

State of Arizona
House of Representatives
Forty-second
Legislature
First Regular
Session
1995

CHAPTER 283

HOUSE BILL **2444**

AN ACT

AMENDING SECTIONS 35-101 AND 35-115, ARIZONA REVISED STATUTES; AMENDING LAWS 1993, CHAPTER 252, SECTIONS 11 AND 13; RELATING TO STATE BUDGETING.

Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 35-101, Arizona Revised Statutes, is amended to read:

35-101. Definitions

In this chapter, unless the context otherwise requires:

1. "Allotment" means the allocation of an appropriation or other fund source over a full fiscal year within a budget program, class or subclass.

2. "Budget class" means one of the kinds of expenditure denoting a class of services or commodities purchased or properties acquired as specified in the classification of expenditures prescribed by the director of the department of administration for use in expenditure accounting, in making budget estimates and in the budget reports and budgets.

3. "Budget estimates" means statements with accompanying explanations, as provided by this chapter, in which a budget unit states its financial requirements and requests appropriations.

4. "Budget program" means functions and activities of a budget unit or within a budget unit that are preplanned to fulfill a ~~definite-objective~~ **DISTINCT MISSION**.

5. "Budget unit" means any department, commission, board, institution or other agency of the state organization receiving, expending or disbursing state funds or incurring obligations against the state. Budget unit includes the major budget units.

6. "Claim" means a demand against the state for payment for either:
(a) Goods delivered or, in the case of highway construction, goods or facilities to be delivered by the federal government.

(b) Services performed.

7. "Encumbrance" means an obligation in the form of a purchase order, contract or other commitment which is chargeable to an appropriation or other authorized fund source and for which a part of such fund source is reserved. It ceases to be an encumbrance when paid or canceled.

8. "Major budget units" means the following agencies:

(a) The department of education.

(b) The Arizona board of regents, Arizona state university, Arizona state university west campus, Arizona state university east campus, the university of Arizona and northern Arizona university.

(c) The department of economic security.

(d) The state department of corrections.

(e) The department of youth treatment and rehabilitation.

(f) The Arizona health care cost containment system.

(g) The department of health services.

(h) The department of public safety.

(i) The state board of directors for community colleges.

(j) The judiciary, including the supreme court, the court of appeals, the superior court, the commissions on appellate and trial court appointments and the commission on judicial conduct.

(k) The department of administration.

(l) The Arizona state lottery commission.

(m) The department of environmental quality.

(n) The department of transportation.

(o) **THE ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND.**

9. "Prepayment" means the payment of a claim before receiving the goods or services.

Sec. 2. Section 35-115, Arizona Revised Statutes, is amended to read:

35-115. Contents of annual budget report

Each annual budget report shall include the following:

1. Summary statements of the financial condition of the state, to include:

(a) A consolidated balance sheet showing all current assets and liabilities of the state as at the close of the fiscal year last concluded.

(b) Summary statements of the actual income and expenditures of the fiscal year last concluded.

(c) Similar summary statements of estimated fund balances for the current fiscal year.

2. Schedules showing actual income from each source for the preceding fiscal year and the estimated income of the current fiscal year and of the ensuing fiscal year. The statements of income and estimated income shall be itemized by source, by budget units and sources, and by funds and shall show separately revenue from nonrevenue, all detailed by sources.

3. Detailed comparative statements of expenditures and requests for appropriations by funds, budget units, budget programs and budget classes, showing the expenditures for the fiscal year last concluded, and the estimated expenditures for the current year, and the request of each budget unit and the governor's recommendations for appropriations for the ensuing

fiscal year, all distributed according to budget programs and budget classes.

In connection with each expenditure involving construction projects to be completed in one or more fiscal years, there shall be shown the total estimated cost of each such project and the amount thereof recommended to be appropriated and expended in each ensuing fiscal year until completion of the project. The state capital improvement plan and the governor's recommendations concerning the plan shall be incorporated into the annual budget report.

4. A summary statement for each fund of the cash resources estimated to be available at the beginning of the next fiscal year and the estimated cash receipts for the ensuing fiscal year, as compared with the total recommended amounts for appropriations for all budget programs and budget classes for the ensuing fiscal year, and if the total of the recommended expenditures exceeds the total of the estimated resources, recommendations as to how the deficiency is to be met and estimates of receipts from any proposed additional revenues.

5. For the ~~1996-1997~~ 1997-1998 fiscal year and thereafter, delineation, by budget unit, of requested expenditures for administrative costs, including administrative personnel salaries and employee related expenses and direct, indirect and shared costs for administrative office space, equipment, supplies and overhead. For purposes of this paragraph, "administrative" means any supportive activity relating to management, supervision, budget or execution of the affairs of the budget unit as distinguished from activities relating to its primary direct service functions. The process of delineation and determination of what constitutes administrative costs for each budget unit shall be developed by the governor's office of strategic planning and budgeting in consultation with the director and staff of the joint legislative budget committee.

6. For the ~~1996-1997~~ 1997-1998 fiscal year and thereafter, a summary on one page or less providing selected ~~productivity~~ PERFORMANCE measures ~~or indicators~~ of the budget unit for the previous fiscal year and the budget year. The ~~productivity~~ PERFORMANCE measures may be expressed as service level measures on a unit cost basis and shall be established by the governor's office of strategic planning and budgeting in consultation with the director and staff of the joint legislative budget committee.

Sec. 3. Laws 1993, chapter 252, section 11 is amended to read:

Sec. 11. State government program and subprogram list; program authorization review; recommendations; legislation; funding; budget unit responsibility

A. Notwithstanding any other law, **AND CONSISTENT WITH INSTRUCTIONS ISSUED BY THE OFFICE OF STRATEGIC PLANNING AND BUDGETING, ESTABLISHED BY THE GOVERNOR, ALL STATE AGENCIES SHALL SUBMIT TO THE OFFICE OF STRATEGIC PLANNING AND BUDGETING BY JUNE 1 OF EVERY EVEN NUMBERED CALENDAR YEAR THE PROGRAM INFORMATION REQUIRED BY THIS SUBSECTION.** The office of strategic planning and budgeting shall develop, ~~and~~ prepare, ~~and~~ update ~~each~~ **AND PUBLISH BY OCTOBER 1 OF EACH EVEN NUMBERED CALENDAR year,**— a list of separately identifiable programs **AND SUBPROGRAMS** that are performed or overseen by state government. The list shall include all programs **AND SUBPROGRAMS** within each budget unit as well as all programs **AND SUBPROGRAMS** that are administered jointly by two or more budget units. The list shall include a description of the program **OR SUBPROGRAM** with the mission statement, ~~—~~ **AND** goals ~~and~~

~~objectives~~ of the program OR SUBPROGRAM. The ~~evaluation criteria~~ PERFORMANCE MEASURES required by ~~subsection~~ SUBSECTIONS C, ~~paragraph 1~~ AND D shall be included when they are available. The list shall also include an identification of the budget unit or units, offices, departments or divisions responsible for administration of the program OR SUBPROGRAM. ~~the current fiscal year budget, appropriation and other funding for the program and the budget request for the next fiscal year.~~ FUNDING FORMULAS AND FUNDING CONVENTIONS AND FISCAL AND PERFORMANCE MEASURE DATA FOR THE CURRENT FISCAL YEAR AND THE TWO PRIOR FISCAL YEARS SHALL ALSO BE INCLUDED. IN THIS SUBSECTION, "FISCAL DATA" INCLUDES, BUT IS NOT LIMITED TO, FUNDING AMOUNTS, REGARDLESS OF SOURCE.

B. The office of strategic planning and budgeting shall submit the list and updates to the director of the joint legislative budget committee for review and modification. The joint legislative budget committee staff, with recommendations from the auditor general and the office of strategic planning and budgeting, shall meet with the joint legislative budget committee to develop and introduce legislation listing which programs AND SUBPROGRAMS are subject to program authorization review each year for the next four fiscal years. The legislature may also review other programs AND SUBPROGRAMS not listed in the schedule for that fiscal year. In conjunction with the budgetary hearings, the appropriate legislative committees shall consider the programs AND SUBPROGRAMS recommended for authorization review and may ~~continue,~~ RETAIN, ELIMINATE OR modify FUNDING AND RELATED STATUTORY REFERENCES FOR ~~or eliminate funding for~~ those programs AND SUBPROGRAMS.

C. Consistent with instructions issued by the governor, ~~and to aid in the development of the program authorization review required by this section,~~ the administrative head of each budget unit who is responsible for administering one or more budget programs is responsible for developing+

~~1.~~ a strategic plan for the budget unit. At a minimum, the plan shall extend for three years and shall contain a mission statement, ~~and~~ goals, objectives and ~~evaluation criteria~~ PERFORMANCE MEASURES for ~~each~~ THE budget program UNIT. The ~~evaluation criteria~~ PERFORMANCE MEASURES shall be stated in terms that are consistent with a ~~program's~~ BUDGET UNIT'S goals and objectives and that emphasize results. THE STRATEGIC PLAN SHALL BE SUBMITTED TO THE DIRECTOR OF THE OFFICE OF STRATEGIC PLANNING AND BUDGETING AND TO THE DIRECTOR OF THE JOINT LEGISLATIVE BUDGET COMMITTEE BY OCTOBER 1 OF EACH YEAR.

~~2. Management information to evaluate the success or failure of each budget program in achieving its goals and objectives.~~

D. CONSISTENT WITH INSTRUCTIONS ISSUED BY THE GOVERNOR, AND TO AID IN THE DEVELOPMENT OF THE PROGRAM AUTHORIZATION REVIEW REQUIRED BY THIS SECTION, THE ADMINISTRATIVE HEAD OF EACH BUDGET UNIT WHO IS RESPONSIBLE FOR ADMINISTERING ONE OR MORE BUDGET PROGRAMS IS ALSO RESPONSIBLE FOR DEVELOPING A STRATEGIC PLAN FOR EACH PROGRAM AND SUBPROGRAM. AT A MINIMUM, THE PLAN SHALL EXTEND FOR THREE YEARS AND SHALL CONTAIN A MISSION STATEMENT, GOALS, OBJECTIVES AND PERFORMANCE MEASURES FOR EACH PROGRAM AND SUBPROGRAM. THE PERFORMANCE MEASURES SHALL BE STATED IN TERMS THAT ARE CONSISTENT WITH A PROGRAM'S GOALS AND OBJECTIVES AND THAT EMPHASIZE RESULTS. AT THE REQUEST OF THE BUDGET UNIT, THE OFFICE OF STRATEGIC PLANNING AND BUDGETING, WITH THE CONCURRENCE OF THE DIRECTOR OF THE JOINT LEGISLATIVE BUDGET COMMITTEE, MAY ALLOW FOR THE AGGREGATION OF PROGRAMS AND SUBPROGRAMS FOR THE PURPOSE OF COMPLYING WITH THE STRATEGIC PLANNING PROVISIONS OF THIS SECTION.

E. THE OFFICE OF STRATEGIC PLANNING AND BUDGETING, IN CONSULTATION WITH THE JOINT LEGISLATIVE BUDGET COMMITTEE STAFF, MAY ALSO INSTRUCT THAT ALL DEPARTMENTS, AGENCIES OR BUDGET UNITS REPORT ESTIMATED AND ACTUAL EXPENDITURES IN A FORMAT CONSISTENT WITH THE PROGRAM AND SUBPROGRAM HIERARCHY IDENTIFIED PURSUANT TO SUBSECTION A. SUCH REPORTS MAY BE REQUIRED ON A QUARTERLY OR MONTHLY BASIS.

Sec. 4. Laws 1993, chapter 252, section 13 is amended to read:

Sec. 13. Delayed repeal

Section 11 of this act is repealed from and after June 30, ~~1998~~ 1999.

Sec. 5. Four-year program authorization review; programs; process

A. To implement the initial program authorization review process established by Laws 1993, chapter 252, section 11, the appropriate legislative committees shall consider at least a total of seventy-five programs recommended for review over the following four-year period:

1. The following ten programs during the 1996 legislative session:

(a) Underground storage tank, department of environmental quality.

(b) State agricultural laboratory, Arizona department of agriculture.

(c) Enterprise network services, department of administration.

(d) Drop-out prevention, department of education.

(e) Complex administration, state department of corrections.

(f) Diagnostic services, department of youth treatment and rehabilitation.

(g) Judicial collection enhancement, judicial system.

(h) Medical malpractice, primary health care and loan repayment, department of health services.

(i) Pass-through program - Arizona health education centers, board of regents.

(j) Medical student loan board.

The programs specified in subdivisions (h), (i) and (j) shall be considered together in the state's role in rural health.

2. The following fifteen programs during the 1997 legislative session:

(a) Arizona conservation corps, state parks board.

(b) Sportsfish management, game and fish department.

(c) Cooperative programs, Arizona state schools for the deaf and the blind.

(d) Facilities management, department of administration.

(e) Law, university of Arizona.

(f) College of law, Arizona state university.

(g) Corporations, corporation commission.

(h) Juvenile community corrections, judicial system.

(i) International trade and investment, department of commerce.

(j) Anti-gang enforcement, department of public safety.

(k) Inmate programs, state department of corrections.

(l) Comprehensive medical and dental program, department of economic security.

(m) Highway maintenance, department of transportation.

(n) Arizona state hospital, department of health services.

(o) Compliance, department of revenue.

The program specified in subdivision (o) shall focus on the program for increased enforcement revenues.

3. Thirty programs during the 1998 legislative session.

4. Twenty programs during the 1999 legislative session.

B. The procedure for program authorization review shall be conducted in the following three phases:

1. The budget unit responsible for a program or subprogram that is subject to authorization review shall submit to the director of the joint legislative budget committee and the director of the office of strategic planning and budgeting by July 1, 1995 for the 1996 reviews and by the previous April 1 for the 1997, 1998 and 1999 reviews, an evaluation of the program according to factors required and agreed on by the joint legislative budget committee and the office of strategic planning and budgeting.

2. The director of the joint legislative budget committee and the director of the office of strategic planning and budgeting shall evaluate the program or subprogram according to agreed upon factors and shall first jointly review the program authorization evaluation submitted by the department or departments responsible for the program or subprogram. After the joint review, the two staffs shall jointly produce by November 1 for the 1996 reviews, and by the previous October 1 for the 1997, 1998 and 1999 reviews, a report of their findings as they relate to the agreed upon factors. At a minimum, these findings should address background information and program funding, and assess the strategic plan, performance measures and performance results of each program or subprogram reviewed.

3. As part of their ensuing respective budget recommendations, the joint legislative budget committee and the office of strategic planning and budgeting may independently determine whether to retain, eliminate or modify funding and related statutory references for the programs or subprograms that are subject to the program authorization review.

4. For any program that is undergoing program authorization review, that is being audited by the auditor general or reviewed by the office of excellence in government, the auditor general and the office of excellence in government shall share its draft findings with the joint legislative budget committee staff and the office of strategic planning and budget staff. The joint legislative budget committee staff and the office of strategic planning shall abide by the confidentiality requirements that are placed upon the office of the auditor general regarding these draft findings.

APPROVED BY THE GOVERNOR APRIL 19, 1995

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 21, 1995