

## **Department of Planning and Budget 2016 Fiscal Impact Statement**

**1. Bill Number:** SB497

<b>House of Origin</b>	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
<b>Second House</b>	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

**2. Patron:** Sturtevant

**3. Committee:** Finance

**4. Title:** Submission of executive budget; zero-based budgeting.

**5. Summary:** Requires, beginning in the 2018-2020 biennium, that all "Executive Budgets" shall be prepared and formulated using zero-based budgeting principles. The bill requires that such zero-based budgets reflect the amount of funding deemed necessary to achieve the most cost-effective performance of each agency or department pursuant to an accompanying narrative delineating the tasks to be performed by each agency or department, together with the goals and objectives for each agency or department. Each such budget shall have a zero dollar amount as its initial basis and shall not reflect any prior appropriation amount, adjusted or otherwise.

**6. Budget Amendment Necessary:** No.

**7. Fiscal Impact Estimates:** Indeterminate.

**8. Fiscal Implications:** At present, the state and its agencies have been working and training to develop a performance based-budgeting process. The current biennial executive budget development process involves development of a strategic plan (including performance measures), a base budget submission, and requests for supplemental funding. It is predicated on a continuation of current programs and services as approved and directed by the Governor and the General Assembly. It provides agencies with a target spending level within which they are expected to continue providing the same level of service. When new or additional spending is required, agencies must submit supplemental requests and justifications.

Implementing zero-based budgeting and determining the most cost-effective performance of each agency, together with goals of and objectives of each agency would require additional staff and time in the budget process, both at the Department of Planning and Budget (DPB) and for other state agencies. DPB would need to develop new detailed guidelines about how the methodology would be implemented. State agencies would be required to submit larger and more detailed budget packages to DPB.

Additional training and potentially additional staff may be needed in some agencies due to the complexity of the zero-based budget process. Finally, DPB may need to make programming modifications to the new Performance-Based Budgeting System (PB System) and the Executive Budget Document. Any expenses related to such changes would have to

be supported through direct appropriation or through increasing rates to the internal service funds that support the PB System.

**9. Specific Agency or Political Subdivisions Affected:** All state agencies.

**10. Technical Amendment Necessary:** No.