 1994 and \$30,000 in FY 1995 for hearing and litigation costs. The Governor's FY 1994 recommendation does not increase the expenditures limitation because the Governor assumes that the agency will be able to finance these costs within its existing expenditure limitation.

BUDGET DETAIL

Expenditure	Actual FY 93	Agency Est. FY 94	Governor's Rec. FY 94	Agency Req. FY 95	Governor's Rec. FY 95
Salaries and Wages	\$ 1,157,664	\$ 1,220,990	\$ 1,220,990	\$ 1,319,710	\$ 1,222,548
Contractual Services	204,336	220,895	219,027	276,291	237,641
Commodities	13,890	15,118	15,118	17,381	15,631
Capital Outlay	15,020	8,250	8,250	--	--
State Aid to Local Units	10,000	--	--	20,000	10,000
TOTAL	\$ 1,400,910	\$ 1,465,253	\$ 1,463,385	\$ 1,633,382	\$ 1,485,820
FTE	26.0	26.0	26.0	26.0	26.0

STATE OPERATIONS

Agency Request

A. Salaries and Wages. The agency requests \$1,319,710 in FY 1995, for salaries and wages for 26.0 FTE positions, the same number as the current year. The FY 1995 request is an increase of \$98,720 over the FY 1994 estimate of \$1,220,990. The FY 1995 request includes \$821,199 for classified employees, \$225,900 for unclassified employees and \$6,920 for longevity pay. The salaries of classified employees include step movement and a 2.5 percent merit increase totaling \$5,648 is included for unclassified employees. The agency did not budget any shrinkage for FY 1995. As discussed above, the salary request also includes \$47,176 to provide coverage under the KP&F retirement system for 9.0 FTE Investigator positions which, according to the agency, qualify as law enforcement officers.

B. Other Operating Expenditures. For all other expenditures in FY 1995, the Securities Commissioner is requesting \$276,291 in contractual services and \$17,381 in commodities, for a total of \$293,659, an increase of \$57,695 over the FY 1994 estimate of \$236,013. Major items of expenditure include rent (34.3 percent of the total), travel and subsistence (22.6 percent of the total), communication (13.6 percent of the total), and fees -- other services (10 percent of the total).

Governor's Recommendation

A. The Governor recommends \$1,222,548 for salaries and wages in FY 1995, a decrease of \$97,162 from the agency's request. The Governor's recommendation removes funding for step movement for classified employees (\$16,395), unclassified merit pay (\$5,648), and longevity pay for those employees with ten or more years of service (\$6,920). The recommendation also reduces fringe benefits by \$55,850 and applies a 1 percent shrinkage rate for an additional reduction of \$12,349. The Governor does not recommend placing the 9.0 FTE Investigators under the KP&F retirement. The Governor concurs with the agency's salary and wage estimate of \$1,220,980 in FY 1994.

B. The Governor recommends \$253,272 for all other expenditures in FY 1995, a reduction of \$40,400 from the agency's request. The majority of the reduction, \$38,650, was for contractual services. For FY 1994, the Governor recommends \$234,145, a reduction of \$1,868 in contractual services from the agency's request.

C. Capital Outlay. The agency does not request any capital outlay for FY 1995. For FY 1994, the Securities Commissioner estimates revised capital outlay expenditures of \$8,250, which includes \$1,500 to upgrade the office security system, \$3,500 for micro-computers for the Securities Registration Depository (SRD) system, \$2,250 for a computer CD system for Kansas case law, and \$1,000 for TDD Equipment for ADA accessibility. According to the agency, the SRD system will be implemented during FY 1994. This system will substantially reduce the volume of paper files and increase the speed and efficiency of filing by registrants.

C. The Governor concurs with the agency's FY 1994 estimate of \$8,250 for capital outlay.

STATE BOARD OF PHARMACY

Expenditure	Actual FY 93	Agency Est. FY 94	(DDB) Governor's Rec. FY 94	Agency Req. FY 95	(DDB) Governor's Rec. FY 95
State Operations:					
Special Revenue Funds	\$ 383,343	\$ 393,868	\$ 393,868	\$ 432,108	\$ 400,885
Percentage Change	4.9%	2.7%	2.7%	9.7%	1.8%
FTE Positions	6.0	6.0	6.0	6.0	6.0

BUDGET OVERVIEW

A. FY 1994 – Current Year

The Board of Pharmacy estimates current year expenditures of \$393,868, which is the amount approved by the 1993 Legislature. The Governor concurs with the agency estimate.

B. FY 1995 – Budget Year

The Board of Pharmacy requests FY 1995 expenditures from the Board of Pharmacy Fee Fund of \$432,108; this represents a rise of 9.7 percent over the amount approved for FY 1994. The main reason for the requested increase is the Board's request for enhanced travel funding in FY 1995, so that all six members of the Board, the Executive Secretary and all three of the Boards inspectors might attend two national meetings, one regional meeting and a number of state meetings. There is also an increase for fees--professional services (legal fees and impaired provider services). Requested salary funding would maintain the agency's staff of 6.0 FTE positions; included in the request is funding for step movement, longevity and unclassified merit pool. Requested expenditures for contractual services (\$161,191) are up 20 percent over estimated FY 1994 expenditures because of the requested travel and professional services funding. Requested funding for commodities is 10.6 percent greater than the FY 1994 estimate; the increase is attributable, presumably, to expected increases the cost of professional examinations. Requested capital outlay expenditures are nearly the same as in FY 1994 (\$8,489); the funding would allow the agency to approve the computer upgrade that was approved by the 1993 Legislature.

Agency Overview

The purpose of the Board of Pharmacy is the protection of the public health through the enforcement of the Pharmacy Act and the Controlled Substances Act of Kansas. The Board of Pharmacy has six members, and a staff of six persons, including three pharmacy inspectors who are responsible for different areas of the state. The Board also licenses pharmacies, wholesale distributors, manufacturers and other clinical, research and training institutions which dispense medications. In cases of violation of pharmacy laws, the Board may place conditions on the practice of pharmacy, or suspend or revoke licenses.

The Governor recommends FY 1995 funding in the amount of \$400,885. This is an increase of 1.8 percent over recommended current year expenditures. The Governor's recommendation removes salary increases for the Board's staff (such increases will be considered in a separate salary package by the Governor); she also makes minor adjustments to reflect health insurance savings. The Governor recommends FY 1995 expenditures for contractual services of \$139,148; this is a decrease of \$22,043. The reductions were made, presumably, by decreasing requested funding for travel and professional services. The Governor concurs with the agency request for commodities. She reduces the agency's request for capital outlay funding by \$4,489, allowing the agency

ing for its computer upgrade equal to the amount originally estimated. According to the Governor, the recommended budget would allow the agency to continue current levels of inspections, as well as disciplinary action against pharmacists who contravene the state's pharmacy statutes (see chart).

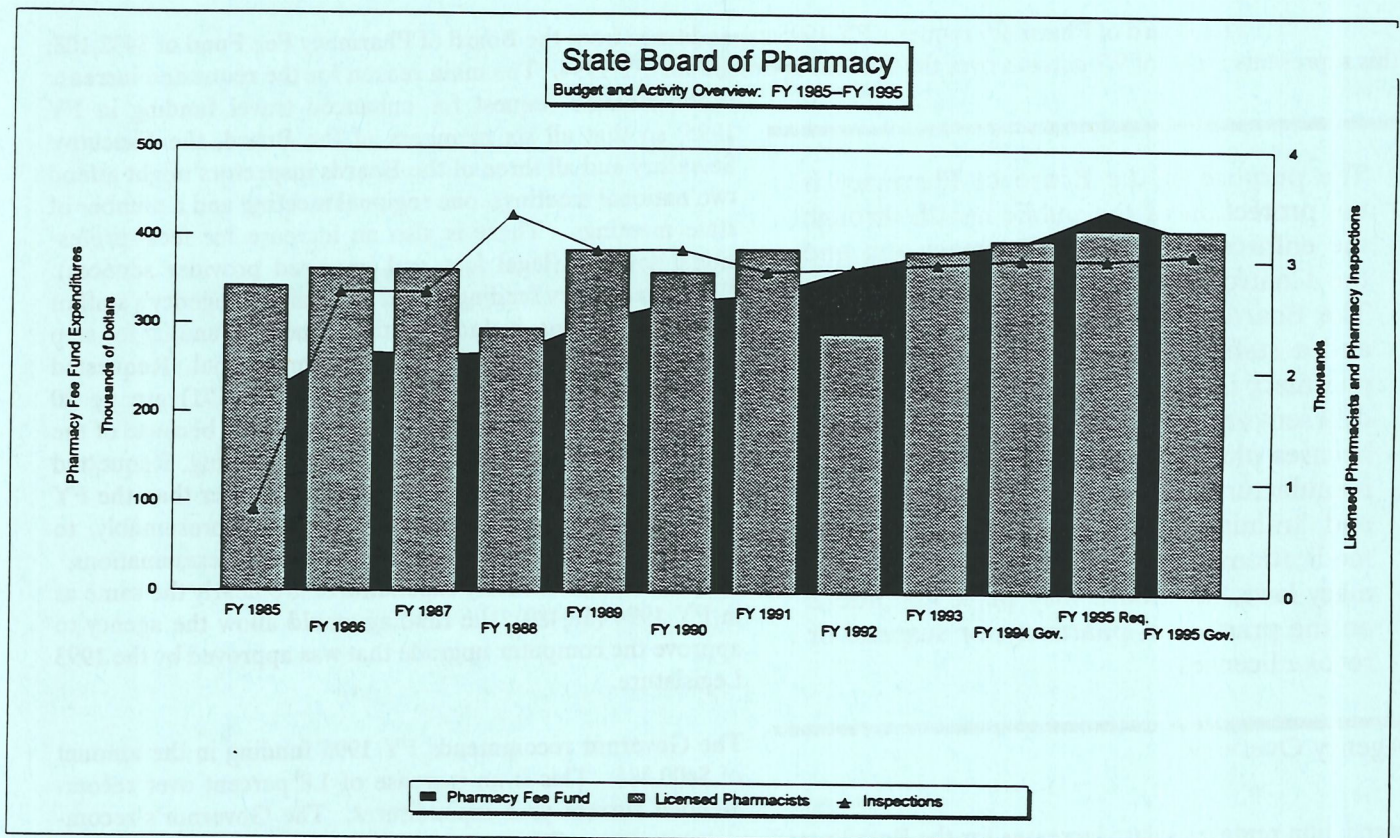
C. Fee Fund Analysis

The State Board of Pharmacy Fee Fund receives revenues from the licensure of pharmacists, pharmacies, drug manufacturers and distributors, retail dealers, as well as the administration of pharmacist licensure examinations. Licenses and permits are renewed on an annual basis. For FY 1995, the agency does not propose to raise any fees. The status of the fee fund, reflecting the Governor's recommendations, is shown in the following table.

Expenditure	Actual FY 1993	Agency Est. FY 1994	Gov. Rec. FY 1994	Agency Est. FY 1995	Gov. Rec. FY 1995
Beginning Balance	\$ 149,763	\$ 143,388	\$ 143,388	\$ 149,035	\$ 149,035
Projected Receipts	<u>376,968</u>	<u>399,515</u>	<u>399,515</u>	<u>367,900</u>	<u>367,900</u>
Total Available	\$ 526,731	\$ 542,903	\$ 542,903	\$ 516,935	\$ 516,935
Less: Expenditures	<u>383,343</u>	<u>393,868</u>	<u>393,868</u>	<u>432,108</u>	<u>400,885</u>
Ending Balance	<u>\$ 143,388</u>	<u>\$ 149,035</u>	<u>\$ 149,035</u>	<u>\$ 84,827</u>	<u>\$ 116,050</u>

Ending Balance as

Percentage of Expenditures	37.4%	37.8%	37.8%	19.6%	28.9%
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MEMORANDUM

Kansas Legislative Research Department

300 S.W. 10th Avenue
Room 545-N - Statehouse
Topeka, Kansas 66612-1504
Telephone (913) 296-3181 FAX (913) 296-3824

October 15, 1993

To: Legislative Budget Committee
From: Legislative Research Department Staff
Re: Appropriations Process In Other States

Four states were selected for comparison to Kansas in regard to the appropriations process. These states are Florida, Mississippi, Oregon, and Texas. Responses to questions asked of contacts in these states are summarized in a comparison chart attached to this memorandum. Staff also have briefly summarized below for each of the four states the significant differences from Kansas in the appropriations process.

Florida

The appropriations process in Florida currently differs from the process in Kansas in a number of ways. In addition, the voters of Florida approved several ballot initiatives in November, 1992, which affect the budget process in Florida. The paragraphs below summarize the following:

- the appropriations process in Florida, specifically the role of the Legislature and legislative staff and the use of a single appropriations bill;
- the use in Florida of several different types of consensus estimating groups for both revenue and expenditure purposes; and
- a summary of the ballot initiatives approved by the voters as these initiatives impact the appropriations process.

Appropriations Process in Florida

The State of Florida has a legislative budget. By law, agencies are required to submit a legislative budget document reflecting the agency's independent assessment of its needs, outside of political, policy, or revenue constraints. The Legislature and legislative staff participate with the Governor's office in developing and issuing budget instructions to state agencies.

11/22/93

House Appropriations Cmte

Attachment 6

The following summarizes the basic steps that occur each year in the development of the state's budget.

Appropriations Cycle in Florida	
September 1	Each agency provides the Legislature with a copy of its legislative budget request, with copies to the Governor.
October	<p>The House and Senate Appropriations Committee begin developing their respective budget proposals, including:</p> <p>subcommittee hearings and workshops, with input from agencies and advocates;</p> <p>leadership development of basic policy guidelines on level of funding to be provided, the extent of program reductions, and programs that should receive emphasis; and</p> <p>if additional revenues are required to finance the leadership's programs, development begins on alternative means of raising revenues.</p>
February 15	At least 45 days prior to the legislative session, the Governor proposes a recommended balanced spending plan.
April-June	<p>Legislature in session.</p> <p>For each house, Appropriations Subcommittees receive guidelines and a revenue allocation. Each Subcommittee proceeds to develop a budget proposal which funds specific programs within those guidelines and allocations.</p> <p>By the fourth week in the session, each Subcommittee proposal is considered by the respective Appropriations Committee in each house. Amendments to the proposed appropriations bill may be offered by committee members, but by rule, amendments cannot increase the total amount of the bill. Thus, to add an item, another item must be cut.</p> <p>By the fifth week of the session, each body's appropriations act is considered by its full membership. The same rules apply regarding amendments. The products are the House and Senate Appropriations Acts.</p> <p>A Conference Committee meets to develop a compromise appropriations bill which must be accepted or rejected by the full membership of each house. The accepted conference report becomes the General Appropriations Act.</p>

Legislative staff play an active role in making recommendations based on the guidelines and directions developed by the leadership. In order to provide additional direction of legislative

intent to the Governor and agencies, and to help identify specific programs included in the budget, the Appropriations Committees produce a document called the General Appropriations Act and Summary Statement of Intent. This displays items of funding for major items that are embedded in the appropriations act.

Consensus Estimating Conferences

By statute, the State of Florida has developed several consensus estimating conferences, designating duties and certain principals to be involved in each conference. In addition to the revenue estimating conference, the following consensus estimating conferences are designated by statute:

Economic Estimating Conference. This Conference is charged with developing official information with respect to the national and state economies, including trend forecasts. In addition, this Conference is charged with evaluating and projecting the financial condition of the state employee group health self-insurance plan, with indications as to whether current premium rates are sufficient to fund the plan during the fiscal year. Principals involved include the Executive Office of the Governor, the Director of the Division of Economic and Demographic Research of the Joint Legislative Management Committee, and professional staff of the Senate and the House.

Demographic Estimating Conference. This Conference is charged with developing official information on the population of the state as needed for state planning and budget purposes. Principals include the Executive Office of the Governor, the Director of the Division of Economic and Demographic Research, and professional staff of the Senate and the House.

Education Estimating Conference. This Conference is charged with developing forecasts of student enrollments, fixed capital outlay needs, and school finance formula needs. Provisions are in place for school districts to request adjustments to the initial projections of enrollment. In addition to legislative and Governor's Office representatives, principals include the Associate Deputy Commissioner for Educational Management.

Criminal Justice Estimating Conference. This Conference is charged with developing forecasts of prison admissions by offense categories, as needed for the planning and budgeting process. In addition to legislative and Governor's Office representatives, the principals include a representative from the Supreme Court.

Social Services Estimating Conference. This Conference is charged with developing forecasts of social services caseloads, including subsidized child care caseloads, and the number of children eligible for subsidized child care. In addition to representatives of the Legislature and the Governor's Office, the principals include representatives with forecasting experience from the Department of Health and Rehabilitative Services.

Transportation Estimating Conference. This Conference is charged with developing information relating to transportation planning and budgeting, including cost indices. In addition to representatives of the Legislature and the Governor's Office, principals include a representative with budgeting experience from the Department of Transportation.

Child Welfare Estimating Conference. This Conference is charged with developing estimates and projects of the number of initial and additional reports of child abuse and neglect made

to the central registry, and the number of confirmation, estimates, and projections of the numbers of children in need of placement in an emergency shelter, and other information relating to child welfare which the conference deems necessary for planning and budgeting. In addition to representatives of the Governor's Office and the Legislature, the principals include a representative with budgeting experience from the Department of Health and Rehabilitative Services.

The statutes prescribe that, unless the principals of a conference unanimously agree otherwise, forecasts are required to be developed for a period of ten years. In addition, information developed by the Economic Estimating Conference and the Demographic Estimating Conference is to be used by all other consensus estimating conferences in developing their official information. Each state agency and the Judicial Branch are required to use the official information developed by the consensus estimating conferences in carrying out their duties under the state planning and budgeting system. The principals of a conference are also authorized to invite other persons to be participants for the purpose of supplying data, performing analysis, or providing other information requested by the conference. Sessions of conferences may be convened at the call of the Governor or the Legislature to develop official information for use in budget deliberations, or at the call of a principal to review information which is considered by that principal to be no longer valid, or to consider special impacts.

1992 Ballot Initiatives

Florida voters passed a constitutional amendment to require the assembly of a Budget and Tax Reform Commission under the state's *Constitution* once every ten years. The first commission began review of Florida's tax and budget system in 1990. By constitutional provisions, up to 27 months are allowed for review. Recommendations of the first commission were issued in 1992. The 29 members of the commission are primarily private citizens and business leaders appointed by the Governor and legislative leaders. Three legislators serve, without voting rights. The commission released a report on reform of Florida government, focusing on problems and deficiencies in the budgeting process. After the Legislature failed to enact the recommended changes, the proposals were placed on the November, 1992 ballot. The commission is empowered by the *Constitution* to place amendments directly before the voters if the state government fails, in the commission's view, to act upon its recommendations.

The stated purposes of most of the ballot initiatives was to increase the ability of the citizens of Florida to understand where money for state expenditures comes from, how it is appropriated, what goals are being met by the appropriation, how it is eventually spent, and the results achieved, so that those citizens can make better and more informed judgments.

The following summarizes the specific constitutional amendments approved by the voters. As noted, the provisions are phased in and in some cases require the passage of substantive legislation.

Annual Budgeting. Requires that effective July 1, 1994, general law must prescribe the adoption of annual state budgetary and planning processes and requires that detail reflecting the annualized costs of the state budget and nonrecurring costs accompany agency requests, and appropriations bills.

Appropriations Bill Format. Requires separate sections in the appropriations bill for major program areas in the budget; and an itemization of specific appropriations that exceed \$1.0 million, with that threshold adjusted every four years to reflect inflation.

Appropriations Review Process. Effective July 1, 1993, requirements must be prescribed for each department and agency of state government to submit a planning document and supporting budget request for review by the appropriations committees. The review must include a comparison of the major issues in the planning document and budget requests.

72-Hour Review Period. All general appropriations bills must be furnished to each member of the Legislature, each member of the Cabinet, the Governor, and the Chief Justice at least 72 hours before final passage by either house.

Final Budget Report. A final budget report is required to be produced no later than the 90th day after the beginning of the fiscal year.

Trust Funds. Prohibits creation of trust funds (dedicated revenue) without a 3/5 vote of the membership of each house. Terminates existing trust funds (with certain exceptions) within four years. The intent of this provision is to place the majority of revenue in the state's General Revenue Fund.

Budget Stabilization Fund. By FY 1998-1999, would require a sum of no less than 5 percent of net general fund revenue collected during the previous fiscal year be held in reserve for budget shortfalls.

State Planning Document and Department and Agency Planning Document Processes. On a biennial basis, the Governor is directed to recommend to the Legislature any revisions to the state's planning document. Each agency planning document is directed to include a prioritized listing of planned expenditures for review and possible reduction in the event of revenue shortfalls. In addition, a requirement is included for the enactment of a quality management and accountability program.

Mississippi

A review of the appropriations process in Mississippi indicates that there are three major differences from Kansas. First, a legislative budget rather than an executive budget is used as the base for adjustment by the full Legislature to make its annual appropriations, which makes the role of legislative staff in Mississippi similar to the Governor's budget staff in Kansas. Mississippi law requires that budget recommendations be prepared by both the Legislative Budget Office for the Joint Legislative Budget Committee and by the Governor. According to a representative of the state of Mississippi, little notoriety is given to the Governor's budget since the legislative rather than the Governor's budget is used as the base for adjustment by the full Legislature to provide for agency appropriations.

Mississippi law specifically gives staff of the Joint Legislative Committee the authority to require state agencies to submit budget requests in a form and at the level of detail that the legislative staff deems necessary. Through a cooperative agreement standardized budget forms are

approved by both the executive and legislative branches. In addition to budget forms very similar to Kansas, Mississippi has a specific form for identifying priority level of requested increases and for vehicle inventory and capital leases that currently exist. Also, a form is required to specifically identify any requested increase (or decrease) in funding with regard to amounts for continuation; expansion of existing activities; and creation of new activities. In addition, a new requirement has just been established for information on the impact that a 3 percent reduction in expenditures would have on an agency.

Mississippi's Joint Legislative Budget Committee, which consists of ten legislative members, first adopts general policy direction for staff with regard to critical issues of budget development. Issues involve policies with regard to elimination of vacant employment positions; prohibition of funding for reallocations and reclassification; prohibition of funding new or expanded programs without a statutory mandate; and the spend-down of special fund cash balances to offset requirements being imposed on the General Fund.

After receiving general policy direction from the Joint Legislative Budget Committee, the legislative staff provides their preliminary recommendations to the Committee in an executive session. The Committee makes its recommendations for publication to the Legislature following public hearings and after receipt of information from various resources.

Included in the resources is a state agency called the Central Data Processing Authority which provides various items of information regarding data processing needs and costs of state agencies. Each fall the Authority provides its evaluation of agency requests for purchasing data processing equipment and related services. Another state agency, the State Personnel Board, has a computer data base containing salary and job classification information of state employees. For agencies under its jurisdiction (excludes education agencies, legislative offices, and courts), the Board provides projections on costs for base salaries and fringe benefits along with projections on the mix of funding required between general fund and special funds and any cost savings associated with vacant positions. The Board also may recommend the deletion of vacant positions and the addition of new positions.

A second major difference from Kansas is that the Mississippi Legislature maintains much tighter controls over the funds appropriated. While Kansas tends to use lump sum appropriations to provide flexibility in spending authority, lump sum appropriations are used on a very limited basis in Mississippi. A quote from a December, 1992 Mississippi study called *The Mississippi Budgeting Process* by the Joint Legislative Budget Committee indicates why historically lump sum appropriations have had very limited use in Mississippi.

"When such flexibility is granted to an agency, the Legislature effectively delegates a portion of its constitutional authority to appropriate funds to an appointed official and necessarily loses its ability to target funds to specific areas of legislative priority. It must also be noted that such flexibility makes difficult any determination of compliance with legislative intent after the appropriation has passed since little legislative intent was expressed by the Legislature within the appropriation bill."

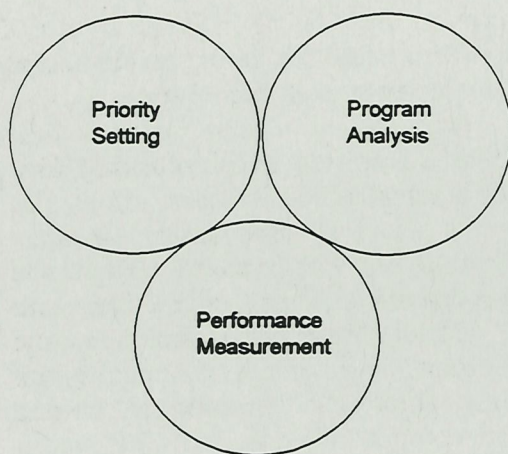
Generally, appropriations in Mississippi are by object of expenditure for each organizational unit of an agency. As an example, an appropriations bill for the Department of Public Safety has a line-item appropriation for travel for each division within the agency. There is a line-item appropriation for travel within the Division of Highway Safety Patrol and another line-item

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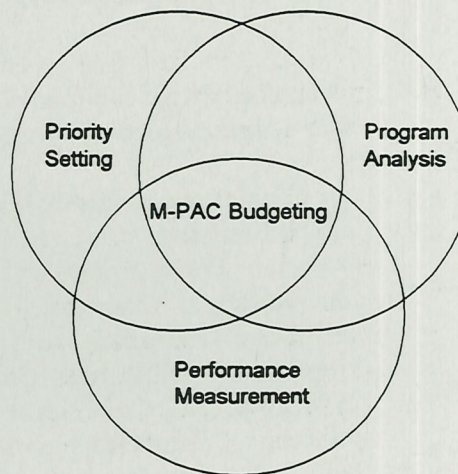
appropriation for travel within the Division of Support Services. Like Kansas, provisos are used to place further control on expenditures. Also, language usually is included in the appropriations bill to allow the executive branch to transfer funds between major objects of expenditure of the same organizational unit. Specific language also may be included to allow the executive branch to increase federal and nonfederal fee fund type expenditures, including increasing "limited time" positions that are entirely federally funded. Mississippi is now evaluating whether to move toward appropriating more by program rather than organizational unit within an agency. Recent computerization now allows tracking of expenditures by program of agencies.

The third major difference from Kansas is that Mississippi plans to use a new budget concept which places greater emphasis on use of performance measures to evaluate effectiveness of state agencies. This third difference is the result of recent legislation. During the 1992 Session, legislation was passed that among other things required the study and review of the state budgeting system with a comparison to all other states in order to identify additional recommendations for improving the budget process. Recent completion of this study has led to a new Measured Performance-Priority, Program Accountability Concept (M-PAC) budgeting format. Recommendations have been made to implement this form of budgeting in order to show linkages between the state's three elements of the budget process: priority setting, program analysis, and performance measurements. The goal of the new concept is to achieve accountability within state agencies and state government by linking funding resources provided with the results achieved (performance measures). Implementation of the recommendations on a pilot agency basis is just now beginning with staff work on the FY 1995 budget recommendations due out by December 15, 1993. Mississippi expects that it will take several years of experience with performance measures before including them in appropriation bills. A visualization of the state's three elements of the budgeting process is shown below along with the change that will occur from the new M-PAC budgeting concept:

ELEMENTS OF THE BUDGET PROCESS



M-PAC BUDGETING CONCEPT



Legislative staff will work with state agencies to reassess all existing agency programs. Existing program designations have generally lacked specificity and uniformity. When program designations have been uniformly established, existing performance indicators will be reassessed to change or establish indicators that will allow the Legislature to evaluate agency accomplishments in

comparison to prior and future funding levels. By having appropriate program and performance data, the Legislature will be able to better prioritize funding needs by looking at specific programs and the results to be achieved at given levels of funding.

Several things will be done in order to assure achieving accountability within state government. There will be monitoring of compliance and noncompliance with regard to legislative intent. Mississippi staff believe that this will especially be needed if lump sum appropriations become more prevalent. The monitoring process will begin with documentation of legislative intent and conclude with any resulting reports of noncompliance. Agency expenditures and operations will be monitored throughout the year through computer based analysis and field reviews of targeted agencies. In addition, an "expense reduction team" will be established to conduct periodic expense and program reduction conferences with agency managers. The purpose of the teams is to identify innovative, cost-saving ideas, recognize those that are innovators, and transfer ideas to other state agencies. Team members may include representatives from state agencies (such as Department of Finance and Administration, State Personnel Board, Department of Audit, and the PEER Committee). (The PEER Committee is a joint legislative committee that conducts evaluations of state agencies with regard to expenditures and performance.) Membership also may include those from the private sector. Coordination of the team will be by legislative budget staff. Further, more emphasis will be placed on budget-related field reviews in order to focus on the relationship of cost incurred versus results achieved for a particular agency or program. Finally, there will be ongoing selection of agencies for comprehensive sunset-type program evaluations by the PEER Committee. Reviews will be budget-oriented program evaluations in contrast to a management review format.

Oregon

e.g., Oregon's appropriations process differs from the one used in Kansas in several ways,

- ▶ Oregon's budget is biennial. Appropriations are made for an entire biennium. The budget is passed by a legislature that meets once each biennium.
- ▶ Appropriations decisions are made by a Joint Committee on Ways and Means. The 16-member Committee is divided into six standing subcommittees, for General Government, Human Resources, Natural Resources/Economic Development, Transport/Regulation, Education, and Public Safety. There are *ad hoc* subcommittees for capital improvements and pay raises for state employees. Subcommittees are composed of both House and Senate members. The Committee Co-Chairmen and Subcommittee Chairmen are appointed by the presiding officers of each house, with Subcommittee chairmanships rotating biennially. Subcommittee decisions are rarely challenged in full Committee. Committees of the Whole may return appropriations bills to Committee, but may not amend them. There are no conference committees on appropriations bills. (Oregon's legislative staff mention this as a very positive feature of their process.)
- ▶ Joint Committee rules prohibit minority reports, thus forcing subcommittees to work hard at finding compromises acceptable to all members.

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- ▶ The Legislative Fiscal Office provides a summary of the Governor's budget recommendations (approximately 100 pages) to all legislators. A more in-depth analysis of agencies' budget requests and the Governor's recommendations (similar to the Kansas Legislative Research Department's *Budget Analysis*) is reserved to the Joint Committee on Ways and Means. Legislative Fiscal Analysts not only provide analyses of budgets, but also make recommendations to Subcommittees on those budgets.
- ▶ There are about 140 appropriations bills (the Oregon Legislative Fiscal Office reports that the Oregon Legislative Assembly is working to reduce this number, however).

Perhaps the most salient difference between the Oregonian budgetary process and that employed in Kansas is Oregon's attempt to develop a method whereby the effectiveness of state spending can be measured, *i.e.*, *benchmarks* and *performance measurements*.

Oregon's benchmarks were not originally intended for use as a budgeting tool. In 1987, then Governor Neil Goldschmidt commissioned an evaluation of what was needed to ensure long-term growth while protecting that "quality of life for which Oregon is renowned." The evaluation was published in 1989 in the report *Oregon Shines: An Economic Strategy for the Pacific Century*. The report contained a plan for maintaining high quality of life, educating a superior workforce, and establishing in the state an "international frame of mind" that would allow the state to exploit its position on the Pacific Rim.

The report also recommended that a state agency be created to see that the suggestions contained in the report were implemented. On the basis of that recommendation, the Oregon Legislature, in 1989, created the Oregon Progress Board. The Board, whose membership comprises the Governor and eight gubernatorial appointees (subject to confirmation by the Senate; the appointees come from both public- and private-sector backgrounds; there are, however, no legislators on the Board), is assigned the task of designing a plan for Oregon's social, cultural, and economic progress over the next several decades. The Board must also report, once each biennium, to the Legislature on progress towards achievement of the goals outlined in the plan.¹ Such progress is measured by means of 158 *benchmarks*.

The benchmarks are meant to be measurable indicators of the state's well-being. They are meant to show results and outcomes, *e.g.*, changes in the state's literacy rate, rather than simply quantify activities, *e.g.*, the number of students served by schools, or per-pupil spending. The benchmarks encompass indicators from hate crimes to teen pregnancy to levels of air pollution.

The benchmarks are divided into three categories: benchmarks affecting people, those affecting quality of life, and those affecting the economy. Seventeen benchmarks were designated "lead benchmarks," meaning that they required immediate action. Thirteen benchmarks were called

¹ It is also the Board's responsibility to update the plan. The Board is to evaluate the relative importance of the various goals in the state's strategic plan in light of current circumstances, and, if necessary recommend modifications. As part of the continuing updating of the plan, the Board, in 1992, solicited input from more than 7,500 firms, community organizations, government agencies, and individual citizens.

"key," meaning that their effect on the well-being of Oregonians was fundamental. Key benchmarks included air quality, crime, literacy, and personal income.

What follows are some of examples of the benchmarks.

Benchmarks for People

1990	Lead	1995	1990	Key	2010
12	Hate Crimes per 10,000 People	5	35%	Adults Proficient at Written and Quantitative Skills	65%
9%	High Schoolers Enrolled in Technical Education	18%	46%	Adults with Good Health Practices	75%
89%	Babies Born to Drug-Free Mothers	95%	12th (of 15 Countries) ²	International Ranking of High School Seniors' Math Ability	1st
19.5%	Teen Pregnancy Rate per 1,000 Females	85%			

² Using the Ranking for the USA as a whole.

Benchmarks Affecting Quality of Life

1990	Lead	1995	1990	Key	2010
94%	Oregonians with Geographic Access to Health Care	96%	144	Crimes per 1,000 People	50
			? ³	Quantity of Groundwater	?
84%	Oregonians who can Afford Basic Health Care	90%			
			100%	Current Agricultural Lands, Forests and Wetlands Still Preserved for those Uses	99%
29%	Oregonians who Commute to Work Using Energy-Saving Transport (Carpools, Busses, Bicycles etc.)	40%			
			89%	Oregonians who Live Where Air is Clean ⁴	100%
89%	Oregonians who Live Where Air is Clean	100%			

³ Where no levels are specified, data are not yet available, and measures are being developed.

⁴ Clean air is both a short- and a long-term goal because clean air is a prerequisite for attaining other goals, and must be maintained over the long term.

Benchmarks Affecting the Economy

1990	Lead	1995	1990	Key	2010
28%	Lumber Industry Employees in Value-Added Manufacturing	39%	103%	Per-Capita Income as a Percentage of USA Average Portland	115%
8th	Oregon' National Ranking in Workers' Compensation Costs	20th-25th	85%	Rest of State	106%
			71%	Manufacturing Employees in Industries Other than the State's Largest	80%
?	Land Classified as Industrial That is Suitable for Development	100%			
			22%	Manufactured Goods Sold Overseas	50%
90%	Taxes <i>per capita</i> as Percentage of USA Average	90% to 100%			
			55%	Oregonians Working Outside Portland	55%

The Oregon Legislature gave approval to the benchmarks in 1991.

Election of a new Governor in 1990 and a fiscal shortfall of approximately \$1.0 billion (which came about through a popular initiative and referendum) led to the incorporation of the benchmarks into the budget-making process in Oregon.⁵ Governor Barbara Roberts saw the benchmarks as a tool for focusing scarce state revenues on popular goals, as well as a way to combat perceived public mistrust of government.

At the beginning of her administration, Governor Roberts asked state agencies to develop concrete mission statements, and to devote a portion of their resources to the achievement of certain benchmarks. Agency heads were required to rank their programs in order of importance, and to defend those programs before panels composed of other agency heads. The agency heads

⁵ The funding shortfall came about through a voter initiative limiting property taxes. By the 1995-1997 biennium, the measure will have removed \$2.8 billion from the state's \$7.0 billion general fund.

had to show the panels how each program contributed to the fulfilling of the agency's mission statement, and how programs promoted achievement of the benchmarks.

The goal of this exercise was to prod agencies into designing programs that would promote progress towards achievement of the benchmarks, and to encourage them to devote resources to those programs. For example, in response to a benchmark that envisioned a dramatic increase in the number of high school students entering technical-education programs (from 9 percent in 1990 to 55 percent in 2010), higher education gave more emphasis to the training of technical teachers.

In 1992, the Governor created a formal nexus between the benchmarks and agency funding. Agencies were directed to reduce their budget requests for the 1993-1995 biennium by 20 percent (!) from levels approved for the 1991-1993 biennium. Agencies were allowed to appeal the loss of funding in two ways:

1. First, agencies were given the opportunity to show that up to 10 percent of the lost funding was essential to the agency in carrying out its mission, as defined by the mission statements discussed above.
2. Then, agencies were given the chance to recover another 10 percent of the reduced funding by demonstrating a clear connection between requested expenditures and the 17 lead benchmarks.

Legislative reaction to the incorporation of the benchmarks into the appropriations process seemed generally to have been positive. The Speaker of the Oregon House, Larry Campbell, said that "the lead benchmarks [would] serve as a spotlight on a few critical issues. As we make progress, others will move into the lead category."⁶ The Legislative Fiscal Officer, John Lattimer, believes that "if agencies will collect data and maintain them in connection with clearly-defined mission and goals, it will simplify legislative audit of their performance."⁷ However, since the 1993-1995 biennium was the first budget cycle in which benchmarks were utilized in the appropriations process, it would be premature to say that benchmarks have become an important budget-evaluating tool for lawmakers. They do, though, have the potential of becoming such a tool.

The Oregon Legislature and the Budget and Management Division of the Executive Department are encouraging agencies to develop *performance measurements*. The performance measurements are meant to be stepping stones on the road to achievement of the goals set out in the benchmarks. Legislators and executive-branch budget officials want to see the results of agency activity; agencies have been warned specifically not simply to give activity measurements. Ideally, the performance measurements will allow legislators and citizens to determine whether moneys given to fund agencies and their programs are well spent, while, at the same time, giving them a glimpse of progress being made towards achievement of the benchmarks.

⁶ *State Legislatures*, July, 1992, page 34.

⁷ *Ibid.*

Mr. Lattimer reported that the Budget and Management Division is offering training to agencies on the establishments of performance measurements, and that a new statewide accounting system is being developed which links performance measures and agency funding.

The linking of benchmarks to agency funding is a process that is still in its early developmental stages. While there is anecdotal evidence to show that some lawmakers involved in the appropriations process have found benchmarks useful, it is still too early to say whether the benchmarks have caused any fundamental change in the way Oregon's government spends its taxpayers' dollars, or whether they have had any permanent effect on the way Oregon's state government does business. Even at this early stage, however, there are some evident lessons that can be drawn from Oregon's experience:

- ▶ The Oregon Progress Board and the benchmarks that the Board has developed have enjoyed widespread popular support, as well as bipartisan support within Oregon state government. Shortly after her election, Governor Barbara Roberts appointed her opponent to the Progress Board. The legislation adopting the benchmarks was approved by large margins, both in the Republican-controlled House, and the Democratically-controlled Senate. This has helped to keep the benchmarks from simply being the *demier cri* of budget reform, to be abandoned as soon as the next fad comes along.
- ▶ The establishment of the Oregon Progress Board has helped to institutionalize the role of benchmarks in Oregon state government.⁸
- ▶ Whether a budgetary process based on outcomes will succeed depends on the accuracy of the data given to lawmakers involved in the appropriations process. Oregon's experience with benchmarks shows that measuring the results of government programs is very difficult. For example, social-service agencies often do not follow the progress of their clients. If an agency does track a client's progress, for how long should such tracking continue? Information of this nature is hard to collect, and is expensive to maintain. Faced with such difficulties, some agencies gravitate towards activity measurements, e.g., numbers of clients processed, or numbers of students enrolled. Such numbers can be useful, but they say nothing about the quality of services rendered, or the benefits derived from those services. Oregon has an advantage with regard to the collection of data in that it performs its own census; it can tailor census questions to collect information necessary in establishing baselines for the benchmarks and evaluating progress towards goals. It has also performed special surveys in order to establish benchmark baselines.
- ▶ The Speaker of the Oregon House believes that the benchmarks will, over the long term, be useful in helping legislators to withstand pressure from interest groups. With solid performance data, it will, he believes, be easier for the Legislature to eliminate politically-popular but ineffectual programs.⁹

⁸ The Progress Board has a staff of four people. Other staff are borrowed as needed from state agencies for specific projects.

⁹ *State Legislatures*, July, 1992, page 35.

For state governments under pressure to demonstrate to taxpayers what sort of return they are getting on their investment, Oregon's model could be useful, in spite of its difficulties. As the Oregon Progress Board remarked in its report to the 1993 Legislature: "By staying focused on outcomes, and by keeping track of results, leaders . . . can reset priorities, and adapt and modify programs as they learn what works."¹⁰

Texas

Background

Texas is one of seven states which has biennial legislative sessions and also biennial budgets. Texas has recently implemented a "performance- and achievement-based budgeting process," or "Strategic Planning and Budgeting System" (SPB) for the 1994-1995 fiscal biennium (September 1, 1993 to August 31, 1995). Under this newly-adopted budgeting system, each state agency must prepare a six-year strategic plan that outlines a mission statement; agency goals, objectives, and strategies; and measures of outputs, outcomes, and efficiency. The agency plans are to be merged by the Governor's Budget Office and the Legislative Budget Board into a long-term strategic plan for the state. According to information supplied by the Texas House Research Organization, "Writing the State Budget," the strategic plan is intended to define a state agency, its services, objectives, and goals, and its plans to achieve its goals. The agency appropriation will be tied to the objectives in its strategic plan, and the agency's performance will be measured against the specific goals in its plan. The agency must develop goals that focus the agency's efforts on clearly-defined purposes; the agency must then specify its expected accomplishments (objectives) and actions (strategies) to achieve the objectives. The Texas process distinguishes strategies (the methods an agency intends to use to achieve its goals and objectives) from objectives (what an agency wants to achieve).

Also central to the new Texas budgeting system are the concepts of various performance measures: these are termed outputs, outcomes, and efficiency measures. Output measures relate to the quantity of a service provided or a good produced (for example, the number of road projects completed or home health care visits accomplished). Outcome measures are tools or indicators which illustrate the result of impact of the output (for example, the decrease of undernourishment in children who receive free school lunches). Efficiency measures relate to the cost or time taken per unit of output or outcome (the cost per highway mile constructed or the cost per library book). (Agencies also develop action plans to detail how a strategy is to be implemented within the agency; however, agency action plans are not included in the strategic plans submitted to the Governor and the Legislature.)

Each state agency must prepare a spending request for the upcoming budget period; these are termed Legislative Appropriation Requests (LAR) and are composed of the agency strategies. An example of an agency strategy request is appended as Figure A. The agency budget request is organized according to the strategies it intends to implement; each agency strategy is listed in order of priority. The appropriations request includes the following items for each agency: each

¹⁰ Ibid.

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strategy (how to achieve objectives), its cost, outcomes (results and impacts), outputs (quantity of service); capital expenditures; objects of expenditure (what is to be purchased); method of financing the expenditures; justifications (narrative); priority allocation table (rank of strategy); number of FTE positions; and a summary of the total request. Before an agency submits an appropriations request, the Governor's Budget Office and the Legislative Budget Board must approve the agency's goals, objectives, strategies, and performance measures.

The Legislative Budget

Since 1951, the Governor's Budget Office (GBO) and the Legislative Budget Board (LBB) have traditionally submitted separate budget recommendations to the Legislature. The LBB submits its proposed state budget to the Governor and each legislator in a document called the "Legislative Budget Estimates." The "Legislative Budget Estimate" document includes agency spending figures for previous years, budget amounts requested by the agency, the amounts recommended by the LBB, the methods of financing the recommendation and the percent change, the number of employees, and the amounts for capital outlays and capital improvements.

The Director of the LBB is required to submit an appropriation bill conforming to the LBB budget within seven days of the beginning of the legislative session. The Governor is also required to submit a budget recommendation by the fifth day of each session; however, the Governor's budget is usually only a general narrative of spending priorities presented in a speech. The LBB may submit more than one budget, based on different budget assumptions; in 1987 three different budgets were prepared by legislative staff to reflect different budget assumptions. In actuality, the Legislature uses the budget prepared by the LBB as the starting place for budget review.

The LBB is a ten-member joint committee established in 1949. The Lieutenant Governor serves as Chair and the House Speaker is Vice-Chair. Other members include the Chairs of the House Appropriations and Ways and Means committees and the Senate Finance and State Affairs committees. The Lieutenant Governor and the House Speaker each appoint two additional members from the Senate and House, respectively. Under the new budgeting process in Texas, the LBB is expected to play a major role in evaluating agency performance between legislative sessions and adjusting the state budget through budget execution authority (discussed below).

The LBB controls a 100-member LBB staff (often called the Legislative Budget Office or LBO). The LBO staff includes budget, program evaluation, and support sections, and a new Medicaid Analysis and Cost Control Office and a revenue analysis group. The LBB staff receive appropriations requests from state agencies and hold joint hearings with the GBO. As noted above, the LBB submits its budget recommendation to the Legislature for legislative review and action.

Legislative Budget Review

Only one appropriations bill, termed the General Appropriations bill and drafted by the LBB, is introduced. The House Appropriations Chair divides the one bill up among 21 "budget and oversight" subcommittees and six substantive committees for initial review. The 21 chairs of these subcommittees are also members of the House Appropriations Committee, and their recommendations are sent to the full Committee. These subcommittees hold public hearings to review agency budgets, and legislative staff prepare fiscal notes and impact statements for substantive bills.

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In the Senate, the 13-member Finance Committee conducts all the hearings on the general appropriations bill and makes its recommendations. As in Kansas, once the House and Senate have adopted their versions of the appropriations bill, the bill is sent to conference committee to resolve whatever differences may exist. After the bill is approved by each house, it is sent to the Comptroller who must certify that the state will have enough revenue to cover the spending approved in the bill. (Generally, the Legislature will not approve an appropriation bill unless the Comptroller has indicated that the revenues are sufficient.) The Governor does have the power to veto line item appropriations.

The General Appropriations Bill

The General Appropriations Act bill is organized into eight articles. The section for each agency lists the proposed appropriations by line item for each year of the biennium, the funding may be listed by program or as a single-line lump sum. Each section also specifies the revenue sources and funding mechanism for agency spending, and a rider (a general provision paragraph) sets out the capital budget for each agency, listing all capital expenditures and their funding source. Also included in the bill are sections which set out a schedule of the salaries of exempt positions (agency employees not covered by the state salary plan); "key performance targets" for each agency listing specific performance objectives to be achieved; riders expressing detailed instructions for the operation of the various agencies; some "contingent appropriations" which appropriate money contingent on the passage of a specific bill; and a section of general provisions governing all state agencies.

Adjustments to the Approved Budget

The Legislature may modify the budget after it has been approved. Since the regular session begins in January, with nine months remaining in the two-year budget cycle, agencies may ask for supplemental appropriations until the new budget period begins in September. However, the Governor must designate such requests as "emergency matters" for the House to consider them during the first 120 days of the regular session. Also, the Legislature may reduce appropriations during this remaining period of the budget cycle.

Of more importance to the new budgeting process in Texas is a 1987 constitutional amendment which allows changes to be made in appropriations when the Legislature is not in session. Under this provision, the Governor and the LBB, acting together, may use "budget execution authority" to make changes in state agency appropriations. A budget execution order may: prohibit an agency from spending an appropriation; change the purpose for which an agency may spend the money; change the time that an appropriation is distributed to an agency; or transfer an appropriation from one agency to another. Either the Governor or the LBB may propose a budget execution order when the Legislature is not in session. The proposed order may be ratified, rejected, or changed by the Governor and the LBB, acting jointly.

Budget Oversight

The new Texas system is intended to allow for greater oversight and monitoring by the Legislature. The new procedure includes performance targets, quarterly progress reports, and LBB staff assessments of agency performance. State agency spending is also monitored by management

and financial audits by the State Auditor; program evaluations by the LBB program evaluation section; Sunset Review under the Texas Sunset Act; and performance reviews by the Comptroller.

In summary, the newly-adopted budget system in Texas ties the agency appropriation to its goals, objectives, and strategies. An agency's progress is judged by output measures (the quantity of a service provided), outcome measures (the result or impact of the output), and efficiency measures (the cost or time taken per unit of output). An agency's progress toward achieving its strategic goals and objectives is monitored (through performance targets, quarterly reports, and LBB assessments). The agency's progress (or lack of progress) in meeting its goals may trigger spending adjustments. The Texas system has been in operation only for a short period of time and it is premature to expect to see any evaluations of the system at this time, even though it is likely that a number of states are watching the Texas experiment to see whether any elements of the new system would be usable in their budgeting process.

CHART A: COMPARISON OF STATES APPROPRIATIONS PROCESS

October 15, 1993

11/22/93

QUESTION ASKED	S T A T E S				
	KANSAS	FLORIDA	MISSISSIPPI	OREGON	TEXAS
1. Executive or legislative budget?	Executive budget which is adjusted by the Legislature.	Legislative budget due September 1 each year. Budget instructions are jointly developed by the Governor and the appropriations committees. The Governor submits recommended spending plans to the Legislature at least 45 days prior to the session (February 15). The appropriations bill is introduced in each House based on committee recommendations on the budget.	The law requires budget recommendations be prepared by <u>both</u> the Legislative Budget Office for the Joint Legislative Budget Committee and by the Governor. Due dates are December 15 each year for the legislative budget and on or before November 15 (except for the first year of a new term when the due date is January 31) for the Governor's budget.	Executive budget adjusted by the Legislature.	Since 1951, the Governor's Budget Office (GBO) and the Legislative Budget Board (LBB) have traditionally submitted separate budget recommendations to the Legislature. However, the Governor's budget is usually only a general narrative of spending priorities presented in a speech. In actuality, the Legislature uses the budget prepared by the LBB as the starting place for budget review.
2. Annual or biennial budget?	Annual budget.	Annual budget.	Annual budget.	Biennial budget approved by a biennial legislative session (appropriations are made for the entire biennium, rather than for each year of the biennium).	Biennial budget.
3. Information submitted by a state agency in its budget request?	For three fiscal years (prior, current, and upcoming), object of expenditure format by program along with supplementary detail information of financing, fee revenues, salary calculations, proposed new programs, and justification for expenditure request. Governor's staff determines form and format for agency's budget request.	As in Kansas, agencies submit budget information for three fiscal years (prior, current, and upcoming). Agencies present issue summaries which detail estimated expenditures to continue current programs and the cost of any improved programs. Nonrecurring expenditures are specifically identified. Program objectives and measures are incorporated reflecting workload measures and staffing ratios. Agencies also include a priority listing of agency budget issues.	Similar to Kansas except that standardized budget forms are subject to approval of the legislative rather than executive branch. Through cooperative agreement, the forms are approved by <u>both</u> the executive and legislative branches. Also, unlike Kansas, Mississippi has specific forms to identify priority of requested increases and for vehicle inventory and capital leases currently existing. Also, supplemental forms are required to specifically identify any requested increase (or decrease) in funding with regard to amounts for continuation; expansion of existing activities; and creation of new activities. In addition, a new requirement is for information on the impact that a 3 percent reduction in expenditures would have on an agency.	Agencies submit data from the preceding biennium (i.e., estimated expenditures) along with the request for the coming biennium. The request contains a breakdown of expenditures by object code and by fund (General Fund, Other Funds, Other Funds [Nonlimited] and Federal Funds), as well as narrative justification for requested funding.	Beginning with the FY 1994-95 state budget, a new format will be used which focuses the appropriations process on outcomes instead of dollars. This "performance and achievement-based budgeting process," or "Strategic Planning and Budgeting system" (SPB), is intended to enhance legislative oversight. Each executive branch state agency is required to develop a six-year strategic operating plan. Agency plans are merged by the GBO and LBB into a long-term strategic plan for the state. The appropriations request includes each strategy (how to achieve objectives), its cost, outcomes (results), outputs (quantity of service); capital expenditures; objects of expenditures; method of financing the expenditures; justifications (narrative); priority allocation table (rank of strategy); number of FTE positions; and a summary of the total request.

Attachment 7
House Appropriations Committee

ATT 7

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QUESTION ASKED	S T A T E S				
	KANSAS	FLORIDA	MISSISSIPPI	OREGON	TEXAS
4. Format for communicating Governor's recommendation to Legislature?	Governor presents before joint meeting of two houses and submits two or more volume report prepared by Governor's staff. Recommendations are in an object of expenditure format for each agency.	The Governor's recommendations basically utilize the agency recommendations format if the issues are the same. The process is computerized. The Governor's staff basically fills in a column on the database. For additional or altered issues, staff work papers are submitted and formal presentations are made to the respective subcommittees.	Usually the Governor's staff appears before the appropriations committee of each legislative house to give a brief presentation. Also, the Governor's recommendations are published in a program format by each agency.	The Governor's budget book is, essentially, a narrative summary of her recommendations. More extensive information is provided to the Legislative Fiscal Office, and is transmitted, along with an LFO analysis, to appropriations subcommittees.	The Legislative Budget Board submits its proposed state budget to the Governor and each legislator in a document called the "Legislative Budget Estimates." The Governor is also required to submit a budget recommendation by the fifth day of each session; the Governor's budget is usually only a general narrative of spending priorities presented in a speech. (The LBB may submit more than one budget, based on different budget assumptions.)
5. Format for legislative staff to provide budget analysis to Legislature?	Overview and detail of agency's "C" level (unlimited) budget request which is compared to Governor's recommendation in a one volume document.	The staff of the Appropriations committees make recommendations based on the agency's request. They also have access to the Governor's recommendations, which are submitted 45 days prior to the legislative session. This occurs the month before the legislative session. The information is presented in what is essentially a worksheet. The top part includes detail needed for the appropriations bill. Below, major issues are detailed in what is known as a summary statement of intent. This short summary includes no narrative but details the portion of expenditures and FTE in the bill which equate to current programs and improved programs and specifically identifies adjustments to current year expenditures.	For budget requests, agencies provide one level instead of "A," "B," and "C" levels to the executive and legislative branches of government. No restrictions or limits are placed on funding requests except that funds for a general salary increase cannot be included. After general policy direction by the Joint Legislative Budget Committee to staff regarding critical issues of budget development, the legislative staff make their preliminary recommendations for budget adjustments to the Committee in an executive session. Following public hearings and adoption of a legislative budget by the Committee, the recommendations are published in a report to the Legislature. <u>See footnote (a).</u> Recommendations are in an object of expenditure by program format for each agency.	The Legislative Fiscal Office provides an analysis (approximately 100 pages) of the Governor's recommended budget. The analysis takes the form of a summary, and makes extensive use of tables, charts, and graphs. Programs are emphasized, rather than object-code expenditures. In addition, an in-depth analysis of each agency budget is provided to subcommittees of the Joint Committee on Ways and Means; these are analysts' working documents and not public documents. Legislative analysts make recommendations to Ways and Means subcommittees.	The "Legislative Budget Estimate" document includes agency spending figures for previous years, budget amounts requested by the agency, the amounts recommended by the LBB, the methods of financing the recommendation and the percent change, the number of employees, and the amounts for capital outlays and capital improvements.
6. Number of appropriation bills during a session?	Around 20.	One General Appropriations Act. Supplemental appropriations acts are passed if needed during the year. Substantive bills may include appropriations; if so, the bill is required to go through the Appropriations Committee.	Around 118 (each agency has its own appropriations bill).	About 140; there is one or more appropriations bills for each agency; the Oregon Legislative Fiscal Bureau reports that it is attempting to reduce the number of appropriations bills.	One.

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QUESTION ASKED	S T A T E S				
	KANSAS	FLORIDA	MISSISSIPPI	OREGON	TEXAS
7. Format for appropriation bills?	<p>Except for capital improvements, appropriated by fund or funds for each agency with some agencies having State General Fund moneys appropriated into separate accounts for salaries, other operating, or special purpose items. Capital improvements appropriated in a separate bill by project. Also, use of provisos to control expenditures and Governor may be authorized to accept and expend new federal grants previously not authorized by the Legislature.</p>	<p>The appropriations bill includes specific appropriations for salaries and benefits, other personal services, expenses, capital outlay, and certain lump sum expenditures associated with specific budget adjustments. Funding sources are indicated. Bill sections include general operations; nonoperating aid to local units; funds to be transferred between state agencies; payments of pensions, benefits, and claims; instructions regarding approved salary and benefit increases; and capital improvements. Specific language similar to Kansas provisos directs expenditures for certain purposes, or expresses the legislative intent. Positions are designated in most cases by division. Separate informational pages are included in the back of the appropriations bill detailing departmental budget totals by funding source and authorized positions.</p>	<p>Although lump sum appropriations have been used to provide for flexibility in spending on an individual basis (for example, regents institutions), historically, the state has appropriated moneys by object of expenditure for each organizational unit of an agency with allowances for the executive branch to transfer funds between major objects of expenditure of an organizational unit. Specific language may be included to allow the executive branch to increase federal and non-federal fee fund type expenditures, including increasing "limited time" positions that are federally funded. Mississippi is now evaluating whether to move toward appropriating more by program rather than organizational unit within an agency. Like Kansas, provisos are used to place further control on expenditures.</p>	<p>Appropriated moneys are broken down by fund (General Fund, Other Funds, Other Funds [Nonlimited], and Federal Fund; agencies are limited in their number of authorized positions and FTE positions. Capital construction projects are deliberated by a special <u>ad hoc</u> subcommittee and are, apparently, in a separate bill.</p>	<p>The General Appropriations Act bill is organized into eight articles. The section for each agency lists the proposed appropriations by line item for each year of the biennium, the funding may be listed by program or as a single-line lump sum. Each section also specifies the revenue sources and funding mechanism for agency spending, and a rider (a general provision paragraph) sets out the capital budget for each agency, listing all capital expenditures and their funding source. Also included in the bill are sections which set out a schedule of the salaries of exempt positions (agency employees not covered by the state salary plan); "key performance targets" for each agency listing specific performance objectives to be achieved; riders expressing detailed instructions for the operation of the various agencies; some "contingent appropriations" which appropriate money contingent on the passage of a specific bill; and a section of general provisions governing all state agencies.</p>

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QUESTION ASKED	S T A T E S				
	KANSAS	FLORIDA	MISSISSIPPI	OREGON	TEXAS
8. Appropriation decisions made by?	Initially by subcommittees of appropriations committees before going to full committee and then legislative houses.	Initially by subcommittees of the Appropriations Committees. The Committee introduces an Appropriations Bill based on recommendations of the Subcommittees. Little change occurs at the Committee level due primarily to a rule that amendments cannot increase the total amount of the bill. In order to add an item, something else must be cut. Both Houses act on budgets concurrently. Subcommittee presentations generally occur the 3rd or 4th week of the session. By the 5th week, each body's appropriations act is considered. The same rules apply to floor debates. Conference committees confer on differences between the House and Senate Appropriations Acts. The accepted Conference Report, which can be rejected but not amended by the houses, becomes the General Appropriations Act.	Initially by Joint Legislative Budget Committee and then by subcommittees of appropriation committees before going to legislative houses.	Initially by subcommittees of the Joint Committee on Ways and Means; subcommittees have both House and Senate members. There are six standing subcommittees (for General Government, Human Resources, Natural Resources and Economic Development, Transportation and Regulation, Education, and Public Safety); <u>ad hoc</u> subcommittees are established for capital construction and state employee salaries; bills go to full House and Senate after Committee review. There are no floor amendments; a chamber can accept an appropriations bill or send it back to Committee. An attempt during the last session to split the work of appropriations review between House and Senate subcommittees is seen to have failed and is unlikely to be repeated.	Initially by budget and oversight subcommittees before going to full House Appropriations and Senate Finance Committees for review.
9. Level of review by those making appropriation decisions?	Generally more detailed for larger agencies or those receiving State General Fund moneys.	Review is more detailed for agencies with a large amount of General Fund. Review is incremental, but adjustments are made for nonrecurring expenditures. The system emphasizes the importance of the base by requiring agencies to detail dollars needed to continue current programs and the amount needed for new or improved programs.	Like Kansas, the level of review for General Fund agencies is more detailed with recommendations covering all elements set forth in appropriation bills.	Review is more intense on bills with large amounts of General Fund moneys, and on appropriations bills for natural resource agencies (because of the policy ramifications inherent in those bills).	Subcommittees hold public hearings to review agency budgets, and legislative staff prepare fiscal notes and impact statements for substantive bills.

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QUESTION ASKED	S T A T E S				
	KANSAS	FLORIDA	MISSISSIPPI	OREGON	TEXAS
10. Reports of appropriations during and after the session?	Computer tracking of expenditures during the session, along with appropriation bill explanations and subcommittee reports. Also, a summary of appropriation for each agency in one report that is issued after session by legislative fiscal staff. (Governor's staff may issue a separate report comparing final appropriations to Governor's recommendations.)	Subcommittee reports and bill explanations are not prepared. Computerized worksheets are used for the major items of appropriations. Subcommittees present an abbreviated version of these data sheets. The fiscal analyst prepares supplemental information on major issues. After the session, the Appropriations committees produce the General Appropriations Act and Summary Statement of Intent. This document displays funding for major items that are embedded in the Appropriations Act to provide additional direction to the Governor and agencies and to help identify specific program recommendations. Also produced is a Fiscal Analysis in Brief summarizing all fiscal legislation enacted during the previous session.	Subcommittee reports or bill explanations are not used in Mississippi. Rather, a worksheet explaining an agency's appropriation is prepared by a fiscal analyst for use by the appropriation committees. A copy of the actual appropriation bill is used by the full legislative houses. Computer tracking of expenditures for each agency is done by individual fiscal analysts with a merging of information during conference on appropriation bills to ensure a balanced budget is adopted. Like Kansas, a summary of funding for each agency and information on the state budget as a whole is published by legislative staff after the close of each session.	Budget reports, containing tabular and narrative explanations of Subcommittee action, are provided to the Legislature. After the Session, the Legislative Fiscal Office writes a summary for the Legislative Adopted Budget for the biennium.	The House Research Organization provides a narrative summary of the important aspects of the appropriations bill. The Legislative Budget Board produces the actual bill, a similar narrative summary, and the "Fiscal Size-Up," which describes state services and programs.
11. Major budget reforms in recent years?	1990 legislation mandates the Governor and Legislature to set targeted year-end General Fund balances when they adopt expenditures for the pursuing year. Also, the legislation authorizes the Governor to issue orders subject to approval of the State Finance Council to reduce General Fund expenditures and demand transfers if balances for the General Fund are below \$100 million.	A Taxation and Budget Reform Commission was created by the voters of Florida to operate every ten years. The first recommendations were made in 1992. The recommendations were placed on the November, 1992 ballot. Several initiatives were approved by the voters detailing requirements for sections of appropriations bills and the automatic sunset of existing trust (special revenue) funds within four years. The Commission also recommended fuller integration of performance measures into budget deliberations, and voters approved a measure requiring that legislation be passed to establish a quality management and accountability system.	1992 legislation reformed financial management practices to limit annual budget recommendations and appropriations to no more than 98 percent of projected revenues and established a rainy day fund with a transfer of year-end balances to provide for a means of getting money into the fund. Also, the legislation required the study and review of the state budgeting system with a comparison to all other states in order to identify additional recommendations for improving the budget process.	Oregon has adopted a number of benchmarks which are considered to be indicative of quality of life in the State. The Governor and Legislature are attempting to bind the appropriations process to the benchmarks. Agencies are currently being encouraged to develop performance measures (which are meant to show outcomes, and not simply be activity measures; the outcomes are meant to be steps towards achievement of the benchmarks), so that people involved in the appropriations process can monitor progress in achievement of the goals set out in the benchmarks. <u>See memorandum.</u>	Texas has just switched to a "performance- and achievement-based budgeting process" for the 1994-1995 fiscal biennium (September 1, 1993 to August 31, 1995). Each state agency must prepare a six-year strategic plan that outlines a mission statement; agency goals, objectives, and strategies; and measures of outcomes and efficiency.

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QUESTION ASKED	S T A T E S				
	KANSAS	FLORIDA	MISSISSIPPI	OREGON	TEXAS
12. Use of performance or outcome measures for budget review and appropriations process?	<p>Little to none, although may be discussed generally during the review and appropriations process. Agencies are required to submit program objectives and performance measures in their budget document. Selected measures are published in the Governor's budget report. In the past, most indicators have been measures of workload rather than outcome.</p>	<p>State agencies are required to develop five-year strategic plans to provide the "strategic framework" from which an agency's legislative budget request is developed. The plan must be submitted three months prior to the budget submission, and must be preceded by a 21-day public comment period. The Governor's Office, with consultation from the President of the Senate and the Speaker of the House, prescribes the form and manner of the plans. By September 1 of each year, an annual performance report must also be submitted by each agency to evaluate the attainment of the agency objectives in the agency strategic plan. The agency's budget request does include certain performance measures; however, these have not been extensively used in the budget process. The 1992 ballot initiative required that a bill be passed to establish a quality management and accountability system.</p>	<p>Historically, limited. However, the 1992 budget reform legislation discussed in question No. 11 above has led to a new Measured Performance - Priority, Program Accountability Concept (M-PAC) budgeting concept. Recommendations have been made to implement this form of budgeting in order to show linkages between the state's three elements of the budget process: priority setting, program analysis, and performance measurements. The goal of the new concept is to achieve accountability within state agencies and state government by linking funding resources provided with the results achieved (performance measures). Implementation of the recommendations on a pilot agency basis is just now beginning with staff work on the FY 1995 budget recommendations due out by December 15, 1993. Mississippi expects that it will take several years of experience with performance measures before including them in appropriation bills.</p>	<p>Extensive use of benchmarks and performance indicators. Attempts are being made to link the budgeting process to the benchmarks and performance indicators. A new statewide accounting system is currently being developed that will link funding to performance indicators. The process is still in its formative stages. <u>See memorandum.</u></p>	<p>The newly-adopted budget system in Texas ties the agency appropriation to its objectives and strategies. An agency's progress is judged by output measures (the quantity of a service provided), outcome measures (the result or impact of the output), and efficiency measures (the cost or time taken per unit of output). An agency's progress toward achieving its strategic goals and objectives is monitored (through performance targets, quarterly reports, and LBB assessments). The agency's progress (or lack of progress) in meeting its goals may trigger spending adjustments between legislative sessions.</p>

a. The law requires one report for legislative and executive recommendations, but the recommendations for each government branch have been published separately. A summary spreadsheet comparing the two recommendations for each state agency is provided.

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MEMORANDUM

Kansas Legislative Research Department

300 S.W. 10th Avenue
Room 545-N - Statehouse
Topeka, Kansas 66612-1504
Telephone (913) 296-3181 FAX (913) 296-3824

October 11, 1993

To: Legislative Budget Committee
From: Alan Conroy, Chief Fiscal Analyst
Re: Budget Process Reform

Chairman Chronister requested that the Legislative Research Department review recent activities in other states concerning budget process reform. This memorandum will review recent legislative interim activities concerning budget process reform, the Kansas budgeting process, and a general overview of various budget processes in other states. A separate memorandum will provide a specific review of the budget process in five other states.

Interim Studies

During the 1989 interim, the Special Committee on Federal and State Affairs/Governmental Organization in Proposal No. 24 was charged with considering structural changes that might contribute to the more efficient operation of a part-time Legislature. The Special Committee made several recommendations concerning a legislative code of ethics, committee meeting facilities, the length of term of legislators and number of Senators, assignment of interim committee bills, and addressed two areas of the budget process. The Committee proposed discussions between the Executive Branch and Legislative Branch to determine when and under what conditions it might be possible for the Executive Branch to transmit to Legislative Branch personnel gubernatorial budget recommendations for various agencies in advance of the formal budget presentation by the Governor. In recent nonelection gubernatorial years, the Division of the Budget has provided selected agencies' budget recommendations several days in advance of the Governor's legislative message. The Special Committee also conducted a preliminary inquiry concerning the desirability of adopting a biennial state budget. However, due to time constraints the Special Committee did not make any formal recommendations on the topic other than to recommend that the Legislative Budget Committee further study the issue.

During the 1988 interim the Legislative Budget Committee explored changes to the legislative process which might be beneficial, particularly in regard to providing an opportunity for legislative consideration of all Governor's vetoes and to easing time constraints on final adoption of conference committee reports. The Committee also reviewed in detail possible changes to the legislative process at both the beginning and end of the session. One of the concepts discussed was that the Legislature would take a two-week recess beginning the week following the presentation of

11/22/93
House Appropriations Cmte
attachment 8

the Governor's budget message. During the first week, no legislative meetings would occur so that legislative staff could concentrate on the budget analysis report and staff of the Revisor of Statutes could concentrate on drafting bills of individuals. During the second week, the Ways and Means and Appropriations committees would meet to consider nonappropriation bills and conduct hearings. The 1989 Budget Committee requested that the legislative leadership consider possible changes but recognized that it might not be feasible to implement any major changes to the legislative calendar until the 1990 Session.

The 1980 Special Committee on Ways and Means under Proposal No. 19 was charged with reviewing the processes used by the Legislature in reviewing, analyzing, and acting on the state budget. The Committee made no specific recommendations; however, the Committee discussion emphasized the importance of establishing an informational base and an abundance of alternatives on budgeting from which changes in budgeting practices could be made in the future.

Several times in the past, staff of the Research Department have provided information to legislative committees and individual legislators on states which develop an independent legislative budget and on issues involved if Kansas were to change to such a system.

Kansas Budgeting Process

From statehood until 1877, the Legislature met in regular session each year. For the next 78 years, through 1955, regular sessions were held biennially in the odd-numbered years. So that the Legislature could meet to review and adopt an annual budget instead of the previous biennial ones, a constitutional amendment was adopted in 1954 which required a budget session, limited to 30 calendar days, to consider budgetary and related revenue matters only. The first budget session was held in 1956. At the November, 1966 election, the voters approved a constitutional amendment which provided for annual general sessions. The session in the odd-numbered year was unlimited unless the Legislature itself adopted restrictions. In the even-numbered years, the session was limited to 60 calendar days unless two-thirds of the elected members of each house voted to extend it. An amendment adopted by the voters in the 1974 general election extended the duration of the session held in the even-numbered years to 90 days, still subject to extension by a vote of two-thirds of the elected membership of each house.

The Kansas budget process was significantly modified in 1981 under Governor John Carlin. The chief architect of these modifications, then Budget Director Lynn Muchmore, was co-author of a monograph, *The Kansas Process: Concept and Practice*. This monograph explains the concepts and operations of the Kansas budget system, sometimes termed the "balanced base budgeting" system. Central to the system is the allocations process. The Governor uses revenue estimates, derived from a team of outside economists and the Governor's fiscal staff, to determine a base level of expenditures from the State General Fund. The Governor then allocates expected State General Fund revenues among state agencies. Each agency is directed to prepare a budget in which total General Fund outlay exactly equals expected revenues. The Governor's base allocations apply at the agency level and not at the program level. In some circumstances, the allocations apply to an institutional system such as the Regent's institutions and not individual agencies. Agency managers have discretion to propose distributions at the program level. The base allocation is referred to as the "B" level allocation. The Governor also assigns an allocation at a lower level (known as the "A" level) to require agency submissions expressing priorities at reduced funding levels. When the Kansas balanced base budgeting system was first initiated, the Governor likewise assigned

an allocation level above the base level. However, due to an Attorney General's Opinion in 1982, this allocation is no longer imposed and agencies are allowed to submit a budget request unconstrained by gubernatorial directive. Such a request is referred to as the "C" level, the basis of formal analysis by legislative fiscal staff.

In addition to encouraging agencies to reconcile expenditures with resource availability, the Kansas budget system obligates agencies to provide cost data, as well as performance indicators and measures for each expenditure level. Dr. Muchmore recognized, however, that there would be an emphasis on cost data for the following reasons:

First, benefit and performance information is hard to obtain for some programs, and its reliability may be subject to challenge unless it reflects an established data gathering process. Secondly, even when performance data is available, it is vulnerable to conflicting interpretation. Costs, on the other hand, are easily obtained, thoroughly documented, backed by extensive historical information, and unambiguous. It is therefore understandable that budgetary discussions gravitate toward costs, particularly when the final fiscal plan adopted by the legislature is written in terms of cost control and not in terms of expected performance.

Another component of the original "Muchmore" submitted budget request was the submission of program plans. These plans, although no longer submitted, were intended to complement expenditure data by articulating the goals and objectives of every budget unit, describing the operational characteristics of the program, identifying long-term factors affecting the need for the service, and providing indicators that could have been used for program evaluation. In short, the current Kansas budget system, as initially conceived, was designed to generate input data on costs, performance measures, and impact projections and provide the Governor, fiscal analysts, and legislators with information on agency priorities within certain fiscal boundaries. For reasons noted above, the system relies predominantly on cost data; understandably, analysis of expenditures through comparisons between an historic year and the current year forms the basis for expenditures recommended by the Governor and appropriated by the Legislature. Such analysis is most suitable for responding to questions like: "Why is the cost of meals increasing so rapidly at a correctional facility?" It might not be as helpful for responding to questions such as "Are expenditures for this program most effectively directed to reducing the number of juvenile offenders?" "What are reasonable program alternatives?"

Overview of Budget Terminology and Approaches to Budgeting

Even a cursory review of actual budgeting systems in use leads quickly to the conclusion that there is a great variety of systems. Secondly, one realizes that actual systems rarely match textbook descriptions that attempt to classify three or four main methods of budgeting. The three most commonly discussed approaches to budgeting include: **program budgeting**, **incremental budgeting**, and **zero-based budgeting**. A recent nationwide survey of state budget offices by the Mississippi Legislative Budget Office asked respondents to select which one of the preceding three budget methods best described that state's system. The additional option of "Other" was also available for those cases where the three stated choices were inappropriate. States selecting "Other" were asked to describe or otherwise name their system. Survey results are shown in the following table.

TABLE I

Classification of State Budgeting Systems*

Incremental Budgeting (19 States)		
Alaska	Maryland	South Carolina
Arizona	Montana	South Dakota
Colorado	Nevada	Utah
Florida	New Mexico	Vermont
Idaho	New York	Washington
Illinois	Oklahoma	West Virginia
Indiana		

Program Budgeting (14 States)		
Alabama	Kentucky	New Hampshire
Connecticut	Louisiana	North Dakota
Delaware	Maine	Pennsylvania
Hawaii	Massachusetts	Virginia
KANSAS	Minnesota	

Modified Zero Based Budgeting (4 States)		
Iowa	Ohio	Rhode Island
Missouri		

Combination or Other Type of Budgeting (13 States)		
Arkansas	Nebraska	Tennessee
California	New Jersey	Texas
Georgia	North Carolina	Wisconsin
Michigan	Oregon	Wyoming
Mississippi		

* Compiled from a survey of executive budget offices in each state by the Mississippi Legislative Budget Office, 1992.

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Altogether, 13 states marked "Other." Ten of the 13 indicated that the best description of their system was some combination of the three choices offered. The three "Other" choices that were not combinations of the main choices were Texas which said its budget was written from agency strategic plans, New Jersey which described its budget as a target-based system, and Arkansas which said its "budget parameters announced by the Governor prior to budget preparation involve any or all of the above (three methods)." In addition to the three budget systems given as choices on the survey, the following terms were used by states to describe their system:

- Modified zero-based budgeting (three states)
- Line-item (one state)
- Targeted (one state)
- Reduced-base (one state)

None of the 50 states responding indicated that zero-based budgeting best described its system. Four states said they used modified zero-based budgeting and eight of the ten states choosing a combination of the options said zero-based techniques were used in combination with other budget methods. Incremental budgeting was the term that 19 states said best described their budgeting, while nine additional states used incremental methods in combination with other methods. Program budgeting was the choice in 14 states and eight more states said program budgeting was used in combination with other methods.

Zero-Based Budgeting

Zero-based budgeting, like "sunset" reviews, mandates the entire budget of an agency be evaluated and all activities be justified periodically. The first step is the development of decision packages for each agency. Each package contains a summary analysis of each program of the agency. These packages are placed in a priority ranking by the agency head. The second step requires the evaluation of each decision package to determine whether its funding should be continued. Programs that are considered ineffective or that have outlived their usefulness are discarded.

In zero-based budgeting no program is considered as automatically in the base for funding prior to an overall review and evaluation of all programs. All programs, in theory, compete with all other programs on an equal basis for funding. Zero-based budgeting has not been implemented in its purest form by any state. In most cases, not enough time exists to evaluate and justify all budget items each year, so the real base can rarely be zero. The size and complexity of a budget make individual program elements impossible to consider annually.

Missouri uses a form of modified zero-based budgeting. The entire budget request (continuation, expansion, and funding for new programs) is grouped into "decision items." These decision items are ranked in order of importance from the most wanted to the least. Each program is justified in detail including existing programs. Along with this budget request, agencies submit 5 percent and 10 percent General Fund reduction budgets. Missouri calls these reduced budgets "core budget reduction exercises" which are used if budget cuts have to be made. This method is still not the textbook type of zero-based budgeting in that the decision units are not detailed enough and several different "decision packages" means that funding or program options are not presented for each decision unit.

The State of Iowa indicated in the Mississippi study that they use a modified form of zero-based budgeting. One-time expenditures, such as equipment purchases, are removed from the prior year budget which is then multiplied by 75 percent. This is considered the "base amount." Agencies are allowed to build back up to the prior year amount by submitting a series of "decision packages" for each distinct program or service. Another series of decision packages are submitted for expansion of programs or new programs. These decision packages are then prioritized and funding decisions are made on the relative strength of each individual package.

David Osborne in his book, *Reinventing Government*, sums up two decades of zero-based budgeting experience, "a good idea in theory, . . . proven in practice to be too cumbersome, too time-consuming, too fraught with paperwork, and too easy for managers to manipulate. In most places, they have died of their own weight."

Incremental Budgeting

Incremental or traditional budgeting focuses on increments of change rather than program change, *i.e.*, change in terms of spending more or less rather than spending money differently or for different purposes and programs. Incremental budgeting is based on past expenditures. Budget makers are likely to accept last year's budget as legitimate and concentrate their attention for the current budget on marginal or incremental changes from the earlier one.

There are several reasons for using incremental budgeting. One reason is the continuing nature of many agency programs. For example, many expenditures are mandated by previous programs and cannot be cut out. Another reason for using the previous year's base is the time and cost involved in reconsidering every program and expenditure every year. Decision makers must assume some programs are worthy of continuation at the previous level of expenditure. This method of budgeting makes the explanation and understanding of this process simpler because it is fragmented and it is not comprehensive. In addition, incremental budgeting does not force analysis of policy but neither does it repress it. Incremental budgeting, the most traditional process of budgeting, endures because it is simpler, easier, more controllable and flexible than modern alternatives (like Program Planning Budgeting System and Zero-Based Budgeting).

Examples of States that Mainly Utilize Incremental Budgeting

Georgia

The State of Georgia utilizes a budget system that is mainly incremental, but does incorporate parts of a zero-based budgeting system. One effort in Georgia to achieve budget control is Object Class (Incremental) Appropriations. Georgia's budget laws specify that appropriations must be made in at least four common object classes: Personal Services, Regular Operating Expenses, Capital Outlay, and Bond Debt Service. Presently, there are more than 12 common object classes in the budget, although some departments have as many as 60 object classes. Transfers among these object classes are not possible without permission of the General Assembly's Fiscal Affairs Subcommittee. Budgeting in many categories reduces the agencies' flexibility, forcing them to be more precise in submitting their budget requests.

Georgia requires agencies and departments to use the zero-based budgeting principle in developing their budget request. Budget requests are submitted in "Decision Packages" on three levels -- Minimum Objective Level, Current Objective Level, and Improvement Objective Level -- which outline the funding required to support each of these levels of operations. In 1975, performance evaluation was added requiring agencies to define long-term and one-year program objectives for each program for which funds are requested. For each funded program, an agency must report actual accomplishments toward achieving the stated objectives.

Colorado

In the State of Colorado, the basic concept in building a budget request is to add or subtract from a beginning budget base, which is generally the current appropriation. Incremental adjustments to this base are identified as either continuation budget increases/decreases or decision items increases/decreases. The continuation budget adjustments refer to mandatory base reductions (such as one-time appropriations), annualization of partial year funding for costs intended to continue, inflation increases, and projected caseload changes in entitlement programs. Decision item adjustments refer to initiatives to expand or refinance existing programs, establish new programs, or to reduce or eliminate base funding. Within this context the following policies apply:

1. Prior to any inflationary adjustment each program base should be reduced to reflect any mandatory reductions.
2. A program budget base is the current appropriation. Requested increases not strictly defined as continuation increases are requested as decision items. Decision items requests to increase base funding are to be developed in terms of expanding or enhancing existing services or achieving objectives beyond what the current base funding supports.
3. The supplemental budget process addresses requests to adjust base funding during a fiscal year. Supplementals should only be requested where changes in case load, unforeseen contingencies, new conditions, or other unusual circumstances warrant a reconsideration of the original appropriation. Agencies are not to view the supplemental process as merely being a second budget request opportunity.

Oklahoma

The budget cycle for Oklahoma state operations begins with individual state agencies developing a detailed outline of financial needs for the next fiscal year. This budget request is then reviewed and analyzed by the Budget Division of the Office of State Finance and legislative fiscal staff to develop the respective recommended budgets. These budget recommendations are submitted to the Legislature for consideration in the appropriation process. Based upon funds appropriated by the Legislature, state agencies develop budget work programs which outline in detail the planned expenditures during the ensuing fiscal year. This work program, which is reviewed by the Budget Division of Office of State Finance, must be approved in order to serve as a basis for the subsequent allotment of funds. The final phase of the budget cycle is the continuing review of state agencies' actual expenditures against the budget work program in order to track expenditures and revenues.

Oklahoma's budgeting system is best described as an incremental approach where the term line-item is defined as a specific amount of appropriated funding with a stated purpose or use. In other words, the appropriation language will give a specific amount and will indicate which funds are to be used. When the agency prepares its budget work program, some of the appropriations will be divided up to fund several different sub-activities in the work program. Some of the appropriations are programmed in only one sub-activity. Each line-item may only be expended for the purpose intended by the Legislature unless the purpose is subsequently changed by the Legislature, or certain amounts are transferred. Two particular line-items that appear frequently in the appropriation bills are Personal Services (salaries) and Other Operating Expenses (which includes all expenditures not included in Personal Services, such as travel, contractual services, grant payments, payments of principal and interest on debt, etc.).

Performance or Program Budgeting

A government budget focused on performance has the following characteristics:

- It presents the major purpose for which funds are allocated and sets measurable objectives.
- It reports on past performance and uses common cost classifications which allow programs to be compared rather than focusing on line item expenditures.
- It offers managers flexibility to reallocate budgeted funds when conditions merit and rewards achievement or imposes sanctions for failure.
- It is supported by reliable, credible information that can be independently verified and incorporates findings from periodic, program specific evaluation.

Such a budget moves away from the focus on accounting and control that dominates current state budgets, and seeks to make managers focus on policy outcomes.

Missions, Goals, and Objectives

Performance budgets use statements of missions, goals, and objectives to communicate the purposes for which funds are allocated. A performance budget typically groups spending authority by goal, showing all units that participate without regard for how a given goal may be the responsibility of different state agencies. This format allows policymakers to grasp the scope and cost efforts to achieve a particular goal. The advantage being that legislators can then "compare the relative effectiveness of different approaches to a problem and avoid unnecessary duplication." Practical considerations include the fact that performance budgets assume government expenses are readily divisible when in fact they may not be. Staff resources are often shared by multiple programs charged with multiple responsibilities.

As guidelines for action, mission statements call attention to what government deems important and in theory "align practice with value." While clarity of goal and direction is ideal, public sector reality is that different assumptions and views about the fundamental purpose and priority of programs may make clear goals hard to agree on. The potential for competing missions challenge government's ability to adopt a pure performance budget. Some states use long range strategic plans

to limit budget debates and expect, once hammered out, the document will set budget priorities for years to come. To the extent a strategic plan clarifies performance expectations, oversight is improved.

A performance budget reorders age-old policy questions. What type and quantity of resources government consumes -- categories of expense -- are no less important. It is simply secondary to the question of what government achieves for the money it invests. Salaries, benefits, insurance, equipment, and the like become important in a performance budget when evaluating the efficiency of current government services compared to any alternatives. In this context, mission, goals and objectives are the foundation of a performance budget; they define what outcomes a state government seeks.

Performance Measures

A basic principle which guides the application of performance budgeting is accountability for results. Performance budgets specify the quantitative and qualitative statistics policymakers will use to evaluate the impact of programs. Many people have discussed the type, use, and caliber of government performance measures. Perhaps one of the better discussion is *The Art of Performance Measurement* by David Osborne and Ted Gaebler. In their view, problems arise when government measures only its process, not results. Further problems arise when government can demonstrate efficiency but fails to examine the effect of its actions and evaluate the continued need for intervention. Osborne and Gaebler acknowledge that many in government resist measuring performance because the measurement has been done so poorly in the past. Osborne and Gaebler state:

"It can take several years to develop adequate measures: an agency's first attempt often falls woefully short. It may measure only outputs, not outcomes. It may define outcomes too narrowly, driving employees to concentrate on only a few of the results the organization actually wants to achieve. It may develop so many measures that employees can't tell what to concentrate on."

Osborne and Gaebler suggest that governments, at all levels, renew an interest in performance measures, for without them policymakers cannot tell success from failure nor learn from correct experience.

The United States General Accounting Office (GAO) recently surveyed five states (Connecticut, Hawaii, Iowa, Louisiana, and North Carolina) it recognized as leaders in performance budgeting to see how much this practice influenced budget decisions. GAO reported that performance measures, in general, have not attained sufficient creditability to influence state budgets. GAO believes that changing the focus of government from action to ensure funds are spent properly to managing dollars to produce agreed upon results will be difficult, gradual, and require a strong commitment from those involved. In its survey, GAO found state performance measures to be "remnants of earlier budget reform efforts rather than the product of deliberative and iterate discussions between branches of government." Many states lack an understanding between branches of government as to just where and how measures will be used in the budget process.

In theory, performance measures substitute for detailed expense control categories or budget line items. As incentive and reward, performance budgets give managers flexibility to reallocate funds as conditions merit. Flexibility empowers managers to act upon innovations with

potential to save the state money, now not later. Mistakes are expected and risked for the chance to arrive at successful program reforms. As it stands today, performance measures typically add to but do not supplant line item spending controls.

Budget Formats

Within the various budget systems, a particular budget format is utilized to delineate the budget within the appropriation bill and other documents. Two principal classifications of budget format are:

- Major Object of Expenditure Format, and
- Lump Sum Format.

In actual practice, a state may utilize a combination of these two formats much as it may utilize a combination budget system. Both formats are used to establish limits or controls upon how much monies can be expended.

Major Object of Expenditure Format

Major objects of expenditures are simply a mechanism to categorize or classify the operating costs of a governmental agency. The term "line-item" format is often used synonymously with the major objects of expenditure format and the following discussion is applicable to both terms.

When cited within the appropriation bill, major objects of expenditure may be used to establish controls upon the purposes for which funds can be expended. A common major object of expenditure is "salaries expense" which could be cited along with a dollar amount within an appropriation bill to establish a maximum limit upon funds that may be used to compensate agency employees. Other common major objects of expenditures include: Equipment, Contractual Services, Commodities or Supplies, and Capital Outlay. Regardless of whether the major objects or lump sum format is utilized as an expenditure control mechanism within the appropriation bill, it remains common for expenditures to be tracked within the agency and state accounting system according to a major object of expenditure framework.

The major objects of expenditure format is a traditional format and is often associated with the traditional or incremental budgeting system. This association, however, is not exclusive since the major object format can be utilized in both program budgeting and zero-based budgeting.

Lump Sum Format

The lump sum format may also be used in the appropriation bill to establish controls upon the purposes for which funds can be expended. The lump sum format differs from the major object format in the level at which such controls are established. The lump sum format omits major object controls thereby allowing the agency manager to allocate internally funds among major objects of expenditure. The lump sum format is often utilized during periods of fiscal distress in order to

reduce legislative controls and to increase an agency manager's flexibility to manage the limited funding resources. The lump sum format is often associated with the program budgeting system, but this association is not exclusive. The lump sum format may be used within both incremental and zero-based budgeting.

Regardless of which format is utilized within the appropriation bill, another critical variable is the organizational level within an agency at which expenditure controls are established. Whether by lump sum or major object of expenditure, controls can be established for small organizational units (such as offices or sections), for larger organizational units (such as programs, divisions, or bureaus), or for the total state agency. The level at which expenditure controls are established is almost as important as the format of those controls.

In Kansas, the recent historical trend has been to reduce the number of State General Fund appropriation line items. Many agencies have only a single line item appropriation entitled "operating expenditures." Historically, agencies at a minimum had two line items, salaries and wages and other operating expenditures. It should be noted that some agencies for internal reasons prefer more than one State General Fund line item appropriation.

Number of Appropriation Bills

The actual number of appropriation bills varies greatly among the states from a single bill to as many as 350 separate bills. (See Table II.) However, the level of appropriation detail varies greatly regardless of the number of appropriation bills. One of the advantages to having fewer appropriation bills is that more of the total state budget is under consideration at any one given time. This allows members the opportunity to consider more of the overall budget picture. However, this may also make it more difficult to grasp agency budgets since the state budget covers such a wide array of services and activities. The Mississippi study concluded that the number of appropriation bills does not seem to be a significant advantage or disadvantage in producing a better state budget.

TABLE II

**Usual Number of Budget (Appropriations) Bills
(Excluding Supplemental Bills)**

**Single Appropriation Bill
(20 States)**

California	Indiana	Tennessee
Colorado	Maryland	Texas
Connecticut	Montana	Vermont
Delaware	New Hampshire	Virginia
Florida	Rhode Island	West Virginia
Georgia	South Carolina	Wisconsin
Hawaii	South Dakota	

**Two to Six Major Appropriation Bills*
(15 States)**

Alabama	Maine	New Mexico
Alaska	Massachusetts	North Carolina
Arizona	Minnesota	Ohio
Kentucky	Nebraska	Utah
Louisiana	New Jersey	Washington

* Some states that have two or three major appropriation bills also have several minor appropriation bills.

**Seven to 20 Appropriation Bills
(7 States)**

Iowa	Missouri	New York
KANSAS	Nevada	Wyoming
Michigan		

**More than 20 Appropriation Bills
(8 States)**

Arkansas	Mississippi	Oregon
Idaho	North Dakota	Pennsylvania
Illinois	Oklahoma	

Source: National Conference of State Legislatures, *Legislative Budget Procedures in the 50 States: A Guide to Appropriations and Budget Processes* (Denver, Colorado, September, 1988)

Annual Versus Biennial Budgets

Prolonged and severe fiscal problems, such as those the states have faced recently, often lead to discussions on the frequency of the budget cycle: should it be annual or biennial? An annual budget requires that a new budget be prepared for each fiscal year; a biennial budget, which covers a two-year period, entails the preparation of a new budget every other year.

The budget cycle a state uses tends to correspond to the frequency of the state's legislative session. See Table III for a listing of all 50 legislative sessions and budget schedules. For example, 31 states meet annually and enact annual budgets. Seven states have biennial legislative sessions and biennial budget cycles. In 12 states, annual legislative sessions are accompanied by biennial budget cycles. Although a total of 19 technically use a biennial budget cycle, many either enact annual appropriations for each year of the biennium or update the biennial budget annually.

TABLE III

Legislative Sessions and Budget Schedules

Annual Session/Annual Budget (31 States)		
Alabama	Indiana	New Mexico
Alaska	Iowa	New York
Arizona	KANSAS	Oklahoma
California	Louisiana	Pennsylvania
Colorado	Maryland	Rhode Island
Delaware	Massachusetts	South Carolina
Florida	Michigan	South Dakota
Georgia	Mississippi	Tennessee
Idaho	Missouri	Utah
Illinois	New Jersey	Vermont
		West Virginia

Annual Session/Biennial Budget* (12 States)		
Connecticut	Nebraska	Virginia
Hawaii	New Hampshire	Washington
Maine	North Carolina	Wisconsin
Minnesota	Ohio	Wyoming

Biennial Session/Biennial Budget* (7 States)		
Arkansas	Nevada	Oregon
Kentucky	North Dakota	Texas
Montana		

* Several states with biennial budgets either enact annual appropriations for each year of the biennium or update the biennial budget annually.

Source: *Legislative Authority Over the Enacted Budget*, National Conference of State Legislatures, Denver, Colorado, July, 1992, page 5.

Although there is no empirical evidence that identifies one budget cycle as superior to the other, there are generally accepted arguments supporting each. The National Conference of State Legislatures in a recent publication cited the following arguments for annual and biennial budgets.

Arguments for Annual Budgets

- Increases the time that legislators and other state officials devote to budget analysis and deliberation.
- Enhances the Legislature's budget oversight capabilities by providing for frequent supervision and review of executive branch activities.
- Increases the accuracy of revenue and expenditure estimates and allows quicker adjustments to changing conditions.
- Gives the Legislature greater opportunity to exercise control over federal funds.
- Reduces the need for supplemental appropriations and special sessions.

Arguments for Biennial Budgets

- Gives the Legislature more time for deliberation and debate of nonbudget issues.
- Allows the legislators to concentrate on major policy issues instead of focusing on routine budget detail.
- Gives the Legislature more time, especially during the nonbudget year, to conduct program evaluations and reviews.
- Enhances stability in state agencies and provides greater opportunity for long-range planning.
- Results in lower budget preparation costs.

Conclusion

The state's budget system has been referred to as a "hybrid process" drawn from several schools of public budgeting. Changes could be made in the budget process to more readily respond to the needs of legislators. In considering any potential changes, a recent NCSL publication suggested the following "Dos and Don'ts" of budget reform:

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"Do's"

- Adopt realistic expectations.
- Involve all the key players, including the chairpersons of budget committees, the executive branch, and staff.
- Study other states; review their budgeting processes and any reforms adopted and determine what effects those reforms have had, both good and bad.
- Use a pilot approach; select agencies that would be willing to institute changes in their budget systems.
- When linking funding to performance ^{of} ~~es~~ state agencies, define and describe a mission for each agency; develop evaluation criteria and focus on results.
- Prioritize each program funded.
- Consider application of new concepts on a selective basis.
- Provide more training for all lawmakers on finance and budgeting.
- Plan to develop more precise data if a performance-based budgeting system is adopted.

"Don'ts"

- Don't repeat the mistakes that other states have made.
- Don't have preconceived ideas that an entirely new system will be better.
- Don't go overboard with schemes that sound impressive.
- Don't abandon solutions that are working; try to build on those.
- Don't try to do a massive overhaul of the budget all at once.

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United States Governmental Accounting Office, *Budget Issues: Current Status and Recent Trends of State Biennial and Annual Budgeting* (Washington, D.C., July, 1987).

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ANNUAL/BIENNIAL BUDGETS

As Recommended by the Legislative Budget Committee

October 25, 1993

Annual Budgets

Regents, Bd. of
 Kansas State University
 KSU -- Vet. Med. Center
 KSU -- Agri. Extension
 KSU -- Salina
 University of Kansas
 University of Kansas Medical Center
 Wichita State University
 Fort Hays State University
 Emporia State University
 Pittsburg State University

Education, Department of
 School for the Blind
 School for the Deaf
 State Library

Social & Rehabilitation Serv., Dept. of
 Larned State Hospital
 Osawatomie State Hospital
 Rainbow Mental Health Facility
 Topeka State Hospital
 Kansas Neurological Institute
 Parsons State Hospital
 Winfield State Hospital
 Health and Environment, Dept. of
 Aging, Dept. on

Corrections, Dept. of
 Ellsworth Correctional Facility
 El Dorado Correctional Facility
 Hutchinson Correctional Facility
 Lansing Correctional Facility
 Larned Correctional Facility
 Norton Correctional Facility
 Topeka Correctional Facility
 Winfield Correctional Facility

Fire Marshal
 Highway Patrol

Youth Center at Topeka
 Youth Center at Beloit
 Youth Center at Atchison

Administration, Dept. of
 Public Broadcasting Council
 Kansas Public Employees Retirement System
 Revenue, Dept. of
 Indigent Defense Services, Bd. of
 Corporation for Change
 Commerce and Housing, Dept. of
 Kansas, Inc.
 Kansas Technology Enterprise Corporation
 Judicial Branch
 Judicial Council
 Kansas Lottery
 Racing Commission
 Tax Appeals, Bd. of

Wildlife and Parks, Dept. of

State Historical Society
 Agriculture, Bd. of
 Kansas State Fair
 State Conservation Commission
 Kansas Water Office

Transportation, Kansas Dept. of

Biennial Budgets

Abstracters Bd.
 Accountancy Bd.
 Barbering, Bd. of
 Behavioral Sciences Regulatory Bd.
 Cosmetology, Bd. of
 Healing Arts, Bd. of
 Hearing Aids Examiners
 Kansas Dental Bd.
 Mortuary Arts Bd.
 Nursing, Bd. of
 Optometry Bd.
 Pharmacy, Bd. of
 Real Estate Appraisal Bd.
 Real Estate Commission
 Technical Professions, Bd. of
 Veterinary Medical Examiners, Bd. of

Bank Commissioner
 Consumer Credit Commission
 Credit Unions, Dept. of
 Securities Commissioner

Attorney General
 Governor
 Insurance Dept.
 Interstate Cooperation, Commission on
 Legislative Coordinating Council
 Legislative Educational Planning Committee
 Legislative Research Dept.
 Legislature
 Lieutenant Governor
 Post Audit, Division of
 Revisor of Statutes
 Secretary of State
 State Treasurer

Adjutant General
 Attorney General -- KBI
 Civil Air Patrol
 EMS Bd.
 Ombudsman of Corrections
 Parole Bd.
 Sentencing Commission

Human Rights, Commission on
 Citizens Utility Ratepayer Bd.
 Kansas Corporation Commission
 Govt. Standards & Conduct, Commission on
 Kansas Healthy Kids Corporation
 Kansas Arts Commission
 Kansas Development Finance Authority

Human Resources, Dept. of
 Veterans Affairs/Soldiers' Home, Comm. on
 Homestead Property Tax Refunds

Vocational Education, Council on

Animal Health Dept.
 Grain Inspection Dept.
 Wheat Commission

11/22/93
 House Appropriations Cmte
 Attachment 9

MEMORANDUM

Kansas Legislative Research Department

300 S.W. 10th Avenue
Room 545-N - Statehouse
Topeka, Kansas 66612-1504
Telephone (913) 296-3181 FAX (913) 296-3824

October 18, 1993

To: Legislative Budget Committee
From: Representative Rochelle Chronister, Chairperson
Re: Budget Process Reform

As Chairperson of the Legislative Budget Committee I would like to discuss with the Committee the possibility of some fundamental changes to the budget review and appropriations process. These changes are based upon improving the efficiency and effectiveness of the legislative budget review and appropriations process. The ever increasing demand for State General Fund financed expenditures leaves the Legislature no choice but to consider some fundamental changes to the budget process.

The proposed changes are based on the following points:

1. Much, although not all, of the current legislative budget review process is based upon object code expenditures (i.e., travel, rent, communication, etc.). The agencies construct their budget upon object code detail, the Governor has historically made object code recommendations, and legislative staff has reviewed object code detail. However, a great deal of State General Fund appropriations are made in one-line item for the entire agency. Any comments made in subcommittee or committee reports on selected object code expenditures do not have the force of law and the agency is free to spend their appropriation as they please.
2. The appropriations process through more than a dozen appropriations bills prevents members of the committee and the entire chamber from having an appreciation for the status of the State General Fund. Major additions may be made without an understanding that financing for the increased budget authority can only come through a corresponding reduction in another program or agency. The myriad of appropriations bills encourages this piece-meal approach to state budgeting which can result in across-the-board reductions which penalizes all agencies, the efficient and the inefficient.
3. Agencies are generally not held accountable for their performance, only if they spent their prior year's appropriation. There appears to be little opportunity to evaluate agency performance or to review if an agency program should be continued at all. The legislative budget review and appropriations process should

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Attachment 10

be focused on agency performance and outcomes, where the agencies are held accountable for their successes or failures. Our current difficulties, for example, with the juvenile justice system cannot be solved with a review of how much out-of-state travel will be expended at the Youth Center at Topeka; but how much more beneficial to the budget process would be a review and analysis on the programs at the Center, their effectiveness, and how those programs interrelate with other juvenile programs in the Judicial Branch or the Department of Social and Rehabilitation Services.

I would like to propose for discussion purposes several changes to the legislative budget review and appropriations process. I do not envision these proposed changes as final, but only a starting point to see what we can collectively agree upon to improve the budget process.

1. **Understanding Agency Programs.** Staff should provide background information on each agency program. The information should contain the purpose of the program, how it functions, and interrelates with other programs. The information would clearly and concisely explain the agency program, including goals, objectives, performance measures (where available), a general level of expenditures (salaries and wages and other operating expenditures), and any new budgetary initiatives.
2. **Listing of Agency Programs.** I have attached a listing of FY 1994 State General Fund financed programs in excess of \$500,000 as contained in the FY 1995 budget request of the agencies. This listing shows the importance of programs currently contained within the budgets of state agencies. Institutions are treated as one program and agencywide FTE positions are also included for discussion purposes.
3. **Appropriation Bills.** I believe for members of the Legislature to have a greater understanding of State General Fund expenditures and the balancing of increases to one program necessitating a reduction in another that budget year State General Fund appropriations be contained in two bills. Each chamber would work on roughly half of the State General Fund budget at one time. This might require, once the bill got to the floor, that the chamber set aside as much as three days when no other legislative action would take place except the work on the State General Fund financed budget. I would envision that there would be a fee bill, including such agencies as the Kansas Corporation Commission, a claims bill, a supplemental appropriation bill, a capital improvements bill, and perhaps a bill that would contain agencies such as the Department of Transportation and the Department of Human Resources.
4. **Committee Concentrate on Policy Issues.** I would suggest that the appropriations committees concentrate on major policy issues, for example, the mental health and mental retardation hospitals. These policy issues would be dealt with by the entire committee, leaving the subcommittees to be responsible for the budgetary detail contained within the policy issues. In addition, the subcommittee chair would be in charge of the full committee when the discussion of the policy issue took place.

5. **Move Away From Budgetary Detail/Agency Accountability.** Budgetary detail at the object code level should be replaced with summary information such as salaries and wages and other operating expenditures. The object code detail would still be available for the historical year, but not the current year or the budget year. I believe the current system over emphasizes object code expenditures. The emphasis should be on goals and the achievement of those goals. The Legislature should hold agencies accountable for the performance of their programs. Some states have actually put the performance measures in appropriations bills so the Legislative expectations of agencies are clearly stated. Agencies must still be responsible to the legislature, even when the Governor changes. There is usually continuity on the subcommittees and full committees that could hold agencies responsible to predetermined performance measures and outcomes.
6. **Selected Biennial Budgets.** The emphasis of legislative budget review should be on the State General Fund financed agencies. I have identified agencies that account for over 80 percent of the State General Fund expenditures in a given year. Other fee funded agencies or noncontroversial agencies could be considered on a biennial basis. This would free the Legislature and agency personnel to concentrate on major policy issues and not routine budgetary matters. I have attached a listing of one possible way to divide agencies between annual and biennial budgets.

In conclusion, these suggestions are intended to improve the budgetary and appropriations process by moving away from detail and toward agency accountability. I am afraid our current system will not serve us well in coming months as we struggle to balance the demands placed on the State General Fund.

TESTIMONY
House Appropriations Committee
September 30, 1993

Madam Chair, members of the committee, I am Bill Henry, Executive Secretary of the 240 member Kansas Association of Defense Counsel.

Members of the Kansas Association of Defense Counsel are attorneys across Kansas whose practice consists of significant work on the defendant's side of civil litigation.

Members of our Board of Directors have reviewed the Nebraska Dispute Resolution Act and submit the following testimony regarding the adoption of a statewide mediation program in Kansas.

1. The Kansas Association of Defense Counsel supports mediation and other forms of alternative dispute resolution to bring about the conclusion of cases and controversies without trial.
2. As you will hear today there are several mediation programs underway in various locations and forums in our state. We believe more information gathering will reveal other mediation efforts as well. It is important that the establishment of any statewide program be coordinated with existing efforts to avoid duplication and ensure accessibility.
3. Care should be taken so that any mediation program does not deprive any litigant of his or her right to a jury trial, where that right currently exists.
4. Resources needed for existing judicial programs should not be diverted to establish a statewide mediation program.
5. Finally, the Nebraska Act does not speak about ethical considerations that mediators should abide by in performance of their work. Lawyers who perform mediation would be covered by current canons of ethics of the Supreme Court but non-lawyer mediators should meet similar ethical considerations.

Respectfully submitted,

William M. Henry

William M. Henry
Executive Secretary
Kansas Association of Defense Counsel

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House Appropriations Cmte
Attachment 11

KANSAS COMMITTEE FOR COMMUNITY MEDIATION

3211 Clinton Parkway Court
Lawrence, KS 66047
Telephone (913) 843-9111 FAX (913) 749-2851

November 15, 1993

Representative Rochelle Chronister
House Committee on Appropriations
Statehouse
Topeka, KS 66612-1504

Dear Representative Chronister:

You requested a copy of our draft on dispute resolution legislation at your Committee's hearing in September.

We completed a rough draft in August more similar in format to the Oklahoma act than the Nebraska act. Most of the same substantive issues are covered in these two acts. We had intended to submit this draft to you.

After the hearing, we decided that rather than put our efforts into reworking and refining a separate bill on the same subject to be introduced in the same year, we should collaborate with your committee's proposed legislation in the upcoming session. Ultimately we are less concerned with the format the bill takes as the substantive decisions reflected in it. Substantively, we support 85% of the Nebraska act as written. We have adopted the Nebraska format and are submitting our draft in the form of comments and suggestions keyed into the Nebraska Dispute Resolution Act of 1991.

We would very much like to be included in the review and passage of your bill as appropriate. We have been quietly invested in this cause over the last year and a half. We believe we bring a practical perspective to the bill from the vantage point of individuals actually engaged in the practice of ADR in Kansas.

Our thanks, and best wishes to you and your committee.

Yours Sincerely,


Jerry Beneventi

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House Appropriations Cmte
Attachment 12

COMMENTS & SUGGESTED REVISIONS
to the Nebraska Dispute Resolution Act of 1991
Submitted by The Kansas Committee For Community Mediation
November, 1993

1. **Section 1.** Approve as written.
2. **Section 2.** *Comment:* This section represents Nebraska's personal convictions which led to their bill. Kansas must identify it's own. Some comprehensive acts do not include this preamble; none are as extensive.
3. **Section 3.** Approve as written.
4. **Section 4.** *Comment:* Space in the Office of Judicial Administration has been an issue in past discussions of ADR legislation. The court might wish to have an outside agency responsible for administration of the program. Perhaps some arrangement could be made with the Kansas Bar Association in this regard. The president has an interest in a statewide program, and their office is conveniently located to the court. Language which may convey this is: *"The Office of Dispute Resolution is hereby established in the Office of Judicial Administration, or an agency appointed by the court to administer the act."*
5. **Section 5.** *Comment:* Past legislation has suggested a council of fifteen members. Other acts range from 7 to 15 members. Nebraska appoints 11. Numbers are less significant to us than representation. ADR need not be indigenous to the legal profession. The Nebraska act seems to ensure that at least four of the eleven members are - perhaps a strategic move in introducing legislation, but probably unnecessary long term. We suggest broader based community representation commitment. Commitment to the resolution of conflict is everyone's business. Representation on the advisory board should reflect this philosophy.

Proposal: *"There is hereby created a dispute resolution advisory board which shall consist of ____ members appointed by the supreme court, or a designee. The board shall be comprised of individuals from a variety of disciplines who are trained and knowledgeable in mediation and selected to be representative of the geographical and cultural diversity of the state. The supreme court shall appoint persons from each of the following: state and local government, business organizations, the academic community, law enforcement, the legal profession, the judiciary, the mental health profession, retired citizens organizations, professional mediators, consumer organizations, and social service agencies." The supreme court or its designee shall not be restricted to the solicited list of nominees in making its appointments. Two nonvoting, ex officio members shall be appointed by the council from among the approved centers.*

6. Section 6. Approve as written.

7. Section 7. *Comment:* Is Nebraska language defining responsibilities of an advisory council gratuitous? Does Section 7 merely establish their role as advisory, mandate a quarterly meeting, and then authorize delegation of any real work to a task force? We prefer safeguarding a proactive role by definition in the legislation.

Proposal: Retain section 7 (1) & (2), and replace (3) with the following language:

(3) The duties of the advisory board/council shall be to:

- 1) advise the director with respect to policy development and administration of this act;*
- 2) assist the director in providing technical assistance to jurisdictions requesting the study and development of dispute resolution programs;*
- 3) consult with appropriate and necessary state agencies and offices to promote a cooperative and comprehensive implementation of this act;*
- 4) advise the director with respect to any financial assistance program which may become part of this act;*
- 5) assist the director with the review, supervision and evaluation of dispute resolution programs; and*
- 6) make recommendations to the director pertaining to legislation affecting dispute resolution.*

8. Section 8. Approve as written.

9. Section 9. *Comment:* Section (2) (i)'s requirement that programs show "proof of 501 (c) (3) status or proof of establishment by a court" seems to allow for both profit and non-profit program participation, as long as a local court approves the program. Some states do not discriminate according to status; others limit participation to non-profit programs and organizations. This is an area which needs more research and discussion. What will be the practical effects in Kansas of qualifying participation versus taking an inclusive approach?

10. Section 10. Approve as written.

11. Section 11. *Comment:* Nebraska limits cases to "civil claims and disputes." Could this prove unduly limiting later? Nebraska does specifically include in 11 (b) juvenile cases, which can involve criminal claims. One suggestion is to keep language defining the scope of disputes broad in the legislation, and fine-tune the scope later by adopting rules or regulations through Section 18 as the field develops. (See comments, section 18.) This may prevent unnecessary amendments to the act. Our greater objection is to 11 (2) which seems to preclude a court from ordering mandatory mediation. It states "in order for a referral to be effective, all parties involved must consent to such referral." Studies show that success rates for mediation are not linked to whether they are mandatory or voluntary. This language may tie the courts hands without reason. We urge omitting it.

12-3

12. Section 12. Approve as written.

13. Section 13. *Comment:* Section 13 (1) requires 30 hours of training for volunteers, and an additional 30 hours for family mediations. In Kansas, 20 hours of mediation training for volunteers is now the practice, and has been sufficient. A supreme court rule is now under consideration to establish standards for family mediators. (See attached.)

Section 13 (4) is one of the more troublesome provisions of the act. It requires termination of mediation if *"in the judgment of the mediator, the agreement would be unconscionable"*. We believe it should be omitted for three reasons. First, such a determination is not the role of the mediator, but the judge. Secondly, "unconscionable" is not defined by the statute making compliance very subjective and the provision very difficult to apply uniformly.

Theoretically, this provision could become an excuse for bad mediation. Thirdly, and most significant, is the latitude between professions in defining which outcomes are fair and which are unconscionable. Courts seem to define fairness mostly in terms of tangibles, such as money and property. Informal negotiations in ADR also allow for the exchange of intangible items, such as getting it over with, peace of mind, and recompense for perceived "fault", which courts are moving away from, but parties nevertheless strongly consider in negotiating "fairness".

14. Section 14. Approve as written.

15. Section 15. The standard of misconduct for mediator liability uniformly very high, but language varies. Nebraska uses "willfull or wanton misconduct." Our draft uses "gross negligence with malicious purpose or in a manner exhibiting willfull disregard of the rights, safety or property of any party to the dipute resolution process." In effect, the distinction may be hairline, but Nebraska uses general tort language, and ours is specific to the act.

16. Section 16. Approve as written.

17. Section 17. *Comment:* Provisions on tolling of the statute of limitations must be unambiguous as to when the period begins and ends. Nebraska begins the period when the approved center "accepts the case". This is subject to various interpretations. (e.g. when the secretary took the call, when one party stopped by to schedule, when the agreement to mediate was signed, when the first session began) We propose more definate language such as *"The tolling shall commence on the date the parties agree jointly in writing to participate in mediation and shall end on the date mediation is officially terminated by the mediator."*

18. **Section 18. Comment:** Concern at the hearing over ethical guidelines for mediators led to a request for it's inclusion in the text of the act. We disagree. This concern can be adequately handled through supreme court rules authorized by this section or some separate endeavor. This provision may become the single most important to the future development of the act. We suggest a less cursory handling of it than the Nebraska act.

Proposal: *The director shall promulgate rules and regulations, subject to approval of the supreme court, to effectuate the purposes of this act. Such rules and regulations shall include:*

- (1) qualifications to certify mediators to assure their competence and impartiality;*
- (2) jurisdictional guidelines including types of disputes which may be subject to the provisions of this act;*
- (3) standard procedures for mediation which shall be complied with at all mediation proceedings;*
- (4) a method by which a court may grant a continuance in contemplation of dismissal on the condition that the defendant in a criminal action or the defendant in a civil action participate in mediation and a resolution is reached by the parties.*

19 **Section 19.** Approve as written.

20. **Section 20.** Approve as written.

Additional Remarks:

☐ Other acts include provisions which create a Dispute Resolution Revolving Fund, and include the amount and source of funding.

☐ If filing fees are used to fund the act, strong sentiment surfaces to include language that ties funds proportionate to the originating county. This has been raised in past ADR legislative attempts in Kansas. We suggest looking at the Oregon act, section 36.155 which allocates the first \$2 from all counties to the fund, and then awards a proportionate remainder to "the county from which the funds originated."

RULES RELATING TO MEDIATION

Rule _____

Mediator Qualifications

(a) The court recognizes its continuing responsibility to ensure the quality of the mediators to whom cases are referred. Qualifications of mediators to whom the courts refer cases should be based on their skills. Different categories of cases may require different types and levels of skills. Skills can be acquired through training and/or experience. No particular academic degree should be considered a prerequisite for service as a mediator in cases referred by the court.

(b) Until the court can establish a staff position of alternative dispute resolution coordinator and an alternate dispute resolution advisory board, the court recommends that minimum qualifications for mediators used in court-ordered mediation programs conducted in any of the judicial districts (other than small-claims mediator programs) shall consist of:

- (1) Continuous mediation training of 40 hours, conducted in sequence of not less than two to three hours per week over a four-month period;
- (2) Elements of training which shall include theory on conflict management; experience/role play; evaluation process; communication skill; basic introduction to ADR including court-connected dispute resolution and state laws concerning mediation; ethics including confidentiality, referrals and withdrawal from a mediation, its timing and criteria therefor; and preparation of a settlement agreement;
- (3) Background or specialized training in the subject matter to be mediated;
- (4) Continuing mediation education for a period of at least six hours annually, depending upon availability of programs;
- (5) A college degree or other similar qualification is recommended but not required.

(c) Certification of training programs is not required, but acceptable training programs should require that training received by mediators to whom the courts refer cases includes roleplaying with feedback.

(d) Implementation of this rule shall be in charge of the Office of Judicial Administration under the supervision of a justice assigned to this responsibility, who shall be assisted by the ADR Committee of the Kansas Bar Association until such time as an ADR Coordinator assumes an assigned staff position in the Office of Judicial² Administration and an ADR Advisory Board has been designated.

¹ "National Standards for Court-Connected Mediation Programs", The Institute of Judicial Administration, 1992.

² The Alternate Dispute Resolution Committee of the Kansas Bar Association has offered to serve in a capacity of advisory board until such a board is designated.