

October 1997

BUDGET PROCESS STUDY - ISSUES, EXAMPLES, AND OPTIONS

This memorandum identifies selected budgeting issues, provides examples of North Dakota's and other states' systems, and includes items for committee consideration.

1. Feasibility of developing a legislative budget.
 - a. Other states' systems to consider include:
 - (1) Arizona - The legislative budget is developed by leadership and staff prior to the legislative session and presented during the first week of the session. The executive budget is also presented during the first week of the session.
 - (2) Colorado - The legislative budget is developed before and during the session using the executive budget recommendation as the starting point. The Colorado process eliminates much of the Appropriation Committees' responsibilities by holding budget hearings during the session and preparing the appropriation bill in March near the conclusion of the legislative session.
 - (3) New Mexico - The legislative budget is developed by an interim committee prior to the legislative session and presented to the legislature on the first day of the session. The executive budget is also presented on the first day of the session.
 - b. 1981 North Dakota legislative budget proposal - The legislative budget or a portion of the legislative budget would be developed before the session and submitted in December. The Legislative Council could also prepare and submit a budget or portion of a budget at other times it deems appropriate. The budget proposal would be developed by a policy committee of the Budget Section.
 - c. Other legislative budget system proposals.
2. Agency unspent appropriation authority.
 - a. The 1997 Legislative Assembly provided an exemption from North Dakota Century Code Section 54-44.1-11 in the appropriation bills listed below. This exemption

allows appropriation authority to be continued beyond the close of the budget cycle.

- (1) House Bill No. 1015 - Section 6 - Exempts up to \$800,000 of unspent 1995-97 fiscal management appropriation authority for continued development and operating costs of the accounting, management, and payroll systems during the 1997-99 biennium.
- (2) House Bill No. 1015 - Section 35 - Exempts the 1995-97 unspent appropriation authority for the Legislative Assembly and Legislative Council.
- (3) House Bill No. 1025 - Section 4 - Allows the Water Commission to continue any unspent 1997-99 appropriation authority for grants until June 30, 2001.
- (4) Senate Bill No. 2002 - Section 4 - Allows the Supreme Court to continue any unspent 1993-95 appropriation authority for equipment of up to \$75,565 for the purchase of a photocopier during the 1997-99 biennium.
- (5) Senate Bill No. 2003 - Section 8 - Allows the University System to continue any unspent 1995-97 appropriation authority relating to the scholars program, contingency fund, student financial assistance grants, professional student exchange program, Native American scholarships, and operating expenses of the University System office for the 1997-99 biennium.
- (6) Senate Bill No. 2003 - Section 10 - Allows the higher education institutions to continue any unspent 1995-97 general fund or excess income authority during the 1997-99 biennium for capital repairs and improvements, equipment, and other purposes not requiring an increase in future general fund appropriations.

- (7) Senate Bill No. 2003 - Section 14 - Allows the North Dakota State College of Science to continue any unspent 1995-97 appropriation authority relating to the Bute Gymnasium for the 1997-99 biennium.
 - (8) Senate Bill No. 2003 - Section 14 - Allows Minot State University to continue any unspent 1995-97 capital improvement funds of up to \$300,000 for Old Main emergency exits at Minot State University for the 1997-99 biennium.
 - (9) Senate Bill No. 2013 - Section 3 - Allows the Land Department to continue any unspent 1997-99 oil impact grants appropriation authority and any unspent 1989-91 coal impact grants appropriation authority.
 - (10) Senate Bill No. 2019 - Section 5 - Allows the Department of Economic Development and Finance to continue any unspent 1997-99 Agricultural Products Utilization Commission grants awarded but not paid during the 1997-99 biennium.
 - (11) Senate Bill No. 2019 - Section 6 - Allows the Department of Economic Development and Finance to continue unspent 1995-97 appropriation authority of up to \$250,000 from the ethanol incentive line item to pay ethanol incentive payments to the Grafton ethanol plant during the 1997-99 biennium.
 - (12) Senate Bill No. 2064 - Section 12 - Allows the North Central Research Center to continue any unspent 1995-97 appropriation authority relating to capital improvements for the 1997-99 biennium.
 - (13) Senate Bill No. 2064 - Section 12 - Allows the Northern Crops Institute to continue any unspent 1995-97 appropriation authority relating to capital improvements for the 1997-99 biennium.
3. Effect of budget recommendations on future budgets.
 - a. Items to consider include:
 - (1) One-time revenues;
 - (2) One-time expenditures;
 - (3) New program expenditures;
 - (4) Discontinued program expenditures;
 - (5) Leases or other contractual obligations of agencies, if continued beyond one biennium; and
 - (6) Delayed effective date legislation.
 4. Possible benefits of new technology on budget development and budget presentations.
 - a. Budget presentation methods involving new technology.
 - (1) Overheads.
 - (2) Slides.
 - (3) Computer-generated presentations.
 - (4) Audio.
 - (5) Video.
 - (6) Additional supporting information available at the hearing to respond to questions.
 - (7) Ability to have interactive video access to experts or other groups to provide information to the committee.
 - b. Budgetary information that should be available on-line may include:
 - (1) Office of Management and Budget reports.
 - (a) Budget requests.
 - (b) Budget recommendations.
 - (c) Budget summary.
 - (d) Other.
 - (2) Legislative Council staff reports.
 - (a) Budget status.
 - (b) Fiscal impact report.
 - (c) Agency summaries.
 - (d) Budget analysis reports.
 - (e) Other.
 - (3) Agency information.
 - (a) Testimony.
 - (b) Supporting documents.
 - (c) Other.
 - (4) Fiscal notes.
 5. Types of information to support budgets, including information provided on fiscal notes.
 - a. Budget request information.
 - b. Budget recommendation information.
 - c. Statement and purpose of amendment information.
 - d. Fiscal note information.
 6. Other.
 - a. Budgeting timelines - Budget guidelines, budget request submission, budget recommendation presentation, etc.
 - b. Revenue forecasting methods.
 - c. Appropriation bills - Number, content, preparation.

- d. Appropriations Committee hearings -
Joint or separate.
- e. Performance measures.

- f. Agency flexibility to move funds between
line items.
- g. Budget monitoring by the Legislative
Assembly.