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SENATE FILE 2373

BY COMMITTEE ON APPROPRIATIONS

Approved (p 1541)

(SUCCESSOR TO SSB 2289)

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 Vote: Ayes 47 Nays 1 Vote: Ayes 54 Nays 43
 Approved *retired* 6/3/92

A BILL FOR

1 An Act relating to state budgeting processes and providing
 2 applicability provisions and effective dates.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I

STRATEGIC PLANNING

Section 1.01. NEW SECTION. 8.53 STRATEGIC PLANNING.

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4 1. The governor, supreme court, and general assembly shall
5 each develop a five-year strategic plan for their respective
6 branch of government. The governor and general assembly shall
7 also develop a five-year strategic plan providing long-term
8 goals and objectives for the state. The strategic plans shall
9 be annually updated and new five-year plans developed for each
10 succeeding five-year period.

11 2. Following presentation of the initial executive branch
12 strategic plan, yearly updates of the plan shall be submitted
13 as part of the governor's annual budget proposal to the
14 general assembly under section 8.22. The plan shall utilize
15 information obtained pursuant to section 8.52, include all
16 relevant budget projections, and include the plans developed
17 by each department and establishment of government for that
18 department or establishment in accordance with this section.
19 The governor shall provide an overall compilation of the plans
20 and identify the governor's top five priorities for the
21 ensuing fiscal year in the annual budget message required
22 under section 8.22. The plan by each department or
23 establishment shall be submitted to the governor at the same
24 time and with the budget materials required under section 8.23
25 and shall be considered at the public hearing required
26 pursuant to section 8.26. A department's or establishment's
27 plan shall be submitted to the general assembly at the same
28 time it is submitted to the governor. The plan for each
29 department and establishment shall provide budget projections
30 and requirements, long-term and short-term goals, and other
31 information relating to implementation of the plan, including
32 but not limited to all of the following:

33 a. Identifying and providing a time line for the critical
34 goals and objectives to be accomplished during the five-year
35 period.

1 b. Providing detailed estimates of the related costs.

2 c. Identifying the other resources, policy considerations,
3 and any cooperative involvement by other departments and
4 agencies of state government necessary to attain the critical
5 goals and objectives.

6 d. Identifying performance indicators for measuring the
7 accomplishment of the critical goals and objectives.

8 e. Submitting an annual progress report based upon the
9 performance indicators.

10 3. The strategic planning elements required in subsection
11 2, paragraphs "a" through "e", shall be addressed in the
12 strategic plans developed by the legislative and judicial
13 branches of state government. The supreme court's plan shall
14 be submitted to the general assembly on or before the first
15 business day in January. The general assembly's strategic
16 plan shall be considered in a concurrent resolution and is
17 subject to approval by a constitutional majority of the
18 members of each chamber.

19 4. The initial strategic plans required by this section
20 shall apply to the 1994-1995 fiscal year and shall be
21 submitted by the executive and judicial branches in December
22 1993.

23 DIVISION II

24 TRAINING AND EDUCATION

25 Sec. 201. NEW SECTION. 8.58 TRAINING AND EDUCATION.

26 It is the policy of the state to encourage all state
27 employees to possess an active interest in the efficient use
28 of public resources. As an incentive to employees, a
29 department or establishment may retain up to five percent of
30 the moneys appropriated to the department or establishment
31 from the general fund of the state which remain unencumbered
32 or unobligated following the close of the fiscal year.
33 Notwithstanding section 8.33, the retained moneys shall not
34 revert to the general fund of the state but shall remain
35 available during the succeeding fiscal year and used only for

1 payment of employee training or education expenses, including
2 but not limited to educational leave granted pursuant to
3 section 79.1. Moneys expended pursuant to this section shall
4 be reported to the governor and the general assembly in the
5 budget information submitted during the succeeding fiscal
6 year.

7 DIVISION III

8 NEW PROGRAMS

9 Sec. 301. NEW SECTION. 2.111 PROGRAMS -- APPROPRIATIONS
10 -- LIMITS.

11 Beginning with the fiscal year beginning July 1, 1993, the
12 general assembly shall not establish a new program to be
13 administered by a state agency which requires expenditure of
14 state moneys unless sufficient funding is enacted during the
15 same legislative session for the administration and operating
16 costs of the program for the first fiscal year. In addition,
17 such program shall only begin on July 1 unless the program is
18 required by the federal government and it is not possible to
19 begin the program at the beginning of the fiscal year.

20 DIVISION IV

21 LEGISLATIVE SESSION EXPENSES

22 Sec. 401. Section 2.10, Code Supplement 1991, is amended
23 by adding the following new subsection:

24 NEW SUBSECTION. 2. If, during any regular session of the
25 general assembly, the general assembly passes a concurrent
26 resolution, by a constitutional majority of the members of
27 each chamber of the general assembly, to recess the session
28 while a budget committee or committees meet to develop budget
29 recommendations, during that period of recess the members who
30 are not assigned to such a budget committee shall not receive
31 the expenses of office specified in subsection 1, for the
32 duration of the recess or twenty calendar days, whichever is
33 less.

34 DIVISION V

35 PERIODIC PROGRAM REVIEW

1 Sec. 501. Section 8.6, Code Supplement 1991, is amended by
2 adding the following new subsection:

3 NEW SUBSECTION. 9A. MANAGEMENT REVIEW. To prepare a
4 management review and accompanying recommendations as provided
5 in sections 8.56 through 8.62.

6 Sec. 502. NEW SECTION. 8.56 MANAGEMENT REVIEW OF
7 EXECUTIVE BRANCH PROGRAMS AND FUNCTIONS -- AUTHORIZATION AND
8 PURPOSE.

9 1. The director shall biennially prepare a management
10 review detailing the periodic functional review of the
11 programs and functions of the executive branch of state
12 government. This periodic review is intended to assure the
13 cost-effective delivery and quality performance of state
14 services, in order to maintain a balanced state budget, a
15 healthy state economy, and the confidence of Iowa citizens in
16 government. The primary purpose of the management review is
17 to determine whether or not there is a continuing, genuine
18 public need for the program or function under review and, if
19 so, to determine whether the public need is served. The
20 recommendations resulting from the management review shall be
21 submitted to the governor and the general assembly. The
22 working papers associated with the recommendations shall be
23 submitted to the legislative fiscal bureau.

24 2. The purpose of the management review is to provide a
25 mechanism designed to increase the accountability and
26 efficiency of state government through increased managerial
27 oversight and scrutiny of programs, functions, and
28 performance. The director is granted broad authority to
29 recommend termination, reduction, or reorganization of
30 programs or functions.

31 3. The director shall have the powers and duties to
32 prepare and implement the management review as provided in
33 sections 8.57 through 8.62.

34 Sec. 503. NEW SECTION. 8.57 DEFINITIONS.

35 As used in sections 8.56 through 8.62, unless the context

1 otherwise requires:

2 1. "Management review" means the review of a department's
3 program conducted under the director's authority as provided
4 by sections 8.58 through 8.62.

5 2. "Program" means a program or function of an executive
6 branch agency, whether the program is created by statute,
7 administrative rule, or internal procedure.

8 Sec. 504. NEW SECTION. 8.58 MANAGEMENT REVIEW RULES.

9 The director shall adopt rules pursuant to chapter 17A to
10 implement sections 8.56 through 8.62. The rules shall
11 include, but are not limited to, the following:

12 1. A schedule assigning a management review date to each
13 department's programs as identified by the director, once
14 within a ten-year cycle. A department's programs may be
15 subdivided by the director, and the parts of a program may be
16 subject to review in different legislative bienniums, with
17 particular programs or functions exempted, to facilitate the
18 director's review.

19 2. The information required to be submitted by a
20 department in connection with a management review of its
21 organization or programs.

22 3. Additional standards, methodologies, or criteria for
23 review of programs, consistent with the requirements of this
24 chapter.

25 Sec. 505. NEW SECTION. 8.59 DIRECTOR'S MANAGEMENT REVIEW
26 RESPONSIBILITIES AND DUTIES.

27 1. The director shall perform the following duties.

28 a. Conduct a thorough review of all information furnished
29 by each department administering a program under management
30 review.

31 b. Obtain, verify, and review any reports, audits, or
32 actions taken by other departments concerning the program
33 under management review, including, but not limited to, recent
34 reports prepared by:

35 (1) The auditor of state.

1 (2) A legislative interim study or standing committee.

2 (3) The legislative fiscal bureau or legislative service
3 bureau.

4 (4) The treasurer of state.

5 (5) A special governmental task force or committee.

6 c. Submit the final management review report to the
7 governor and the general assembly, on or before January 1 of
8 the second year of a legislative biennium. The report shall
9 contain at least the following elements:

10 (1) Evaluation of each program reviewed.

11 (2) Recommendations regarding each program reviewed,
12 including any conditions for termination suggested by the
13 director.

14 2. A department administering a program subject to
15 management review shall provide all assistance and information
16 reasonably required by the director. Information provided to
17 the director shall also be submitted to the legislative fiscal
18 bureau. The director shall cooperate with the legislative
19 fiscal bureau to facilitate, to the greatest extent possible,
20 requests for information made by the legislative fiscal bureau
21 in connection with a management review.

22 Sec. 506. NEW SECTION. 8.60 CRITERIA FOR REVIEW.

23 The director shall not presume that a genuine public need
24 continues for a program, or that the program is serving the
25 identified public need. The administering department must
26 show, through the criteria for review, that there is a
27 continuing public need, and that the program is serving that
28 public need in an administratively or fiscally effective
29 manner. The criteria shall include but are not limited to all
30 of the following:

31 1. The purpose of the statute, administrative rule, or
32 internal procedure establishing a program, and the manner of
33 operation of the program designed to achieve this purpose.

34 2. The extent to which the purpose for which the program
35 was created remains a continuing public need.

1 3. The extent to which the program has succeeded in
2 serving the public need or furthering the public purpose for
3 which the program was created.

4 4. An independent determination, apart from information
5 supplied by the administering department or by persons having
6 a direct interest in the continued existence of the program,
7 that the absence of the program would be detrimental to the
8 public health, safety, or welfare.

9 5. An assessment of the program's administrative and
10 fiscal efficiency, including alternative methods of achieving
11 the stated or implicit objectives of the statute,
12 administrative rule, or internal procedure establishing the
13 program, and a determination whether or not these alternative
14 methods would achieve the objectives. Cost-benefit analytical
15 techniques may be applied to gauge efficiency.

16 6. Determination as to whether the statute, administrative
17 rule, or internal procedure provides a clear mandate to the
18 department administering the program, and that the department
19 has complied with this mandate through its administration of
20 the program.

21 7. Determination as to whether other programs, activities,
22 or departments of state government have the same or similar
23 objectives. If so, a comparison of the costs and
24 effectiveness between programs, activities, or departments and
25 identification of unnecessary duplication with the program
26 under review shall be included.

27 8. Determination as to whether services provided or
28 purposes served by the program are in competition with the
29 private sector or may be better provided by the private
30 sector, either without governmental assistance or under
31 contract to the government.

32 9. The administrative or fiscal efficiency with which the
33 program meets its objectives.

34 10. Determination as to whether applications and formal
35 public complaints filed with the administering department have

1 been processed effectively and fairly.

2 11. Determination as to whether the program has been
3 operated by the administering department in an open and
4 accountable manner, with public access to records and
5 meetings, and with safeguards against possible conflicts of
6 interest.

7 12. Identification of the potential impact in terms of
8 federal intervention or loss of federal funds if the program
9 is terminated.

10 Sec. 507. NEW SECTION. 8.61 MANAGEMENT REVIEW REPORT.

11 1. The management review report shall contain all of the
12 following material for each program reviewed:

13 a. A complete description of the program and its
14 administering department, including the program's objectives
15 and a detailed outline of the management of the program by the
16 administering department.

17 b. A review of all relevant material obtained in the
18 course of the review.

19 c. A determination of whether a continuing public need for
20 the program exists, and whether the program is appropriately
21 serving that public need.

22 d. An evaluation of the program under the review criteria
23 of section 8.60.

24 e. A recommendation concerning the program's termination.
25 If the director recommends termination, the termination shall
26 be submitted to the general assembly as part of the governor's
27 legislative package.

28 2. The final report shall contain the management review
29 schedule for the programs subject to review during the second
30 calendar year following the year in which the report is
31 submitted. The schedule shall be adopted by rule in
32 accordance with section 8.58.

33 3. The director may recommend any or all of the following:

34 a. Continuance of a program.

35 b. Termination of a program or abolishment of the

1 program's administering department.

2 c. The consolidation, merger, or transfer of a program or
3 departmental unit from one department to another.

4 d. The termination of a program, unless certain conditions
5 are met or modifications made within a specified period of
6 time.

7 e. Budget limitations for a program.

8 f. Changes in fees to assure that the costs of a
9 regulatory program are borne by the regulated industry or
10 group.

11 g. Other managerial changes to assure service delivery in
12 an administratively and fiscally efficient manner.

13 4. If the director recommends any changes or termination
14 of a program, the recommendation shall include both of the
15 following:

16 a. Proposed legislation to implement a recommendation,
17 concerning a program.

18 b. Proposed legislation relating to an administering
19 department, program, related agency or department, or a
20 program's underlying public need.

21 Sec. 508. NEW SECTION. 8.62 PROPOSED TRANSITION PLAN.

22 If a program is recommended by the director for
23 termination, the administering department shall submit a
24 transition plan to the director and the general assembly for
25 review. If the department fails to submit an acceptable
26 transition plan, the director shall prepare the transition
27 plan. A transition plan must be approved by the director.

28 Sec. 509. DEPARTMENT OF MANAGEMENT -- REVIEW. The de-
29 partment of management shall be subject to management review
30 by the auditor of state in the first year of the ten-year
31 review cycle based upon the requirements of this division.

32 DIVISION VI

33 BIENNIAL BUDGETS

34 Sec. 601. Section 2.12, unnumbered paragraph 4, Code 1991,
35 is amended to read as follows:

1 There is appropriated out of any funds in the state
2 treasury not otherwise appropriated such sums as may be
3 necessary for the fiscal year budgets of the legislative
4 service bureau, the legislative fiscal bureau, the citizens'
5 aide office, and the computer support bureau for salaries,
6 support, maintenance, and miscellaneous purposes to carry out
7 their statutory responsibilities. The legislative service
8 bureau, the legislative fiscal bureau, the citizens' aide
9 office, and the computer support bureau shall submit their
10 proposed budgets for each of the two fiscal years of the
11 fiscal biennium to the legislative council not later than
12 September 1 of each the year preceding the first year of the
13 fiscal biennium. The legislative council shall review and
14 approve the proposed budgets budget for the first fiscal year,
15 and may review and approve the proposed budget for the second
16 fiscal year not later than December 1 of each the year
17 preceding the first year of the fiscal biennium. If only the
18 first fiscal year budget is approved, the second fiscal year
19 budget shall be approved not later than the next December 1.
20 The budget approved by the legislative council for each of its
21 statutory legislative agencies shall be transmitted by the
22 legislative council to the department of management on or
23 before December 1 of each the year preceding the first year of
24 the fiscal biennium for the fiscal year biennium beginning
25 July 1 of the following year. If only the first fiscal year
26 budget is approved and transmitted, the second fiscal year
27 budget shall be transmitted on or before the next December 1.
28 The department of management shall submit the approved budgets
29 received from the legislative council to the governor for
30 inclusion in the governor's proposed budget for the succeeding
31 fiscal year biennium. The approved budgets shall also be
32 submitted to the chairpersons of the committees on
33 appropriations. The committees on appropriations may allocate
34 from the funds appropriated by this section the funds
35 contained in the approved budgets, or such other amounts as

1 specified, pursuant to a concurrent resolution to-be approved
2 by both houses of the general assembly. The director of
3 revenue and finance shall issue warrants for salaries,
4 support, maintenance, and miscellaneous purposes upon
5 requisition by the administrative head of each statutory
6 legislative agency. If the legislative council elects to
7 change the approved budget for a legislative agency prior-to
8 July-1 for either or both fiscal years of a fiscal biennium,
9 the legislative council shall transmit the amount of the
10 budget revision to the department of management prior to July
11 1 of the affected fiscal year, however, if the general
12 assembly approved the budget it cannot be changed except
13 pursuant to a concurrent resolution approved by the general
14 assembly.

15 Sec. 602. NEW SECTION. 2.12A FISCAL BIENNIUM -- APPRO-
16 PRIATIONS.

17 In the first year of each legislative biennium the general
18 assembly may enact appropriations for ensuing fiscal years of
19 the fiscal biennium. An appropriation shall indicate the
20 source from which the appropriation shall be paid. An
21 appropriation need not be in greater detail than to indicate
22 the total appropriation to be made for both of the following:

23 1. Administration, operation, and maintenance of each
24 department and establishment, as defined in section 8.2, for
25 each fiscal year of a fiscal biennium.

26 2. The cost of land, public improvements, and other
27 capital outlays for each department and establishment,
28 itemized by specific projects or classes of projects of the
29 same general character.

30 If appropriations are enacted for both years of the fiscal
31 biennium, the general assembly may enact appropriation bills
32 in the second year of a fiscal biennium providing for
33 supplemental appropriations to or appropriation reductions
34 from the previously enacted fiscal biennium budget.

35 Sec. 603. Section 2.16, unnumbered paragraph 2, Code 1991,

1 is amended to read as follows:

2 Departments and agencies of state government shall, at
3 least forty-five days prior to the convening of each session
4 of the general assembly, submit copies to the legislative
5 service bureau of proposed legislative bills and joint
6 resolutions which such departments desire to be considered by
7 the general assembly. The proposed legislative bills and
8 joint resolutions of the governor must be submitted by the
9 Friday January 1 prior to the convening of the session of the
10 general assembly, except in the year of the governor's initial
11 inauguration. The legislative service bureau shall review
12 such proposals and submit them in proper form to the presiding
13 officer in each house of the general assembly for referral to
14 the proper standing committee. Before submitting any proposal
15 prepared under this section to the presiding officers, the
16 legislative service bureau shall return it for review to, as
17 appropriate, the relevant department or agency or the
18 governor's office and such department or agency or the
19 governor's office shall review and return it within seven days
20 of such delivery.

21 Sec. 604. Section 8.21, Code 1991, is amended to read as
22 follows:

23 8.21 BUDGET TRANSMITTED.

24 ~~Not-later-than~~ On or before February 1 of each legislative
25 session, the governor shall transmit to the legislature
26 general assembly a document to be known as a budget, setting
27 forth the governor's financial program for each of the fiscal
28 years of the ensuing fiscal year biennium and having the
29 character and scope set forth in sections 8.22 through 8.29.
30 If only the first fiscal year budget is approved in the first
31 year of the legislative biennium, the governor shall transmit
32 any adjustments to the financial program budget document for
33 the second fiscal year budget to the general assembly on or
34 before February 1 of the second year of the legislative
35 biennium.

1 Sec. 605. Section 8.22, Code 1991, is amended to read as
2 follows:

3 8.22 NATURE AND CONTENTS OF BUDGET.

4 The budget shall consist of three parts, the nature and
5 contents of which shall be as follows, except that for the
6 second fiscal year of the biennium the budget shall only
7 relate to that second fiscal year:

8 PART I

9 GOVERNOR'S BUDGET MESSAGE. Part I shall consist of the
10 governor's budget message, in which the governor shall set
11 forth:

12 1. The governor's program for meeting all the expenditure
13 needs of the government for the each of the ensuing fiscal
14 year years of the biennium, indicating the classes of funds,
15 general or special, from which appropriations are to be made
16 and the means through which the expenditures shall be
17 financed.

18 The governor's program shall include a single budget
19 request for all capital projects proposed by the governor.
20 The request shall include but is not limited to the following:

21 a. The purpose and need for each capital project.

22 b. A priority listing of capital projects.

23 c. The costs of acquisition, lease, construction,
24 renovation, or demolition of each capital project.

25 d. The identification of the means and source of funding
26 each capital project.

27 e. The estimated operating costs of each capital project
28 after completion.

29 f. The estimated maintenance costs of each capital project
30 after completion.

31 g. The consequences of delaying or abandoning each capital
32 project.

33 h. Alternative approaches to meeting the purpose or need
34 for each capital project.

35 i. Alternative financing mechanisms.

- 1 j. A cost-benefit analysis or economic impact of each
2 capital project.
- 3 2. Financial statements giving in summary form:
- 4 a. The condition of the treasury at the end of the last
5 completed fiscal year, the estimated condition of the treasury
6 at the end of the year in progress, and the estimated
7 condition of the treasury at the end of each of the following
8 fiscal-year ensuing fiscal years of the fiscal biennium if the
9 governor's budget proposals are put into effect.
- 10 b. Statements showing the bonded indebtedness of the
11 government, debt authorized and unissued, debt redemption and
12 interest requirements, and condition of the sinking funds, if
13 any.
- 14 c. A summary of appropriations recommended for each of the
15 following-fiscal-year ensuing fiscal years of the fiscal
16 biennium for each department and establishment and for the
17 government as a whole, in comparison with the actual
18 expenditures for the last completed fiscal year and the
19 estimated expenditures for the year in progress.
- 20 d. A summary of the revenue, estimated to be received by
21 the government during each of the following ensuing fiscal
22 year years of the fiscal biennium, classified according to
23 sources, in comparison with the actual revenue received by the
24 government during the last completed fiscal year and estimated
25 income during the year in progress.
- 26 e. A statement of federal funds received in the form of
27 block or categorical grants which were not included in the
28 governor's budget for the previous fiscal year and a statement
29 of anticipated block grants and categorical grants for each of
30 the ensuing fiscal years of the fiscal biennium. The budget
31 shall indicate how the federal funds will be used and the
32 programs to which they will be allocated. The amount of state
33 funds required to implement the programs to which the federal
34 funds will apply shall also be indicated. The departments
35 shall provide information to the director on the anticipated

1 federal block grants and categorical grants to be received on
2 or before November 1 of each year. The director shall use
3 this information to develop an annual update of the statement
4 of federal funds received which shall be provided to the
5 general assembly.

6 f. Other financial statements, data, and comments as in
7 the governor's opinion are necessary or desirable in order to
8 make known in all practicable detail the financial condition
9 and operation of the government and the effect that each
10 fiscal year of the biennial budget as proposed by the governor
11 will have on the financial condition and operation.

12 If the estimated revenues of the government for ~~the ensuing~~
13 each fiscal year of the biennium as set forth in the budget on
14 the basis of existing laws, plus the estimated amounts in the
15 treasury at the close of each of the year fiscal years of the
16 biennium in progress, available for expenditure in each of the
17 ensuing fiscal year years are less than the aggregate
18 recommended for the ensuing fiscal year or years as contained
19 in the budget, the governor shall make recommendations to the
20 ~~legislature~~ general assembly in respect to the manner in which
21 the deficit shall be met, whether by an increase in the state
22 tax or the imposition of new taxes, increased rates on
23 existing taxes, or otherwise, and if the aggregate of the
24 estimated revenues, plus estimated balances in the treasury,
25 is greater than the recommended appropriations for the ensuing
26 fiscal year or years, the governor shall make recommendations
27 in reference to the application of the surplus to the
28 reduction of debt or otherwise, to the reduction in taxation,
29 or to such other action as in the governor's opinion is in the
30 interest of the public welfare.

31 PART II

32 RECOMMENDED APPROPRIATIONS. Part II shall present in
33 detail for ~~the~~ each ensuing fiscal year of the biennium the
34 governor's recommendations for appropriations to meet the
35 expenditure needs of the government from each general class of

1 funds, in comparison with actual expenditures for each of the
2 purposes during the last completed fiscal year and estimated
3 expenditures for the year in progress, classified by
4 departments and establishments and indicating for each the
5 appropriations recommended for:

6 1. Meeting the cost of administration, operation, and
7 maintenance of the departments and establishments.

8 2. Appropriations for meeting the cost of land, public
9 improvements, and other capital outlays in connection with the
10 departments and establishments.

11 Each item of expenditure, actual or estimated, and
12 appropriations recommended for administration, operation, and
13 maintenance of each department or establishment shall be
14 supported by detailed statements showing the actual and
15 estimated expenditures and appropriations classified by
16 objects according to a standard scheme of classification to be
17 prescribed by the director.

18 PART III

19 APPROPRIATION BILLS. Part III shall include a draft or
20 drafts of appropriation bills having for their purpose to give
21 legal sanction to the appropriations recommended to be made in
22 Parts I and II. The appropriation bills shall indicate the
23 funds, general or special, from which the appropriations shall
24 be paid, but the appropriations need not be in greater detail
25 than to indicate the total appropriation to be made for both
26 of the following:

27 1. Administration, operation, and maintenance of each
28 department and establishment for the each fiscal year of the
29 biennium.

30 2. The cost of land, public improvements, and other
31 capital outlays for each department and establishment,
32 itemized by specific projects or classes of projects of the
33 same general character.

34 Sec. 606. Section 8.22A, unnumbered paragraph 3, Code
35 1991, is amended to read as follows:

1 By December 15, 1986 and each succeeding year the
2 conference shall agree to a revenue estimate for the each of
3 the two ensuing fiscal year beginning the following July 1
4 years. ~~That~~ The estimate shall be used by the governor in the
5 preparation of the budget message under section 8.22 and by
6 the ~~legislature~~ general assembly in the budget process.

7 Sec. 607. Section 8.23, Code Supplement 1991, is amended
8 to read as follows:

9 8.23 ANNUAL AND BIENNIAL DEPARTMENTAL ESTIMATES.

10 On or before September 1, prior to each legislative
11 session, all departments and establishments of the government
12 shall transmit initial budget information to the director, ~~on~~
13 ~~blanks to be furnished by the director, estimates of their~~
14 ~~expenditure requirements, including every proposed~~
15 ~~expenditure, for each of the ensuing fiscal year, classified~~
16 ~~so as to distinguish between expenditures estimated for~~
17 ~~administration, operation, and maintenance, and the cost of~~
18 ~~each project involving the purchase of land or the making of a~~
19 ~~public improvement or capital outlay of a permanent character,~~
20 ~~together with supporting data and explanations as called for~~
21 ~~by the director~~ years of the biennium or for the second fiscal
22 year of the biennium. Requirements of the initial budget
23 information shall be specified by the legislative fiscal
24 bureau. The legislative fiscal bureau shall consult with the
25 department of management in developing budget forms. The
26 requirements shall include but are not limited to a program-
27 based budget system, and budget forms and reporting formats.
28 The specifications developed by the legislative fiscal bureau
29 are subject to approval by the legislative fiscal committee of
30 the legislative council. The budget estimates information
31 shall include for those agencies which pay for energy directly
32 a line item for energy expenses itemized by type of energy and
33 location. ~~The estimates of expenditure requirements shall be~~
34 ~~based upon seventy-five percent of the funding provided for~~
35 ~~the current fiscal year accounted for by program reduced by~~

1 the-historical-employee-vacancy-factor-in-form-specified-by
2 the-director-and-the-remainder-of-the-estimate-of-expenditure
3 requirements-prioritized-by-program. The estimates budget
4 information shall be accompanied with by performance measures
5 for evaluating the effectiveness of the program. If a
6 department or establishment fails to submit estimates the
7 budget information within the time specified, the governor
8 shall cause estimates to be prepared for that department or
9 establishment as in the governor's opinion are reasonable and
10 proper. The director shall furnish standard budget request
11 forms to each department or agency of state government.

12 On or before November 15 all departments and establishments
13 of government and the judicial department shall transmit to
14 the department of management and the legislative fiscal bureau
15 the final estimates of their receipts and expenditure
16 requirements from federal or other nonstate grants, receipts,
17 and funds for the ensuing fiscal year. The transmittal shall
18 include the names of the grantor and the grant or the source
19 of the funds, the estimated amount of the funds, and the
20 planned expenditures and use of the funds. The format of the
21 transmittal shall be specified by the legislative fiscal
22 bureau.

23 Sec. 608. Section 8.24, Code 1991, is amended to read as
24 follows:

25 8.24 ANNUAL AND BIENNIAL ESTIMATE OF INCOME.

26 On or before October 1, next prior to each legislative
27 session, the director shall prepare an estimate of the total
28 income of the government for each of the two ensuing fiscal
29 year years of the biennium or for the second fiscal year of
30 the biennium, in which the several items of income shall be
31 listed and classified according to sources or character, and
32 departments or establishments producing the funds, and brought
33 into comparison with the income actually received during the
34 last completed fiscal year and the estimated income to be
35 received during the fiscal year in progress.

1 Sec. 609. Section 8.25, Code 1991, is amended to read as
2 follows:

3 8.25 TENTATIVE BUDGET.

4 Upon the receipt of the budget information and the
5 estimates of expenditure requirements called for by section
6 8.23 and the preparation of the estimates of income called for
7 by section 8.24 and not later than December 1, next
8 succeeding, the director of the department of management,
9 ~~hereinabove-provided-for~~, shall cause to be prepared a
10 tentative budget conforming as to scope, contents and
11 character to the requirements of section 8.22 and containing
12 the budget information and the estimates of expenditures and
13 revenue as called for by sections 8.23 and 8.24, which
14 tentative budget shall be transmitted to the governor.

15 Sec. 610. Section 8.27, Code 1991, is amended to read as
16 follows:

17 8.27 PREPARATION OF BUDGET.

18 ~~Following-the-inauguration~~ If the governor is reelected to
19 a successive term, the governor shall ~~proceed-to~~ continue with
20 the formulation of the budget provided for by sections 8.21
21 and 8.22. However, if the governor-elect did not hold office
22 on January 1 prior to inauguration, the governor's budget
23 document and records required by section 8.35A, subsection 2,
24 shall be submitted no later than the date the document is
25 delivered to the printer.

26 Sec. 611. Section 8.30, Code 1991, is amended to read as
27 follows:

28 8.30 AVAILABILITY OF APPROPRIATIONS.

29 The appropriations made are not available for expenditure
30 until allotted as provided for in section 8.31. All
31 appropriations are declared to be maximum and proportionate
32 appropriations, the purpose being to make the appropriations
33 payable in full in the amounts named if the estimated budget
34 resources during the each fiscal year of the fiscal biennium
35 for which the appropriations are made, are sufficient to pay

1 all of the appropriations in full. The governor shall
2 restrict allotments only to prevent an overdraft or deficit in
3 any fiscal year for which appropriations are made.

4 Sec. 612. Section 8.35A, subsection 2, Code 1991, is
5 amended to read as follows:

6 2. Commencing September 1, the director shall provide
7 weekly budget tapes in the form and level of detail requested
8 by the legislative fiscal bureau reflecting finalized agency
9 budget requests for the following fiscal year as submitted to
10 the governor. The director shall transmit all agency requests
11 in final form to the legislative fiscal bureau by November 15.
12 ~~Final~~ Except as otherwise provided for a newly elected
13 governor pursuant to section 8.27, final budget records
14 containing the governor's recommendation, proposed legislative
15 package, and final agency requests shall be transmitted to the
16 legislative fiscal bureau by January 1 or-no-later-than-the
17 date-the-governor's-budget-document-is-delivered-to-the
18 printer. The governor's recommendation included on this
19 record shall be considered confidential by the legislative
20 fiscal bureau until it is made public by the governor. The
21 legislative fiscal bureau shall use this data in the
22 preparation of information for the legislative appropriation
23 process.

24 Sec. 613. Section 8.37, Code 1991, is amended to read as
25 follows:

26 8.37 FISCAL TERM BIENNIUM.

27 The fiscal term biennium of the state ends on the thirtieth
28 day of June in each odd-numbered year, and the succeeding
29 fiscal term biennium begins on the day following.

30 Sec. 614. Section 8.41, subsection 2, Code 1991, is
31 amended to read as follows:

32 2. Federal funds deposited in the state treasury as
33 provided in subsection 1 shall either be included as part of
34 the governor's budget required by section 8.22 or shall be
35 included in a separate recommendation made by the governor to

1 the general assembly. If federal funds received in the form
2 of block grants or categorical grants have not been included
3 in the governor's budget for the current fiscal year or
4 biennium because of time constraints or because a budget is
5 not being submitted for the ~~next-fiscal~~ second year of a
6 fiscal biennium, the governor shall submit a supplemental
7 statement to the general assembly listing the federal funds
8 received and including the same information for the federal
9 funds required by section 8.22, part I, subsection 2,
10 paragraph "e", for the statement of federal funds in the
11 governor's budget.

12 Sec. 615. APPLICABILITY. This division applies to the
13 fiscal period beginning July 1, 1993, and ending June 30,
14 1995, and succeeding fiscal bienniums. However, the program-
15 based budget system shall be implemented with the fiscal
16 period beginning July 1, 1995, except for the budgets of the
17 Iowa department of public health and the department of
18 economic development which shall begin the program-based
19 budget system with the fiscal period beginning July 1, 1993.
20 The program-based budget system shall include, but is not
21 limited to, stating the strategic plan required by section
22 8.53 in terms of desired outcomes, proposals for resource
23 allocation, and performance measures of past and future
24 outcomes.

25 DIVISION VII

26 CHANGE IN FISCAL YEAR

27 Sec. 701. Section 3.12, Code 1991, is amended to read as
28 follows:

29 3.12 APPROPRIATIONS -- EFFECTIVE FOR FISCAL YEAR.

30 All annual appropriations shall be for the fiscal year
31 beginning with ~~July~~ October 1 and ending with ~~June~~ September
32 30 of the succeeding year and when ~~such~~ the appropriations are
33 made payable quarterly, the quarters shall end with ~~September~~
34 ~~30~~, December 31, March 31, and June 30~~7-but-nothing~~, and
35 September 30. However, nothing in this section shall be

1 construed as increasing the amount of any annual
2 appropriation.

3 Sec. 702. Section 8.36, Code 1991, is amended to read as
4 follows:

5 8.36 FISCAL YEAR.

6 The fiscal year of the government shall commence on the
7 first day of ~~July~~ October and end on the thirtieth day of ~~June~~
8 September. This fiscal year shall be used for purposes of
9 making appropriations and of financial reporting and shall be
10 uniformly adopted by all departments and establishments of the
11 government.

12 ~~However, the division of job service of the department of~~
13 ~~employment services may use the federal fiscal year instead of~~
14 ~~the fiscal year commencing on July 1.~~

15 Sec. 703. Section 8.37, Code 1991, is amended to read as
16 follows:

17 8.37 FISCAL TERM.

18 The fiscal term of the state ends on the thirtieth day of
19 ~~June~~ September in each year, and the succeeding fiscal term
20 begins on the day following.

21 Sec. 704. Section 8.51, Code 1991, is amended to read as
22 follows:

23 8.51 FISCAL YEAR OF POLITICAL SUBDIVISIONS.

24 The fiscal year of cities, counties, and other political
25 subdivisions of the state shall begin ~~July~~ October 1 and end
26 the following ~~June~~ September 30. For the purpose of this
27 section, the term political subdivision includes school
28 districts.

29 Sec. 705. Section 24.2, subsection 4, Code 1991, is
30 amended to read as follows:

31 4. The words "fiscal year" shall mean the period of twelve
32 months beginning on ~~July~~ October 1 and ending on the ~~thirtieth~~
33 ~~day of June~~ September 30.

34 The fiscal year of cities, counties, and other political
35 subdivisions of the state shall begin ~~July~~ October 1 and end

1 the following ~~June~~ September 30.

2 Sec. 706. EFFECTIVE DATE. This division takes effect
3 October 1, 1995.

4 EXPLANATION

5 This bill relates to state budgeting processes and provides
6 applicability provisions and effective dates.

7 Division I of the bill requires the three branches of state
8 government to develop a five-year strategic plan for their
9 respective branch of government. Each department of state
10 government is required to develop its own plan and the
11 governor is to provide an overall compilation as part of the
12 governor's annual budget message. Certain information is
13 required to be part of the plan.

14 Division II provides an incentive for executive branch
15 departments to promote efficient use of fiscal resources. A
16 department is authorized to retain in the succeeding fiscal
17 year up to 5 percent of the moneys unspent in the previous
18 fiscal year. The unspent moneys must be used for employee
19 education and training.

20 Division III prohibits the general assembly from
21 establishing a new program requiring expenditures of state
22 funds unless funding is appropriated for the first year
23 administration and operating costs of the program.

24 Division IV relates to the passage by the general assembly
25 of a concurrent resolution to recess the legislative session
26 while a budget committee or committees meet to develop budget
27 recommendations. Those legislators who are not assigned to a
28 budget committee do not receive legislative session per diem
29 for the duration of the recess or 20 calendar days, whichever
30 is less.

31 Division V establishes a process in the department of
32 management for a biennial review of programs of state
33 government. All executive branch programs are intended to be
34 reviewed over a ten-year period. This division authorizes the
35 director of management to adopt rules, specifies the

1 director's responsibilities, provides criteria for review,
2 requires a management review report, requires a proposed
3 transition plan if the director recommends termination of a
4 program, and requires that the department of management be
5 reviewed by the auditor of state in the first year of the
6 review.

7 Division VI establishes a biennial budgeting process for
8 state government and revises various submission dates and
9 requirements associated with the state budget and proposed
10 executive branch legislation. The governor is required to
11 submit final budget information and the proposed legislative
12 package by January 1. Current law providing for submission of
13 various types of information and of the budget based upon 75
14 percent of the funding appropriated for the current fiscal
15 year is stricken. It is replaced with a requirement for the
16 legislative fiscal bureau to specify, subject to the approval
17 of the legislative fiscal committee, requirements for budget
18 information, including use of a program-based budget. The
19 legislative fiscal bureau is to consult with the department of
20 management in developing budget forms. An applicability
21 provision specifies that the division applies to the fiscal
22 period beginning July 1, 1993. The program-based budget
23 system is to be implemented beginning with fiscal period 1995-
24 1997, except for the departments of health and economic
25 development which are to begin in fiscal year 1993-1994.

26 Division VII changes the state and local fiscal year to
27 match the federal fiscal year of October 1 through September
28 30 beginning on October 1, 1995. The change in the fiscal
29 year may constitute a state mandate as defined in chapter 25B.

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S-5858

1 Amend Senate File 2373 as follows:

2 1. Page 9, by inserting after line 31, the
3 following:

4 "DIVISION

5 Sec. ____ . NEW SECTION. 8.63 REVIEW OF TAX
6 EXPENDITURES -- AUTHORIZATION AND PURPOSE.

7 1. The director of the department of management
8 and the director of revenue and finance shall annually
9 prepare a tax expenditure review detailing the
10 periodic functional review of the tax expenditures
11 authorized in the Code of Iowa. This periodic review
12 is intended to assure the continued feasibility and
13 viability of tax expenditures authorized by the Code
14 of Iowa, in order to maintain a balanced state budget,
15 a healthy state economy, and the confidence of Iowa
16 citizens in government. The primary purpose of the
17 tax expenditure review is to determine whether or not
18 there is a continuing, genuine public need for a tax
19 expenditure and, if so, to determine whether the
20 public need is served and whether the expenditure is
21 meeting its stated goal or objective. The
22 recommendations resulting from the tax expenditure
23 review shall be submitted to the governor and the
24 general assembly. The working papers associated with
25 the recommendations shall be submitted to the
26 legislative fiscal bureau.

27 2. The purpose of the tax expenditure review is to
28 provide a mechanism designed to increase the
29 accountability and efficiency of state government and
30 the state tax system through increased oversight and
31 scrutiny of tax expenditures.

32 3. The director of the department of management
33 shall have the powers and duties necessary to prepare
34 and implement the tax expenditure review.

35 Sec. ____ . NEW SECTION. 8.64 TAX EXPENDITURES
36 DEFINED.

37 As used in sections 8.63, 8.65, and 8.66, "tax
38 expenditures" means tax credits, exemptions, and
39 deductions including but not limited to the following:
40 exemption credit allowed in section 422.12, the
41 personal income tax, the federal tax deductions under
42 sections 422.7 and 422.35; the sales and services tax
43 exemptions under section 422.45, the real property
44 homestead exemption under chapter 425, and the
45 military service tax credit under chapter 426A.

46 Sec. ____ . NEW SECTION. 8.65 TAX EXPENDITURE
47 REVIEW SCHEDULE.

48 A schedule assigning a tax expenditure review date
49 on a four-year cycle to each tax expenditure as
50 identified by the director of revenue and finance,

Page 2

1 shall be prepared by the department of management.
2 The review shall include the standards, methodologies,
3 or criteria for review of tax expenditures consistent
4 with the requirements of this chapter.

5 Sec. ____ . NEW SECTION. 8.66 TAX EXPENDITURE
6 REVIEW REPORT.

7 The tax expenditure review report shall contain all
8 of the following material for each tax expenditure
9 reviewed:

- 10 a. A complete description of the tax expenditure,
11 including the goals and objectives of the expenditure
12 as stated in the Code of Iowa.
13 b. A review of all relevant material obtained in
14 the course of the review.
15 c. A determination of whether a continuing public
16 need for the tax expenditure exists, and whether the
17 expenditure is appropriately serving that public need.
18 d. The impact of the tax expenditure on state
19 revenues.
20 e. A determination of whether the tax expenditure
21 is meeting its stated goals and objectives. If a tax
22 expenditure does not have a written goal or objective,
23 the report shall include recommended intent language
24 for the tax expenditure. Any intent language shall be
25 referred to the general assembly as part of the
26 governor's legislative package.
27 f. A recommendation concerning the expenditure.
28 If the report recommends repeal or modification of the
29 expenditure, the recommendation shall be submitted to
30 the general assembly as part of the governor's
31 legislative package."
32 2. By renumbering as necessary.

By RALPH ROSENBERG

S-5858 FILED APRIL 23, 1992
ADOPTED (p. 1571)

SENATE FILE 2373

S-5806

- 1 Amend Senate File 2373 as follows:
2 1. Page 21, by striking line 25 through page 23,
3 line 3.

By DERRYL MCLAREN

S-5806 FILED APRIL 22, 1992
Adopted 5/23 (p. 1567)

SENATE FILE 2373

S-5852

- 1 Amend Senate File 2373 as follows:
2 1. Page 2, line 31, by striking the words "the
3 general fund" and inserting the following: "funds".
4 2. Page 2, line 34, by striking the words
5 "general fund" and inserting the following: "funds".

By RICHARD VARN

S-5852 FILED APRIL 23, 1992
ADOPTED (p. 1569)

SENATE FILE 2373

S-5856

- 1 Amend Senate File 2373 as follows:
2 1. Page 3, by striking lines 20 through 33.
3 2. By renumbering as necessary.

By MIKE CONNOLLY

S-5856 FILED APRIL 23, 1992
ADOPTED (p. 1576)

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DIVISION I

STRATEGIC PLANNING

Section 101. NEW SECTION. 8.53 STRATEGIC PLANNING.

1. The governor, supreme court, and general assembly shall each develop a five-year strategic plan for their respective branch of government. The governor and general assembly shall also develop a five-year strategic plan providing long-term goals and objectives for the state. The strategic plans shall be annually updated and new five-year plans developed for each succeeding five-year period.

2. Following presentation of the initial executive branch strategic plan, yearly updates of the plan shall be submitted as part of the governor's annual budget proposal to the general assembly under section 8.22. The plan shall utilize information obtained pursuant to section 8.52, include all relevant budget projections, and include the plans developed by each department and establishment of government for that department or establishment in accordance with this section. The governor shall provide an overall compilation of the plans and identify the governor's top five priorities for the ensuing fiscal year in the annual budget message required under section 8.22. The plan by each department or establishment shall be submitted to the governor at the same time and with the budget materials required under section 8.23 and shall be considered at the public hearing required pursuant to section 8.26. A department's or establishment's plan shall be submitted to the general assembly at the same time it is submitted to the governor. The plan for each department and establishment shall provide budget projections and requirements, long-term and short-term goals, and other information relating to implementation of the plan, including but not limited to all of the following:

- a. Identifying and providing a time line for the critical goals and objectives to be accomplished during the five-year period.

- 1 b. Providing detailed estimates of the related costs.
2 c. Identifying the other resources, policy considerations,
3 and any cooperative involvement by other departments and
4 agencies of state government necessary to attain the critical
5 goals and objectives.
6 d. Identifying performance indicators for measuring the
7 accomplishment of the critical goals and objectives.
8 e. Submitting an annual progress report based upon the
9 performance indicators.

10 3. The strategic planning elements required in subsection
11 2, paragraphs "a" through "e", shall be addressed in the
12 strategic plans developed by the legislative and judicial
13 branches of state government. The supreme court's plan shall
14 be submitted to the general assembly on or before the first
15 business day in January. The general assembly's strategic
16 plan shall be considered in a concurrent resolution and is
17 subject to approval by a constitutional majority of the
18 members of each chamber.

19 4. The initial strategic plans required by this section
20 shall apply to the 1994-1995 fiscal year and shall be
21 submitted by the executive and judicial branches in December
22 1993.

23 DIVISION II

24 TRAINING AND EDUCATION

25 Sec. 201. NEW SECTION. 8.58 TRAINING AND EDUCATION.

26 It is the policy of the state to encourage all state
27 employees to possess an active interest in the efficient use
28 of public resources. As an incentive to employees, a
29 department or establishment may retain up to five percent of
30 the moneys appropriated to the department or establishment
31 from funds of the state which remain unencumbered or
32 unobligated following the close of the fiscal year.
33 Notwithstanding section 8.33, the retained moneys shall not
34 revert to the funds of the state but shall remain available
35 during the succeeding fiscal year and used only for payment of

1 employee training or education expenses, including but not
2 limited to educational leave granted pursuant to section 79.1.
3 Moneys expended pursuant to this section shall be reported to
4 the governor and the general assembly in the budget
5 information submitted during the succeeding fiscal year.

6 DIVISION III

7 NEW PROGRAMS

8 Sec. 301. NEW SECTION. 2.111 PROGRAMS -- APPROPRIATIONS
9 -- LIMITS.

10 Beginning with the fiscal year beginning July 1, 1993, the
11 general assembly shall not establish a new program to be
12 administered by a state agency which requires expenditure of
13 state moneys unless sufficient funding is enacted during the
14 same legislative session for the administration and operating
15 costs of the program for the first fiscal year. In addition,
16 such program shall only begin on July 1 unless the program is
17 required by the federal government and it is not possible to
18 begin the program at the beginning of the fiscal year.

*19 DIVISION IV

20 PERIODIC PROGRAM REVIEW

21 Sec. 401. Section 8.6, Code Supplement 1991, is amended by
22 adding the following new subsection:

23 NEW SUBSECTION. 9A. MANAGEMENT REVIEW. To prepare a
24 management review and accompanying recommendations as provided
25 in sections 8.56 through 8.62.

26 Sec. 402. NEW SECTION. 8.56 MANAGEMENT REVIEW OF
27 EXECUTIVE BRANCH PROGRAMS AND FUNCTIONS -- AUTHORIZATION AND
28 PURPOSE.

29 1. The director shall biennially prepare a management
30 review detailing the periodic functional review of the
31 programs and functions of the executive branch of state
32 government. This periodic review is intended to assure the
33 cost-effective delivery and quality performance of state
34 services, in order to maintain a balanced state budget, a
35 healthy state economy, and the confidence of Iowa citizens in

1 government. The primary purpose of the management review is
2 to determine whether or not there is a continuing, genuine
3 public need for the program or function under review and, if
4 so, to determine whether the public need is served. The
5 recommendations resulting from the management review shall be
6 submitted to the governor and the general assembly. The
7 working papers associated with the recommendations shall be
8 submitted to the legislative fiscal bureau.

9 2. The purpose of the management review is to provide a
10 mechanism designed to increase the accountability and
11 efficiency of state government through increased managerial
12 oversight and scrutiny of programs, functions, and
13 performance. The director is granted broad authority to
14 recommend termination, reduction, or reorganization of
15 programs or functions.

16 3. The director shall have the powers and duties to
17 prepare and implement the management review as provided in
18 sections 8.57 through 8.62.

19 Sec. 403. NEW SECTION. 8.57 DEFINITIONS.

20 As used in sections 8.56 through 8.62, unless the context
21 otherwise requires:

22 1. "Management review" means the review of a department's
23 program conducted under the director's authority as provided
24 by sections 8.58 through 8.62.

25 2. "Program" means a program or function of an executive
26 branch agency, whether the program is created by statute,
27 administrative rule, or internal procedure.

28 Sec. 404. NEW SECTION. 8.58 MANAGEMENT REVIEW RULES.

29 The director shall adopt rules pursuant to chapter 17A to
30 implement sections 8.56 through 8.62. The rules shall
31 include, but are not limited to, the following:

32 1. A schedule assigning a management review date to each
33 department's programs as identified by the director, once
34 within a ten-year cycle. A department's programs may be
35 subdivided by the director, and the parts of a program may be

1 subject to review in different legislative bienniums, with
2 particular programs or functions exempted, to facilitate the
3 director's review.

4 2. The information required to be submitted by a
5 department in connection with a management review of its
6 organization or programs.

7 3. Additional standards, methodologies, or criteria for
8 review of programs, consistent with the requirements of this
9 chapter.

10 Sec. 405. NEW SECTION. 8.59 DIRECTOR'S MANAGEMENT REVIEW
11 RESPONSIBILITIES AND DUTIES.

12 1. The director shall perform the following duties.

13 a. Conduct a thorough review of all information furnished
14 by each department administering a program under management
15 review.

16 b. Obtain, verify, and review any reports, audits, or
17 actions taken by other departments concerning the program
18 under management review, including, but not limited to, recent
19 reports prepared by:

20 (1) The auditor of state.

21 (2) A legislative interim study or standing committee.

22 (3) The legislative fiscal bureau or legislative service
23 bureau.

24 (4) The treasurer of state.

25 (5) A special governmental task force or committee.

26 c. Submit the final management review report to the
27 governor and the general assembly, on or before January 1 of
28 the second year of a legislative biennium. The report shall
29 contain at least the following elements:

30 (1) Evaluation of each program reviewed.

31 (2) Recommendations regarding each program reviewed,
32 including any conditions for termination suggested by the
33 director.

34 2. A department administering a program subject to
35 management review shall provide all assistance and information

1 reasonably required by the director. Information provided to
2 the director shall also be submitted to the legislative fiscal
3 bureau. The director shall cooperate with the legislative
4 fiscal bureau to facilitate, to the greatest extent possible,
5 requests for information made by the legislative fiscal bureau
6 in connection with a management review.

7 Sec. 406. NEW SECTION. 8.60 CRITERIA FOR REVIEW.

8 The director shall not presume that a genuine public need
9 continues for a program, or that the program is serving the
10 identified public need. The administering department must
11 show, through the criteria for review, that there is a
12 continuing public need, and that the program is serving that
13 public need in an administratively or fiscally effective
14 manner. The criteria shall include but are not limited to all
15 of the following:

16 1. The purpose of the statute, administrative rule, or
17 internal procedure establishing a program, and the manner of
18 operation of the program designed to achieve this purpose.

19 2. The extent to which the purpose for which the program
20 was created remains a continuing public need.

21 3. The extent to which the program has succeeded in
22 serving the public need or furthering the public purpose for
23 which the program was created.

24 4. An independent determination, apart from information
25 supplied by the administering department or by persons having
26 a direct interest in the continued existence of the program,
27 that the absence of the program would be detrimental to the
28 public health, safety, or welfare.

29 5. An assessment of the program's administrative and
30 fiscal efficiency, including alternative methods of achieving
31 the stated or implicit objectives of the statute,
32 administrative rule, or internal procedure establishing the
33 program, and a determination whether or not these alternative
34 methods would achieve the objectives. Cost-benefit analytical
35 techniques may be applied to gauge efficiency.

1 6. Determination as to whether the statute, administrative
2 rule, or internal procedure provides a clear mandate to the
3 department administering the program, and that the department
4 has complied with this mandate through its administration of
5 the program.

6 7. Determination as to whether other programs, activities,
7 or departments of state government have the same or similar
8 objectives. If so, a comparison of the costs and
9 effectiveness between programs, activities, or departments and
10 identification of unnecessary duplication with the program
11 under review shall be included.

12 8. Determination as to whether services provided or
13 purposes served by the program are in competition with the
14 private sector or may be better provided by the private
15 sector, either without governmental assistance or under
16 contract to the government.

17 9. The administrative or fiscal efficiency with which the
18 program meets its objectives.

19 10. Determination as to whether applications and formal
20 public complaints filed with the administering department have
21 been processed effectively and fairly.

22 11. Determination as to whether the program has been
23 operated by the administering department in an open and
24 accountable manner, with public access to records and
25 meetings, and with safeguards against possible conflicts of
26 interest.

27 12. Identification of the potential impact in terms of
28 federal intervention or loss of federal funds if the program
29 is terminated.

30 Sec. 407. NEW SECTION. 8.61 MANAGEMENT REVIEW REPORT.

31 1. The management review report shall contain all of the
32 following material for each program reviewed:

33 a. A complete description of the program and its
34 administering department, including the program's objectives
35 and a detailed outline of the management of the program by the

1 administering department.

2 b. A review of all relevant material obtained in the
3 course of the review.

4 c. A determination of whether a continuing public need for
5 the program exists, and whether the program is appropriately
6 serving that public need.

7 d. An evaluation of the program under the review criteria
8 of section 8.60.

9 e. A recommendation concerning the program's termination.
10 If the director recommends termination, the termination shall
11 be submitted to the general assembly as part of the governor's
12 legislative package.

13 2. The final report shall contain the management review
14 schedule for the programs subject to review during the second
15 calendar year following the year in which the report is
16 submitted. The schedule shall be adopted by rule in
17 accordance with section 8.58.

18 3. The director may recommend any or all of the following:

19 a. Continuance of a program.

20 b. Termination of a program or abolishment of the
21 program's administering department.

22 c. The consolidation, merger, or transfer of a program or
23 departmental unit from one department to another.

24 d. The termination of a program, unless certain conditions
25 are met or modifications made within a specified period of
26 time.

27 e. Budget limitations for a program.

28 f. Changes in fees to assure that the costs of a
29 regulatory program are borne by the regulated industry or
30 group.

31 g. Other managerial changes to assure service delivery in
32 an administratively and fiscally efficient manner.

33 4. If the director recommends any changes or termination
34 of a program, the recommendation shall include both of the
35 following:

1 a. Proposed legislation to implement a recommendation,
2 concerning a program.

3 b. Proposed legislation relating to an administering
4 department, program, related agency or department, or a
5 program's underlying public need.

6 Sec. 408. NEW SECTION. 8.62 PROPOSED TRANSITION PLAN.

7 If a program is recommended by the director for
8 termination, the administering department shall submit a
9 transition plan to the director and the general assembly for
10 review. If the department fails to submit an acceptable
11 transition plan, the director shall prepare the transition
12 plan. A transition plan must be approved by the director.

13 Sec. 409. DEPARTMENT OF MANAGEMENT -- REVIEW. The de-
14 partment of management shall be subject to management review
15 by the auditor of state in the first year of the ten-year
16 review cycle based upon the requirements of this division:

17 DIVISION V

18 Sec. 501. NEW SECTION. 8.63 REVIEW OF TAX EXPENDITURES -
19 -AUTHORIZATION AND PURPOSE.

20 1. The director of the department of management and the
21 director of revenue and finance shall annually prepare a tax
22 expenditure review detailing the periodic functional review of
23 the tax expenditures authorized in the Code of Iowa. This
24 periodic review is intended to assure the continued
25 feasibility and viability of tax expenditures authorized by
26 the Code of Iowa, in order to maintain a balanced state
27 budget, a healthy state economy, and the confidence of Iowa
28 citizens in government. The primary purpose of the tax
29 expenditure review is to determine whether or not there is a
30 continuing, genuine public need for a tax expenditure and, if
31 so, to determine whether the public need is served and whether
32 the expenditure is meeting its stated goal or objective. The
33 recommendations resulting from the tax expenditure review
34 shall be submitted to the governor and the general assembly.
35 The working papers associated with the recommendations shall

1 be submitted to the legislative fiscal bureau.

2 2. The purpose of the tax expenditure review is to provide
3 a mechanism designed to increase the accountability and
4 efficiency of state government and the state tax system
5 through increased oversight and scrutiny of tax expenditures.

6 3. The director of the department of management shall have
7 the powers and duties necessary to prepare and implement the
8 tax expenditure review.

9 Sec. 502. NEW SECTION. 8.64 TAX EXPENDITURES DEFINED.

10 As used in sections 8.63, 8.65, and 8.66, "tax
11 expenditures" means tax credits, exemptions, and deductions
12 including but not limited to the following: exemption credit
13 allowed in section 422.12, the personal income tax, the
14 federal tax deductions under sections 422.7 and 422.35; the
15 sales and services tax exemptions under section 422.45, the
16 real property homestead exemption under chapter 425, and the
17 military service tax credit under chapter 426A.

18 Sec. 503. NEW SECTION. 8.65 TAX EXPENDITURE REVIEW
19 SCHEDULE.

20 A schedule assigning a tax expenditure review date on a
21 four-year cycle to each tax expenditure as identified by the
22 director of revenue and finance, shall be prepared by the
23 department of management. The review shall include the
24 standards, methodologies, or criteria for review of tax
25 expenditures consistent with the requirements of this chapter.

26 Sec. 504. NEW SECTION. 8.66 TAX EXPENDITURE REVIEW
27 REPORT.

28 The tax expenditure review report shall contain all of the
29 following material for each tax expenditure reviewed:

30 a. A complete description of the tax expenditure,
31 including the goals and objectives of the expenditure as
32 stated in the Code of Iowa.

33 b. A review of all relevant material obtained in the
34 course of the review.

35 c. A determination of whether a continuing public need for

1 the tax expenditure exists, and whether the expenditure is
2 appropriately serving that public need.

3 d. The impact of the tax expenditure on state revenues.

4 e. A determination of whether the tax expenditure is
5 meeting its stated goals and objectives. If a tax expenditure
6 does not have a written goal or objective, the report shall
7 include recommended intent language for the tax expenditure.
8 Any intent language shall be referred to the general assembly
9 as part of the governor's legislative package.

10 f. A recommendation concerning the expenditure. If the
11 report recommends repeal or modification of the expenditure,
12 the recommendation shall be submitted to the general assembly
13 as part of the governor's legislative package.

14 DIVISION VI

15 BIENNIAL BUDGETS

16 Sec. 601. Section 2.12, unnumbered paragraph 4, Code 1991,
17 is amended to read as follows:

18 There is appropriated out of any funds in the state
19 treasury not otherwise appropriated such sums as may be
20 necessary for the fiscal year budgets of the legislative
21 service bureau, the legislative fiscal bureau, the citizens'
22 aide office, and the computer support bureau for salaries,
23 support, maintenance, and miscellaneous purposes to carry out
24 their statutory responsibilities. The legislative service
25 bureau, the legislative fiscal bureau, the citizens' aide
26 office, and the computer support bureau shall submit their
27 proposed budgets for each of the two fiscal years of the
28 fiscal biennium to the legislative council not later than
29 September 1 of each the year preceding the first year of the
30 fiscal biennium. The legislative council shall review and
31 approve the proposed budgets budget for the first fiscal year,
32 and may review and approve the proposed budget for the second
33 fiscal year not later than December 1 of each the year
34 preceding the first year of the fiscal biennium. If only the
35 first fiscal year budget is approved, the second fiscal year

1 budget shall be approved not later than the next December 1.
2 The budget approved by the legislative council for each of its
3 statutory legislative agencies shall be transmitted by the
4 legislative council to the department of management on or
5 before December 1 of each the year preceding the first year of
6 the fiscal biennium for the fiscal year biennium beginning
7 July 1 of the following year. If only the first fiscal year
8 budget is approved and transmitted, the second fiscal year
9 budget shall be transmitted on or before the next December 1.
10 The department of management shall submit the approved budgets
11 received from the legislative council to the governor for
12 inclusion in the governor's proposed budget for the succeeding
13 fiscal year biennium. The approved budgets shall also be
14 submitted to the chairpersons of the committees on
15 appropriations. The committees on appropriations may allocate
16 from the funds appropriated by this section the funds
17 contained in the approved budgets, or such other amounts as
18 specified, pursuant to a concurrent resolution ~~to be~~ approved
19 by both houses of the general assembly. The director of
20 revenue and finance shall issue warrants for salaries,
21 support, maintenance, and miscellaneous purposes upon
22 requisition by the administrative head of each statutory
23 legislative agency. If the legislative council elects to
24 change the approved budget for a legislative agency ~~prior to~~
25 July 1 for either or both fiscal years of a fiscal biennium,
26 the legislative council shall transmit the amount of the
27 budget revision to the department of management prior to July
28 1 of the affected fiscal year, however, if the general
29 assembly approved the budget it cannot be changed except
30 pursuant to a concurrent resolution approved by the general
31 assembly.

32 Sec. 602. NEW SECTION. 2.12A FISCAL BIENNIUM -- APPRO-
33 PRIATIONS.

34 In the first year of each legislative biennium the general
35 assembly may enact appropriations for ensuing fiscal years of

1 the fiscal biennium. An appropriation shall indicate the
2 source from which the appropriation shall be paid. An
3 appropriation need not be in greater detail than to indicate
4 the total appropriation to be made for both of the following:

5 1. Administration, operation, and maintenance of each
6 department and establishment, as defined in section 8.2, for
7 each fiscal year of a fiscal biennium.

8 2. The cost of land, public improvements, and other
9 capital outlays for each department and establishment,
10 itemized by specific projects or classes of projects of the
11 same general character.

12 If appropriations are enacted for both years of the fiscal
13 biennium, the general assembly may enact appropriation bills
14 in the second year of a fiscal biennium providing for
15 supplemental appropriations to or appropriation reductions
16 from the previously enacted fiscal biennium budget.

17 Sec. 603. Section 2.16, unnumbered paragraph 2, Code 1991,
18 is amended to read as follows:

19 Departments and agencies of state government shall, at
20 least forty-five days prior to the convening of each session
21 of the general assembly, submit copies to the legislative
22 service bureau of proposed legislative bills and joint
23 resolutions which such departments desire to be considered by
24 the general assembly. The proposed legislative bills and
25 joint resolutions of the governor must be submitted by the
26 Friday January 1 prior to the convening of the session of the
27 general assembly, except in the year of the governor's initial
28 inauguration. The legislative service bureau shall review
29 such proposals and submit them in proper form to the presiding
30 officer in each house of the general assembly for referral to
31 the proper standing committee. Before submitting any proposal
32 prepared under this section to the presiding officers, the
33 legislative service bureau shall return it for review to, as
34 appropriate, the relevant department or agency or the
35 governor's office and such department or agency or the

1 governor's office shall review and return it within seven days
2 of such delivery.

3 Sec. 604. Section 8.21, Code 1991, is amended to read as
4 follows:

5 8.21 BUDGET TRANSMITTED.

6 ~~Not later than~~ On or before February 1 of each legislative
7 session, the governor shall transmit to the legislature
8 general assembly a document to be known as a budget, setting
9 forth the governor's financial program for each of the fiscal
10 years of the ensuing fiscal year biennium and having the
11 character and scope set forth in sections 8.22 through 8.29.
12 If only the first fiscal year budget is approved in the first
13 year of the legislative biennium, the governor shall transmit
14 any adjustments to the financial program budget document for
15 the second fiscal year budget to the general assembly on or
16 before February 1 of the second year of the legislative
17 biennium.

18 Sec. 605. Section 8.22, Code 1991, is amended to read as
19 follows:

20 8.22 NATURE AND CONTENTS OF BUDGET.

21 The budget shall consist of three parts, the nature and
22 contents of which shall be as follows, except that for the
23 second fiscal year of the biennium the budget shall only
24 relate to that second fiscal year:

25 PART I

26 GOVERNOR'S BUDGET MESSAGE. Part I shall consist of the
27 governor's budget message, in which the governor shall set
28 forth:

29 1. The governor's program for meeting all the expenditure
30 needs of the government for the each of the ensuing fiscal
31 year years of the biennium, indicating the classes of funds,
32 general or special, from which appropriations are to be made
33 and the means through which the expenditures shall be
34 financed.

35 The governor's program shall include a single budget

- 1 request for all capital projects proposed by the governor.
2 The request shall include but is not limited to the following:
3 a. The purpose and need for each capital project.
4 b. A priority listing of capital projects.
5 c. The costs of acquisition, lease, construction,
6 renovation, or demolition of each capital project.
7 d. The identification of the means and source of funding
8 each capital project.
9 e. The estimated operating costs of each capital project
10 after completion.
11 f. The estimated maintenance costs of each capital project
12 after completion.
13 g. The consequences of delaying or abandoning each capital
14 project.
15 h. Alternative approaches to meeting the purpose or need
16 for each capital project.
17 i. Alternative financing mechanisms.
18 j. A cost-benefit analysis or economic impact of each
19 capital project.
20 2. Financial statements giving in summary form:
21 a. The condition of the treasury at the end of the last
22 completed fiscal year, the estimated condition of the treasury
23 at the end of the year in progress, and the estimated
24 condition of the treasury at the end of each of the following
25 fiscal-year ensuing fiscal years of the fiscal biennium if the
26 governor's budget proposals are put into effect.
27 b. Statements showing the bonded indebtedness of the
28 government, debt authorized and unissued, debt redemption and
29 interest requirements, and condition of the sinking funds, if
30 any.
31 c. A summary of appropriations recommended for each of the
32 following-fiscal-year ensuing fiscal years of the fiscal
33 biennium for each department and establishment and for the
34 government as a whole, in comparison with the actual
35 expenditures for the last completed fiscal year and the

1 estimated expenditures for the year in progress.

2 d. A summary of the revenue, estimated to be received by
3 the government during each of the following ensuing fiscal
4 year years of the fiscal biennium, classified according to
5 sources, in comparison with the actual revenue received by the
6 government during the last completed fiscal year and estimated
7 income during the year in progress.

8 e. A statement of federal funds received in the form of
9 block or categorical grants which were not included in the
10 governor's budget for the previous fiscal year and a statement
11 of anticipated block grants and categorical grants for each of
12 the ensuing fiscal years of the fiscal biennium. The budget
13 shall indicate how the federal funds will be used and the
14 programs to which they will be allocated. The amount of state
15 funds required to implement the programs to which the federal
16 funds will apply shall also be indicated. The departments
17 shall provide information to the director on the anticipated
18 federal block grants and categorical grants to be received on
19 or before November 1 of each year. The director shall use
20 this information to develop an annual update of the statement
21 of federal funds received which shall be provided to the
22 general assembly.

23 f. Other financial statements, data, and comments as in
24 the governor's opinion are necessary or desirable in order to
25 make known in all practicable detail the financial condition
26 and operation of the government and the effect that each
27 fiscal year of the biennial budget as proposed by the governor
28 will have on the financial condition and operation.

29 If the estimated revenues of the government for ~~the-ensuing~~
30 each fiscal year of the biennium as set forth in the budget on
31 the basis of existing laws, plus the estimated amounts in the
32 treasury at the close of each of the year fiscal years of the
33 biennium in progress, available for expenditure in each of the
34 ensuing fiscal year years are less than the aggregate
35 recommended for the ensuing fiscal year or years as contained

1 in the budget, the governor shall make recommendations to the
2 legislature general assembly in respect to the manner in which
3 the deficit shall be met, whether by an increase in the state
4 tax or the imposition of new taxes, increased rates on
5 existing taxes, or otherwise, and if the aggregate of the
6 estimated revenues, plus estimated balances in the treasury,
7 is greater than the recommended appropriations for the ensuing
8 fiscal year or years, the governor shall make recommendations
9 in reference to the application of the surplus to the
10 reduction of debt or otherwise, to the reduction in taxation,
11 or to such other action as in the governor's opinion is in the
12 interest of the public welfare.

13 PART II

14 RECOMMENDED APPROPRIATIONS. Part II shall present in
15 detail for the each ensuing fiscal year of the biennium the
16 governor's recommendations for appropriations to meet the
17 expenditure needs of the government from each general class of
18 funds, in comparison with actual expenditures for each of the
19 purposes during the last completed fiscal year and estimated
20 expenditures for the year in progress, classified by
21 departments and establishments and indicating for each the
22 appropriations recommended for:

- 23 1. Meeting the cost of administration, operation, and
24 maintenance of the departments and establishments.
- 25 2. Appropriations for meeting the cost of land, public
26 improvements, and other capital outlays in connection with the
27 departments and establishments.

28 Each item of expenditure, actual or estimated, and
29 appropriations recommended for administration, operation, and
30 maintenance of each department or establishment shall be
31 supported by detailed statements showing the actual and
32 estimated expenditures and appropriations classified by
33 objects according to a standard scheme of classification to be
34 prescribed by the director.

35 PART III

1 APPROPRIATION BILLS. Part III shall include a draft or
 2 drafts of appropriation bills having for their purpose to give
 3 legal sanction to the appropriations recommended to be made in
 4 Parts I and II. The appropriation bills shall indicate the
 5 funds, general or special, from which the appropriations shall
 6 be paid, but the appropriations need not be in greater detail
 7 than to indicate the total appropriation to be made for both
 8 of the following:

9 1. Administration, operation, and maintenance of each
 10 department and establishment for the each fiscal year of the
 11 biennium.

12 2. The cost of land, public improvements, and other
 13 capital outlays for each department and establishment,
 14 itemized by specific projects or classes of projects of the
 15 same general character.

16 Sec. 606. Section 8.22A, unnumbered paragraph 3, Code
 17 1991, is amended to read as follows:

18 ~~By December 15, 1986, and each succeeding year the~~
 19 conference shall agree to a revenue estimate for the each of
 20 the two ensuing fiscal year ~~beginning the following July 1~~
 21 years. ~~That~~ The estimate shall be used by the governor in the
 22 preparation of the budget message under section 8.22 and by
 23 the ~~legislature~~ general assembly in the budget process.

24 Sec. 607. Section 8.23, Code Supplement 1991, is amended
 25 to read as follows:

26 8.23 ANNUAL AND BIENNIAL DEPARTMENTAL ESTIMATES.

27 On or before September 1, prior to each legislative
 28 session, all departments and establishments of the government
 29 shall transmit initial budget information to the director, ~~on~~
 30 ~~blanks to be furnished by the director, estimates of their~~
 31 ~~expenditure requirements, including every proposed~~
 32 ~~expenditure, for each of the ensuing fiscal year, classified~~
 33 ~~so as to distinguish between expenditures estimated for~~
 34 ~~administration, operation, and maintenance, and the cost of~~
 35 ~~each project involving the purchase of land or the making of a~~

1 public-improvement-or-capital-outlay-of-a-permanent-character,
2 ~~together-with-supporting-data-and-explanations-as-called-for~~
3 ~~by-the-director~~ years of the biennium or for the second fiscal
4 year of the biennium. Requirements of the initial budget
5 information shall be specified by the legislative fiscal
6 bureau. The legislative fiscal bureau shall consult with the
7 department of management in developing budget forms. The
8 requirements shall include but are not limited to a program-
9 based budget system, and budget forms and reporting formats.
10 The specifications developed by the legislative fiscal bureau
11 are subject to approval by the legislative fiscal committee of
12 the legislative council. The budget estimates information
13 shall include for those agencies which pay for energy directly
14 a line item for energy expenses itemized by type of energy and
15 location. ~~The-estimates-of-expenditure-requirements-shall-be~~
16 ~~based-upon-seventy-five-percent-of-the-funding-provided-for~~
17 ~~the-current-fiscal-year-accounted-for-by-program-reduced-by~~
18 ~~the-historical-employee-vacancy-factor-in-form-specified-by~~
19 ~~the-director-and-the-remainder-of-the-estimate-of-expenditure~~
20 ~~requirements-prioritized-by-program.~~ The estimates budget
21 information shall be accompanied with by performance measures
22 for evaluating the effectiveness of the program. If a
23 department or establishment fails to submit estimates the
24 budget information within the time specified, the governor
25 shall cause estimates to be prepared for that department or
26 establishment as in the governor's opinion are reasonable and
27 proper. The director shall furnish standard budget request
28 forms to each department or agency of state government.
29 On or before November 15 all departments and establishments
30 of government and the judicial department shall transmit to
31 the department of management and the legislative fiscal bureau
32 the final estimates of their receipts and expenditure
33 requirements from federal or other nonstate grants, receipts,
34 and funds for the ensuing fiscal year. The transmittal shall
35 include the names of the grantor and the grant or the source

1 of the funds, the estimated amount of the funds, and the
2 planned expenditures and use of the funds. The format of the
3 transmittal shall be specified by the legislative fiscal
4 bureau.

5 Sec. 608. Section 8.24, Code 1991, is amended to read as
6 follows:

7 8.24 ANNUAL AND BIENNIAL ESTIMATE OF INCOME.

8 On or before October 1, next prior to each legislative
9 session, the director shall prepare an estimate of the total
10 income of the government for each of the two ensuing fiscal
11 year years of the biennium or for the second fiscal year of
12 the biennium, in which the several items of income shall be
13 listed and classified according to sources or character, and
14 departments or establishments producing the funds, and brought
15 into comparison with the income actually received during the
16 last completed fiscal year and the estimated income to be
17 received during the fiscal year in progress.

18 Sec. 609. Section 8.25, Code 1991, is amended to read as
19 follows:

20 8.25 TENTATIVE BUDGET.

21 Upon the receipt of the budget information and the
22 estimates of expenditure requirements called for by section
23 8.23 and the preparation of the estimates of income called for
24 by section 8.24 and not later than December 1, next
25 succeeding, the director of the department of management,
26 ~~hereinabove-provided-for~~, shall cause to be prepared a
27 tentative budget conforming as to scope, contents and
28 character to the requirements of section 8.22 and containing
29 the budget information and the estimates of expenditures and
30 revenue as called for by sections 8.23 and 8.24, which
31 tentative budget shall be transmitted to the governor.

32 Sec. 610. Section 8.27, Code 1991, is amended to read as
33 follows:

34 8.27 PREPARATION OF BUDGET.

35 ~~Following-the-inauguration~~ If the governor is reelected to

1 a successive term, the governor shall proceed-to continue with
2 the formulation of the budget provided for by sections 8.21
3 and 8.22. However, if the governor-elect did not hold office
4 on January 1 prior to inauguration, the governor's budget
5 document and records required by section 8.35A, subsection 2,
6 shall be submitted no later than the date the document is
7 delivered to the printer.

8 Sec. 611. Section 8.30, Code 1991, is amended to read as
9 follows:

10 8.30 AVAILABILITY OF APPROPRIATIONS.

11 The appropriations made are not available for expenditure
12 until allotted as provided for in section 8.31. All
13 appropriations are declared to be maximum and proportionate
14 appropriations, the purpose being to make the appropriations
15 payable in full in the amounts named if the estimated budget
16 resources during the each fiscal year of the fiscal biennium
17 for which the appropriations are made, are sufficient to pay
18 all of the appropriations in full. The governor shall
19 restrict allotments only to prevent an overdraft or deficit in
20 any fiscal year for which appropriations are made.

21 Sec. 612. Section 8.35A, subsection 2, Code 1991, is
22 amended to read as follows:

23 2. Commencing September 1, the director shall provide
24 weekly budget tapes in the form and level of detail requested
25 by the legislative fiscal bureau reflecting finalized agency
26 budget requests for the following fiscal year as submitted to
27 the governor. The director shall transmit all agency requests
28 in final form to the legislative fiscal bureau by November 15.
29 Final Except as otherwise provided for a newly elected
30 governor pursuant to section 8.27, final budget records
31 containing the governor's recommendation, proposed legislative
32 package, and final agency requests shall be transmitted to the
33 legislative fiscal bureau by January 1 or-no-later-than-the
34 date-the-governor's-budget-document-is-delivered-to-the
35 printer. The governor's recommendation included on this

1 record shall be considered confidential by the legislative
2 fiscal bureau until it is made public by the governor. The
3 legislative fiscal bureau shall use this data in the
4 preparation of information for the legislative appropriation
5 process.

6 Sec. 613. Section 8.37, Code 1991, is amended to read as
7 follows:

8 8.37 FISCAL TERM BIENNium.

9 The fiscal term biennium of the state ends on the thirtieth
10 day of June in each odd-numbered year, and the succeeding
11 fiscal term biennium begins on the day following.

12 Sec. 614. Section 8.41, subsection 2, Code 1991, is
13 amended to read as follows:

14 2. Federal funds deposited in the state treasury as
15 provided in subsection 1 shall either be included as part of
16 the governor's budget required by section 8.22 or shall be
17 included in a separate recommendation made by the governor to
18 the general assembly. If federal funds received in the form
19 of block grants or categorical grants have not been included
20 in the governor's budget for the current fiscal year or
21 biennium because of time constraints or because a budget is
22 not being submitted for the ~~next-fiscal~~ second year of a
23 fiscal biennium, the governor shall submit a supplemental
24 statement to the general assembly listing the federal funds
25 received and including the same information for the federal
26 funds required by section 8.22, part I, subsection 2,
27 paragraph "e", for the statement of federal funds in the
28 governor's budget.

29 Sec. 615. APPLICABILITY. This division applies to the
30 fiscal period beginning July 1, 1993, and ending June 30,
31 1995, and succeeding fiscal bienniums. However, the program-
32 based budget system shall be implemented with the fiscal
33 period beginning July 1, 1995, except for the budgets of the
34 Iowa department of public health and the department of
35 economic development which shall begin the program-based

1 budget system with the fiscal period beginning July 1, 1993.
2 The program-based budget system shall include, but is not
3 limited to, stating the strategic plan required by section
4 8.53 in terms of desired outcomes, proposals for resource
5 allocation, and performance measures of past and future
6 outcomes.

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SENATE FILE 2373

H-6093

- 1 Amend the amendment, H-6089, to Senate File 2373,
2 as amended, passed, and reprinted by the Senate, as
3 follows:
4 1. Page 1, by striking lines 27 and 28 and
5 inserting the following:
6 " . Page 11, line 15, by striking the word
7 "BIENNIAL".
8 . By striking page 11, line 16 through page
9 13, line 16.
10 . By striking page 14, line 3 through page 18,
11 line 23.
12 . Page 18, by striking line 26 and inserting
13 the following:
14 "8.23 ANNUAL DEPARTMENTAL ESTIMATES."
15 . Page 18, by striking line 32, and inserting
16 the following: "expenditure, for the ensuing fiscal
17 year, ~~classified~~".
18 . Page 19, by striking lines 3 and 4 and
19 inserting the following: "~~by the director.~~
20 Requirements of the initial budget".
21 . Page 20, by striking lines 5 through 17.
22 . By striking page 20, line 32 through page
23 21, line 20.
24 . Page 21, by striking lines 29 and 30 and
25 inserting the following: "Final budget records".
26 . Page 22, by striking lines 6 through 28.
27 . Page 22, line 30, by striking the word
28 "period" and inserting the following: "year".
29 . Page 22, by striking line 31 and inserting
30 the following: "1994, and succeeding fiscal years.
31 However, the program-".
32 . Page 22, line 33, by striking the word
33 "period" and inserting the following: "year".
34 . Page 23, line 1, by striking the word
35 "period" and inserting the following: "year".
36 2. By renumbering as necessary.

By WISE of Lee

H-6093 FILED MAY 1, 1992
ADOPTED (p. 2005)

SENATE FILE 2373

H-6089

1 Amend Senate File 2373, as amended, passed, and
2 reprinted by the Senate, as follows:

3 1. Page 1, by striking lines 4 through 8 and
4 inserting the following:

5 "1. The governor shall develop a five-year
6 strategic plan for the executive branch of government.
7 The governor shall also develop a five-year strategic
8 plan providing long-term goals and objectives for the
9 state. The strategic plans shall".

10 2. Page 2, by striking lines 10 through 18.

11 3. Page 2, line 21, by striking the words "and
12 judicial branches" and inserting the following:
13 "branch".

14 4. By striking page 2, line 23 through page 3,
15 line 5.

B 16 5. Page 3, by striking lines 6 through 18.

17 6. By striking page 4, line 30 through page 5,
18 line 9 and inserting the following: "implement
19 sections 8.56 through 8.62."

20 7. Page 9, by striking lines 13 through 16.

21 8. Page 10, line 12, by inserting before the word
22 "exemption" the following: "the personal income tax".

A 23 9. Page 10, line 13, by striking the words "the
24 personal income tax,".

25 10. Page 10, line 14, by striking the figure
26 "422.35;" and inserting the following: "422.35,".

27 11. By striking page 11, line 14 through page 23,
28 line 6.

29 12. By renumbering as necessary.

By COMMITTEE ON APPROPRIATIONS
JOCHUM of Dubuque, Chairperson

H-6089 FILED MAY 1, 1992
DIVISIONS A & B ADOPTED (p. 2005)

HOUSE AMENDMENT TO
SENATE FILE 2373

S-5939

- 1 Amend Senate File 2373, as amended, passed, and
2 reprinted by the Senate, as follows:
- 3 1. Page 1, by striking lines 4 through 8 and
4 inserting the following:
5 "1. The governor shall develop a five-year
6 strategic plan for the executive branch of government.
7 The governor shall also develop a five-year strategic
8 plan providing long-term goals and objectives for the
9 state. The strategic plans shall".
- 10 2. Page 2, by striking lines 10 through 18.
- 11 3. Page 2, line 21, by striking the words "and
12 judicial branches" and inserting the following:
13 "branch".
- 14 4. By striking page 2, line 23 through page 3,
15 line 5.
- 16 5. Page 3, by striking lines 6 through 18.
- 17 6. By striking page 4, line 30 through page 5,
18 line 9 and inserting the following: "implement
19 sections 8.56 through 8.62."
- 20 7. Page 9, by striking lines 13 through 16.
- 21 8. Page 10, line 12, by inserting before the word
22 "exemption" the following: "the personal income tax".
- 23 9. Page 10, line 13, by striking the words "the
24 personal income tax,".
- 25 10. Page 10, line 14, by striking the figure
26 "422.35;" and inserting the following: "422.35,".
- 27 11. Page 11, line 15, by striking the word
28 "BIENNIAL".
- 29 12. By striking page 11, line 16 through page 13,
30 line 16.
- 31 13. By striking page 14, line 3 through page 18,
32 line 23.
- 33 14. Page 18, by striking line 26 and inserting
34 the following:
35 "8.23 ANNUAL DEPARTMENTAL ESTIMATES."
36 15. Page 18, by striking line 32, and inserting
37 the following: "expenditure, for the ensuing fiscal
38 year, ~~classified~~".
- 39 16. Page 19, by striking lines 3 and 4 and
40 inserting the following: "~~by the director.~~
41 Requirements of the initial budget".
- 42 17. Page 20, by striking lines 5 through 17.
- 43 18. By striking page 20, line 32 through page 21,
44 line 20.
- 45 19. Page 21, by striking lines 29 and 30 and
46 inserting the following: "Final budget records".
- 47 20. Page 22, by striking lines 6 through 28.
- 48 21. Page 22, line 30, by striking the word
49 "period" and inserting the following: "year".
- 50 22. Page 22, by striking line 31 and inserting

S-5939

S-5939

Page 2

- 1 the following: "1994, and succeeding fiscal years.
- 2 However, the program-".
- 3 23. Page 22, line 33, by striking the word
- 4 "period" and inserting the following: "year".
- 5 24. Page 23, line 1, by striking the word
- 6 "period" and inserting the following: "year".
- 7 25. By renumbering as necessary.

RECEIVED FROM THE HOUSE

S-5939 FILED MAY 2, 1992

CONCURRED (p. 1778)

SENATE FILE 2373

S-5951

- 1 Amend the House amendment, S-5939, to Senate File
- 2 2373, as amended, passed, and reprinted by the Senate,
- 3 as follows:
- 4 1. Page 1, by striking lines 3 through 15.
- 5 2. Page 1, by striking lines 17 through 19.
- 6 3. By striking page 1, line 27, through page 2,
- 7 line 6.
- 8 4. By renumbering as necessary.

By RICHARD VARN

S-5951 FILED MAY 2, 1992

ADOPTED (p. 1778)

SENATE FILE 2373

S-5956

- 1 Amend the House amendment, S-5939, to Senate File
- 2 2373, as amended, passed, and reprinted by the Senate
- 3 as follows:
- 4 1. Page 1, by striking line 16.

By LINN FUHRMAN

S-5956 FILED MAY 2, 1992

LOST (p. 1778)

SENATE AMENDMENT TO HOUSE AMENDMENT TO SENATE FILE 2373

H-6096

1 Amend the House amendment, S-5939, to Senate File
2 2373, as amended, passed, and reprinted by the Senate,
3 as follows:

- 4 1. Page 1, by striking lines 3 through 15.
- 5 2. Page 1, by striking lines 17 through 19.
- 6 3. By striking page 1, line 27, through page 2,
7 line 6.
- 8 4. By renumbering as necessary.

RECEIVED FROM THE SENATE

H-6096 FILED MAY 2, 1992

CONCURRED (p. 2162)

VARN. CH.
WELSH
Mc LAREN

SSB 2289

APPROPRIATIONS NOW —

SENATE FILE 2373
BY (PROPOSED COMMITTEE ON
APPROPRIATIONS BILL BY
CHAIRPERSON BOSWELL)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to state budgeting processes.
2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. _____ H.F. _____

1 Section 1. NEW SECTION. 2.15A PERFORMANCE-BASED
2 BUDGETING, ZERO-BASE BUDGETING, LONG-RANGE PLANNING --
3 LEGISLATIVE INTENT.

4 It is the intent of the general assembly that each
5 appropriations subcommittee of the general assembly select a
6 program, department, or budget area in which to implement
7 performance-based and zero-base budgeting and long-range
8 planning. Long-range planning shall include, but is not
9 limited to, formation of five-year plans considering
10 populations served, revenues available, approaches possible,
11 implementation measures needed, and possible elimination of
12 current programs.

13 2. It is the intent of the general assembly that
14 recommendations regarding the implementation of performance-
15 based and zero-base budgeting and long-range planning to the
16 entire state budget be considered after implementation of
17 subsection 1 for a period of two years.

18 EXPLANATION

19 This bill states that it is the intent of the general
20 assembly that each appropriations subcommittee of the general
21 assembly implement performance-based and zero-base budgeting
22 and long-range planning in a select program, department, or
23 budget area. The bill also states that it is the intent of
24 the general assembly that recommendations regarding the full
25 state budget implementation of performance-based and zero-base
26 budgeting and long-range planning be considered after partial
27 implementation by the subcommittees for a period of two years.

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TERRY E. BRANSTAD
GOVERNOR

OFFICE OF THE GOVERNOR

STATE CAPITOL
DES MOINES, IOWA 50319

515 281-5211

June 3, 1992

The Honorable Elaine Baxter
Secretary of State
State Capitol Building
L O C A L

Dear Madam Secretary:

Senate File 2373, an act relating to state budgeting processes and providing applicability provisions and effective dates, is hereby disapproved and transmitted to you in accordance with Article III, Section 16, of the Constitution of the State of Iowa.

In January, I recommended to the General Assembly several key reforms to the budgeting process that I felt would have a significant, long-term impact in state finances. These reforms included a provision for the automatic sunset of all programs, paired with a recommendation for the General Assembly to return to biennial budgeting.

This bill contains provisions relating to program review and biennial budgeting, however, these provisions are vastly different from the concepts I proposed. My plan called for the automatic expiration of all programs, on a six-year cycle, in the absence of affirmative action to renew them. Thus, the burden of proof would have been on the program to rejustify its existence. In contrast, under the concept of program review contained in this bill, the burden of proof is on the reviewer to show why the program should not be continued.

I am also disappointed the General Assembly chose not to return to a biennial budgeting cycle, as had been recommended by the Fisher Commission. The bill would require the Governor to develop and submit a biennial budget, however, the General Assembly would not be subject to this requirement. Biennial budgeting would prompt the General Assembly to look beyond a single year in making budget decisions. I believe the lack of foresight has contributed to our current financial problems. Moreover, in the absence of additional resources for this purpose, a biennial budget cycle is necessary to free up resources for program review.

The Honorable Elaine Baxter
June 3, 1992
Page 2

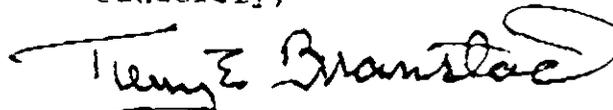
There are several provisions in the bill that are unacceptable. First, two dates are changed that would shorten the window in which the Governor's budget and program recommendations are to be developed. Yet, these date changes would not hasten the delivery of my budget to the General Assembly. Any adjustment in statutory deadlines should benefit the Governor and/or the General Assembly, rather than merely serving as a convenience to the legislative staff.

Second, this bill would give the Legislative Fiscal Bureau the responsibility for determining the format of agency budget requests. This responsibility should remain with the executive branch.

To the extent that resources permit, I pledge to continue the activities such as strategic planning that would have become mandatory under this bill. It is also my intention to develop and submit biennial budgets, as has been past practice. However, in the absence of funding, I am unable to accept new legislative mandates.

For the above reasons, I hereby respectfully disapprove Senate File 2373.

Sincerely,



Terry E. Branstad
Governor

TEB/ps

cc: Secretary of the Senate
Chief Clerk of the House

SENATE FILE 2373

AN ACT

RELATING TO STATE BUDGETING PROCESSES AND PROVIDING APPLICABILITY PROVISIONS AND EFFECTIVE DATES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

STRATEGIC PLANNING

Section 101. NEW SECTION. 8.53 STRATEGIC PLANNING.

1. The governor, supreme court, and general assembly shall each develop a five-year strategic plan for their respective branch of government. The governor and general assembly shall also develop a five-year strategic plan providing long-term goals and objectives for the state. The strategic plans shall be annually updated and new five-year plans developed for each succeeding five-year period.

2. Following presentation of the initial executive branch strategic plan, yearly updates of the plan shall be submitted as part of the governor's annual budget proposal to the general assembly under section 8.22. The plan shall utilize information obtained pursuant to section 8.52, include all

relevant budget projections, and include the plans developed by each department and establishment of government for that department or establishment in accordance with this section. The governor shall provide an overall compilation of the plans and identify the governor's top five priorities for the ensuing fiscal year in the annual budget message required under section 8.22. The plan by each department or establishment shall be submitted to the governor at the same time and with the budget materials required under section 8.23 and shall be considered at the public hearing required pursuant to section 8.26. A department's or establishment's plan shall be submitted to the general assembly at the same time it is submitted to the governor. The plan for each department and establishment shall provide budget projections and requirements, long-term and short-term goals, and other information relating to implementation of the plan, including but not limited to all of the following:

- a. Identifying and providing a time line for the critical goals and objectives to be accomplished during the five-year period.
- b. Providing detailed estimates of the related costs.
- c. Identifying the other resources, policy considerations, and any cooperative involvement by other departments and agencies of state government necessary to attain the critical goals and objectives.
- d. Identifying performance indicators for measuring the accomplishment of the critical goals and objectives.
- e. Submitting an annual progress report based upon the performance indicators.

3. The strategic planning elements required in subsection 2, paragraphs "a" through "e", shall be addressed in the strategic plans developed by the legislative and judicial branches of state government. The supreme court's plan shall be submitted to the general assembly on or before the first business day in January. The general assembly's strategic plan shall be considered in a concurrent resolution and is subject to approval by a constitutional majority of the members of each chamber.

4. The initial strategic plans required by this section shall apply to the 1994-1995 fiscal year and shall be submitted by the executive and judicial branches in December 1993.

DIVISION II

TRAINING AND EDUCATION

Sec. 201. NEW SECTION. 8.58 TRAINING AND EDUCATION.

It is the policy of the state to encourage all state employees to possess an active interest in the efficient use of public resources. As an incentive to employees, a department or establishment may retain up to five percent of the moneys appropriated to the department or establishment from funds of the state which remain unencumbered or unobligated following the close of the fiscal year. Notwithstanding section 8.33, the retained moneys shall not revert to the funds of the state but shall remain available during the succeeding fiscal year and used only for payment of employee training or education expenses, including but not limited to educational leave granted pursuant to section 79.1. Moneys expended pursuant to this section shall be reported to the governor and the general assembly in the budget information submitted during the succeeding fiscal year.

DIVISION III

PERIODIC PROGRAM REVIEW

Sec. 301. Section 8.6, Code Supplement 1991, is amended by adding the following new subsection:

NEW SUBSECTION. 9A. MANAGEMENT REVIEW. To prepare a management review and accompanying recommendations as provided in sections 8.56 through 8.62.

Sec. 302. NEW SECTION. 8.56 MANAGEMENT REVIEW OF EXECUTIVE BRANCH PROGRAMS AND FUNCTIONS -- AUTHORIZATION AND PURPOSE.

1. The director shall biennially prepare a management review detailing the periodic functional review of the programs and functions of the executive branch of state government. This periodic review is intended to assure the cost-effective delivery and quality performance of state

services, in order to maintain a balanced state budget, a healthy state economy, and the confidence of Iowa citizens in government. The primary purpose of the management review is to determine whether or not there is a continuing, genuine public need for the program or function under review and, if so, to determine whether the public need is served. The recommendations resulting from the management review shall be submitted to the governor and the general assembly. The working papers associated with the recommendations shall be submitted to the legislative fiscal bureau.

2. The purpose of the management review is to provide a mechanism designed to increase the accountability and efficiency of state government through increased managerial oversight and scrutiny of programs, functions, and performance. The director is granted broad authority to recommend termination, reduction, or reorganization of programs or functions.

3. The director shall have the powers and duties to prepare and implement the management review as provided in sections 8.57 through 8.62.

Sec. 303. NEW SECTION. 8.57 DEFINITIONS.

As used in sections 8.56 through 8.62, unless the context otherwise requires:

1. "Management review" means the review of a department's program conducted under the director's authority as provided by sections 8.58 through 8.62.

2. "Program" means a program or function of an executive branch agency, whether the program is created by statute, administrative rule, or internal procedure.

Sec. 304. NEW SECTION. 8.58 MANAGEMENT REVIEW RULES.

The director shall adopt rules pursuant to chapter 17A to implement sections 8.56 through 8.62. The rules shall include, but are not limited to, the following:

1. A schedule assigning a management review date to each department's programs as identified by the director, once within a ten-year cycle. A department's programs may be subdivided by the director, and the parts of a program may be

subject to review in different legislative bienniums, with particular programs or functions exempted, to facilitate the director's review.

2. The information required to be submitted by a department in connection with a management review of its organization or programs.

3. Additional standards, methodologies, or criteria for review of programs, consistent with the requirements of this chapter.

Sec. 305. NEW SECTION. 8.59 DIRECTOR'S MANAGEMENT REVIEW RESPONSIBILITIES AND DUTIES.

1. The director shall perform the following duties:

a. Conduct a thorough review of all information furnished by each department administering a program under management review.

b. Obtain, verify, and review any reports, audits, or actions taken by other departments concerning the program under management review, including, but not limited to, recent reports prepared by:

- (1) The auditor of state.
- (2) A legislative interim study or standing committee.
- (3) The legislative fiscal bureau or legislative service bureau.
- (4) The treasurer of state.
- (5) A special governmental task force or committee.

c. Submit the final management review report to the governor and the general assembly, on or before January 1 of the second year of a legislative biennium. The report shall contain at least the following elements:

- (1) Evaluation of each program reviewed.
- (2) Recommendations regarding each program reviewed, including any conditions for termination suggested by the director.

2. A department administering a program subject to management review shall provide all assistance and information reasonably required by the director. Information provided to the director shall also be submitted to the legislative fiscal

bureau. The director shall cooperate with the legislative fiscal bureau to facilitate, to the greatest extent possible, requests for information made by the legislative fiscal bureau in connection with a management review.

Sec. 306. NEW SECTION. 8.60 CRITERIA FOR REVIEW.

The director shall not presume that a genuine public need continues for a program, or that the program is serving the identified public need. The administering department must show, through the criteria for review, that there is a continuing public need, and that the program is serving that public need in an administratively or fiscally effective manner. The criteria shall include but are not limited to all of the following:

1. The purpose of the statute, administrative rule, or internal procedure establishing a program, and the manner of operation of the program designed to achieve this purpose.

2. The extent to which the purpose for which the program was created remains a continuing public need.

3. The extent to which the program has succeeded in serving the public need or furthering the public purpose for which the program was created.

4. An independent determination, apart from information supplied by the administering department or by persons having a direct interest in the continued existence of the program, that the absence of the program would be detrimental to the public health, safety, or welfare.

5. An assessment of the program's administrative and fiscal efficiency, including alternative methods of achieving the stated or implicit objectives of the statute, administrative rule, or internal procedure establishing the program, and a determination whether or not these alternative methods would achieve the objectives. Cost-benefit analytical techniques may be applied to gauge efficiency.

6. Determination as to whether the statute, administrative rule, or internal procedure provides a clear mandate to the department administering the program, and that the department has complied with this mandate through its administration of the program.

7. Determination as to whether other programs, activities, or departments of state government have the same or similar objectives. If so, a comparison of the costs and effectiveness between programs, activities, or departments and identification of unnecessary duplication with the program under review shall be included.

8. Determination as to whether services provided or purposes served by the program are in competition with the private sector or may be better provided by the private sector, either without governmental assistance or under contract to the government.

9. The administrative or fiscal efficiency with which the program meets its objectives.

10. Determination as to whether applications and formal public complaints filed with the administering department have been processed effectively and fairly.

11. Determination as to whether the program has been operated by the administering department in an open and accountable manner, with public access to records and meetings, and with safeguards against possible conflicts of interest.

12. Identification of the potential impact in terms of federal intervention or loss of federal funds if the program is terminated.

Sec. 307. NEW SECTION. 8.61 MANAGEMENT REVIEW REPORT.

1. The management review report shall contain all of the following material for each program reviewed:

a. A complete description of the program and its administering department, including the program's objectives and a detailed outline of the management of the program by the administering department.

b. A review of all relevant material obtained in the course of the review.

c. A determination of whether a continuing public need for the program exists, and whether the program is appropriately serving that public need.

d. An evaluation of the program under the review criteria of section 8.60.

e. A recommendation concerning the program's termination. If the director recommends termination, the termination shall be submitted to the general assembly as part of the governor's legislative package.

2. The final report shall contain the management review schedule for the programs subject to review during the second calendar year following the year in which the report is submitted. The schedule shall be adopted by rule in accordance with section 8.58.

3. The director may recommend any or all of the following:

a. Continuance of a program.

b. Termination of a program or abolishment of the program's administering department.

c. The consolidation, merger, or transfer of a program or departmental unit from one department to another.

d. The termination of a program, unless certain conditions are met or modifications made within a specified period of time.

e. Budget limitations for a program.

f. Changes in fees to assure that the costs of a regulatory program are borne by the regulated industry or group.

g. Other managerial changes to assure service delivery in an administratively and fiscally efficient manner.

4. If the director recommends any changes or termination of a program, the recommendation shall include both of the following:

a. Proposed legislation to implement a recommendation, concerning a program.

b. Proposed legislation relating to an administering department, program, related agency or department, or a program's underlying public need.

Sec. 308. NEW SECTION. 8.62 PROPOSED TRANSITION PLAN.

If a program is recommended by the director for termination, the administering department shall submit a

transition plan to the director and the general assembly for review. If the department fails to submit an acceptable transition plan, the director shall prepare the transition plan. A transition plan must be approved by the director.

DIVISION IV

Sec. 401. NEW SECTION. 8.63 REVIEW OF TAX EXPENDITURES - AUTHORIZATION AND PURPOSE.

1. The director of the department of management and the director of revenue and finance shall annually prepare a tax expenditure review detailing the periodic functional review of the tax expenditures authorized in the Code of Iowa. This periodic review is intended to assure the continued feasibility and viability of tax expenditures authorized by the Code of Iowa, in order to maintain a balanced state budget, a healthy state economy, and the confidence of Iowa citizens in government. The primary purpose of the tax expenditure review is to determine whether or not there is a continuing, genuine public need for a tax expenditure and, if so, to determine whether the public need is served and whether the expenditure is meeting its stated goal or objective. The recommendations resulting from the tax expenditure review shall be submitted to the governor and the general assembly. The working papers associated with the recommendations shall be submitted to the legislative fiscal bureau.

2. The purpose of the tax expenditure review is to provide a mechanism designed to increase the accountability and efficiency of state government and the state tax system through increased oversight and scrutiny of tax expenditures.

3. The director of the department of management shall have the powers and duties necessary to prepare and implement the tax expenditure review.

Sec. 402. NEW SECTION. 8.64 TAX EXPENDITURES DEFINED.

As used in sections 8.63, 8.65, and 8.66, "tax expenditures" means tax credits, exemptions, and deductions including but not limited to the following: the personal income tax exemption credit allowed in section 422.12, the federal tax deductions under sections 422.7 and 422.35, the

sales and services tax exemptions under section 422.45, the real property homestead exemption under chapter 425, and the military service tax credit under chapter 426A.

Sec. 403. NEW SECTION. 8.65 TAX EXPENDITURE REVIEW SCHEDULE.

A schedule assigning a tax expenditure review date on a four-year cycle to each tax expenditure as identified by the director of revenue and finance, shall be prepared by the department of management. The review shall include the standards, methodologies, or criteria for review of tax expenditures consistent with the requirements of this chapter.

Sec. 404. NEW SECTION. 8.66 TAX EXPENDITURE REVIEW REPORT.

The tax expenditure review report shall contain all of the following material for each tax expenditure reviewed:

- a. A complete description of the tax expenditure, including the goals and objectives of the expenditure as stated in the Code of Iowa.
- b. A review of all relevant material obtained in the course of the review.
- c. A determination of whether a continuing public need for the tax expenditure exists, and whether the expenditure is appropriately serving that public need.
- d. The impact of the tax expenditure on state revenues.
- e. A determination of whether the tax expenditure is meeting its stated goals and objectives. If a tax expenditure does not have a written goal or objective, the report shall include recommended intent language for the tax expenditure. Any intent language shall be referred to the general assembly as part of the governor's legislative package.
- f. A recommendation concerning the expenditure. If the report recommends repeal or modification of the expenditure, the recommendation shall be submitted to the general assembly as part of the governor's legislative package.

DIVISION V
BIENNIAL BUDGETS

Sec. 501. Section 2.12, unnumbered paragraph 4, Code 1991, is amended to read as follows:

There is appropriated out of any funds in the state treasury not otherwise appropriated such sums as may be necessary for the fiscal year budgets of the legislative service bureau, the legislative fiscal bureau, the citizens' aide office, and the computer support bureau for salaries, support, maintenance, and miscellaneous purposes to carry out their statutory responsibilities. The legislative service bureau, the legislative fiscal bureau, the citizens' aide office, and the computer support bureau shall submit their proposed budgets for each of the two fiscal years of the fiscal biennium to the legislative council not later than September 1 of each the year preceding the first year of the fiscal biennium. The legislative council shall review and approve the proposed budgets budget for the first fiscal year, and may review and approve the proposed budget for the second fiscal year not later than December 1 of each the year preceding the first year of the fiscal biennium. If only the first fiscal year budget is approved, the second fiscal year budget shall be approved not later than the next December 1. The budget approved by the legislative council for each of its statutory legislative agencies shall be transmitted by the legislative council to the department of management on or before December 1 of each the year preceding the first year of the fiscal biennium for the fiscal year biennium beginning July 1 of the following year. If only the first fiscal year budget is approved and transmitted, the second fiscal year budget shall be transmitted on or before the next December 1. The department of management shall submit the approved budgets received from the legislative council to the governor for inclusion in the governor's proposed budget for the succeeding fiscal year biennium. The approved budgets shall also be submitted to the chairpersons of the committees on appropriations. The committees on appropriations may allocate from the funds appropriated by this section the funds contained in the approved budgets, or such other amounts as

specified, pursuant to a concurrent resolution to be approved by both houses of the general assembly. The director of revenue and finance shall issue warrants for salaries, support, maintenance, and miscellaneous purposes upon requisition by the administrative head of each statutory legislative agency. If the legislative council elects to change the approved budget for a legislative agency prior to July 1 for either or both fiscal years of a fiscal biennium, the legislative council shall transmit the amount of the budget revision to the department of management prior to July 1 of the affected fiscal year, however, if the general assembly approved the budget it cannot be changed except pursuant to a concurrent resolution approved by the general assembly.

Sec. 502. NEW SECTION. 2.12A FISCAL BIENNIUM -- APPROPRIATIONS.

In the first year of each legislative biennium the general assembly may enact appropriations for ensuing fiscal years of the fiscal biennium. An appropriation shall indicate the source from which the appropriation shall be paid. An appropriation need not be in greater detail than to indicate the total appropriation to be made for both of the following:

1. Administration, operation, and maintenance of each department and establishment, as defined in section 8.2, for each fiscal year of a fiscal biennium.
2. The cost of land, public improvements, and other capital outlays for each department and establishment, itemized by specific projects or classes of projects of the same general character.

If appropriations are enacted for both years of the fiscal biennium, the general assembly may enact appropriation bills in the second year of a fiscal biennium providing for supplemental appropriations to or appropriation reductions from the previously enacted fiscal biennium budget.

Sec. 503. Section 2.16, unnumbered paragraph 2, Code 1991, is amended to read as follows:

Departments and agencies of state government shall, at least forty-five days prior to the convening of each session of the general assembly, submit copies to the legislative service bureau of proposed legislative bills and joint resolutions which such departments desire to be considered by the general assembly. The proposed legislative bills and joint resolutions of the governor must be submitted by the Friday January 1 prior to the convening of the session of the general assembly, except in the year of the governor's initial inauguration. The legislative service bureau shall review such proposals and submit them in proper form to the presiding officer in each house of the general assembly for referral to the proper standing committee. Before submitting any proposal prepared under this section to the presiding officers, the legislative service bureau shall return it for review to, as appropriate, the relevant department or agency or the governor's office and such department or agency or the governor's office shall review and return it within seven days of such delivery.

Sec. 504. Section 8.21, Code 1991, is amended to read as follows:

8.21 BUDGET TRANSMITTED.

~~Not later than~~ On or before February 1 of each legislative session, the governor shall transmit to the legislature general assembly a document to be known as a budget, setting forth the governor's financial program for each of the fiscal years of the ensuing fiscal year biennium and having the character and scope set forth in sections 8.22 through 8.29. If only the first fiscal year budget is approved in the first year of the legislative biennium, the governor shall transmit any adjustments to the financial program budget document for the second fiscal year budget to the general assembly on or before February 1 of the second year of the legislative biennium.

Sec. 505. Section 8.22, Code 1991, is amended to read as follows:

8.22 NATURE AND CONTENTS OF BUDGET.

The budget shall consist of three parts, the nature and contents of which shall be as follows, except that for the second fiscal year of the biennium the budget shall only relate to that second fiscal year:

PART I

GOVERNOR'S BUDGET MESSAGE. Part I shall consist of the governor's budget message, in which the governor shall set forth:

1. The governor's program for meeting all the expenditure needs of the government for the each of the ensuing fiscal year years of the biennium, indicating the classes of funds, general or special, from which appropriations are to be made and the means through which the expenditures shall be financed.

The governor's program shall include a single budget request for all capital projects proposed by the governor. The request shall include but is not limited to the following:

- a. The purpose and need for each capital project.
- b. A priority listing of capital projects.
- c. The costs of acquisition, lease, construction, renovation, or demolition of each capital project.
- d. The identification of the means and source of funding each capital project.
- e. The estimated operating costs of each capital project after completion.
- f. The estimated maintenance costs of each capital project after completion.
- g. The consequences of delaying or abandoning each capital project.
- h. Alternative approaches to meeting the purpose or need for each capital project.
- i. Alternative financing mechanisms.
- j. A cost-benefit analysis or economic impact of each capital project.

2. Financial statements giving in summary form:

- a. The condition of the treasury at the end of the last completed fiscal year, the estimated condition of the treasury

at the end of the year in progress, and the estimated condition of the treasury at the end of each of the following fiscal-year ensuing fiscal years of the fiscal biennium if the governor's budget proposals are put into effect.

b. Statements showing the bonded indebtedness of the government, debt authorized and unissued, debt redemption and interest requirements, and condition of the sinking funds, if any.

c. A summary of appropriations recommended for each of the following-fiscal-year ensuing fiscal years of the fiscal biennium for each department and establishment and for the government as a whole, in comparison with the actual expenditures for the last completed fiscal year and the estimated expenditures for the year in progress.

d. A summary of the revenue, estimated to be received by the government during each of the following ensuing fiscal year years of the fiscal biennium, classified according to sources, in comparison with the actual revenue received by the government during the last completed fiscal year and estimated income during the year in progress.

e. A statement of federal funds received in the form of block or categorical grants which were not included in the governor's budget for the previous fiscal year and a statement of anticipated block grants and categorical grants for each of the ensuing fiscal years of the fiscal biennium. The budget shall indicate how the federal funds will be used and the programs to which they will be allocated. The amount of state funds required to implement the programs to which the federal funds will apply shall also be indicated. The departments shall provide information to the director on the anticipated federal block grants and categorical grants to be received on or before November 1 of each year. The director shall use this information to develop an annual update of the statement of federal funds received which shall be provided to the general assembly.

f. Other financial statements, data, and comments as in the governor's opinion are necessary or desirable in order to

make known in all practicable detail the financial condition and operation of the government and the effect that each fiscal year of the biennial budget as proposed by the governor will have on the financial condition and operation.

If the estimated revenues of the government for the ensuing each fiscal year of the biennium as set forth in the budget on the basis of existing laws, plus the estimated amounts in the treasury at the close of each of the year fiscal years of the biennium in progress, available for expenditure in each of the ensuing fiscal year years are less than the aggregate recommended for the ensuing fiscal year or years as contained in the budget, the governor shall make recommendations to the legislature general assembly in respect to the manner in which the deficit shall be met, whether by an increase in the state tax or the imposition of new taxes, increased rates on existing taxes, or otherwise, and if the aggregate of the estimated revenues, plus estimated balances in the treasury, is greater than the recommended appropriations for the ensuing fiscal year or years, the governor shall make recommendations in reference to the application of the surplus to the reduction of debt or otherwise, to the reduction in taxation, or to such other action as in the governor's opinion is in the interest of the public welfare.

PART II

RECOMMENDED APPROPRIATIONS. Part II shall present in detail for the each ensuing fiscal year of the biennium the governor's recommendations for appropriations to meet the expenditure needs of the government from each general class of funds, in comparison with actual expenditures for each of the purposes during the last completed fiscal year and estimated expenditures for the year in progress, classified by departments and establishments and indicating for each the appropriations recommended for:

1. Meeting the cost of administration, operation, and maintenance of the departments and establishments.
2. Appropriations for meeting the cost of land, public improvements, and other capital outlays in connection with the departments and establishments.

Each item of expenditure, actual or estimated, and appropriations recommended for administration, operation, and maintenance of each department or establishment shall be supported by detailed statements showing the actual and estimated expenditures and appropriations classified by objects according to a standard scheme of classification to be prescribed by the director.

PART III

APPROPRIATION BILLS. Part III shall include a draft or drafts of appropriation bills having for their purpose to give legal sanction to the appropriations recommended to be made in Parts I and II. The appropriation bills shall indicate the funds, general or special, from which the appropriations shall be paid, but the appropriations need not be in greater detail than to indicate the total appropriation to be made for both of the following:

1. Administration, operation, and maintenance of each department and establishment for the each fiscal year of the biennium.
2. The cost of land, public improvements, and other capital outlays for each department and establishment, itemized by specific projects or classes of projects of the same general character.

Sec. 506. Section 8.22A, unnumbered paragraph 3, Code 1991, is amended to read as follows:

By December 15, ~~1986 and each succeeding year~~ the conference shall agree to a revenue estimate for the each of the two ensuing fiscal year beginning the following duty-1 years. That The estimate shall be used by the governor in the preparation of the budget message under section 8.22 and by the legislature general assembly in the budget process.

Sec. 507. Section 8.23, Code Supplement 1991, is amended to read as follows:

8.23 ANNUAL AND BIENNIAL DEPARTMENTAL ESTIMATES.

On or before September 1, prior to each legislative session, all departments and establishments of the government shall transmit initial budget information to the director; on

~~blanks to be furnished by the director, estimates of their expenditure requirements, including every proposed expenditure, for each of the ensuing fiscal year, classified so as to distinguish between expenditures estimated for administration, operation, and maintenance, and the cost of each project involving the purchase of land or the making of a public improvement or capital outlay of a permanent character, together with supporting data and explanations as called for by the director years of the biennium or for the second fiscal year of the biennium. Requirements of the initial budget information shall be specified by the legislative fiscal bureau. The legislative fiscal bureau shall consult with the department of management in developing budget forms. The requirements shall include but are not limited to a program-based budget system, and budget forms and reporting formats. The specifications developed by the legislative fiscal bureau are subject to approval by the legislative fiscal committee of the legislative council. The budget estimates information shall include for those agencies which pay for energy directly a line item for energy expenses itemized by type of energy and location. The estimates of expenditure requirements shall be based upon seventy-five percent of the funding provided for the current fiscal year accounted for by program reduced by the historical employee vacancy factor in form specified by the director and the remainder of the estimate of expenditure requirements prioritized by program. The estimates budget information shall be accompanied with by performance measures for evaluating the effectiveness of the program. If a department or establishment fails to submit estimates the budget information within the time specified, the governor shall cause estimates to be prepared for that department or establishment as in the governor's opinion are reasonable and proper. The director shall furnish standard budget request forms to each department or agency of state government.~~

On or before November 15 all departments and establishments of government and the judicial department shall transmit to the department of management and the legislative fiscal bureau

the final estimates of their receipts and expenditure requirements from federal or other nonstate grants, receipts, and funds for the ensuing fiscal year. The transmittal shall include the names of the grantor and the grant or the source of the funds, the estimated amount of the funds, and the planned expenditures and use of the funds. The format of the transmittal shall be specified by the legislative fiscal bureau.

Sec. 508. Section 8.24, Code 1991, is amended to read as follows:

8.24 ANNUAL AND BIENNIAL ESTIMATE OF INCOME.

On or before October 1, next prior to each legislative session, the director shall prepare an estimate of the total income of the government for each of the two ensuing fiscal year years of the biennium or for the second fiscal year of the biennium, in which the several items of income shall be listed and classified according to sources or character, and departments or establishments producing the funds, and brought into comparison with the income actually received during the last completed fiscal year and the estimated income to be received during the fiscal year in progress.

Sec. 509. Section 8.25, Code 1991, is amended to read as follows:

8.25 TENTATIVE BUDGET.

Upon the receipt of the budget information and the estimates of expenditure requirements called for by section 8.23 and the preparation of the estimates of income called for by section 8.24 and not later than December 1, next succeeding, the director of the department of management, hereinabove-provided-for, shall cause to be prepared a tentative budget conforming as to scope, contents and character to the requirements of section 8.22 and containing the budget information and the estimates of expenditures and revenue as called for by sections 8.23 and 8.24, which tentative budget shall be transmitted to the governor.

Sec. 510. Section 8.27, Code 1991, is amended to read as follows:

8.27 PREPARATION OF BUDGET.

~~Following the inauguration if the governor is reelected to a successive term, the governor shall proceed to continue with the formulation of the budget provided for by sections 8.21 and 8.22. However, if the governor-elect did not hold office on January 1 prior to inauguration, the governor's budget document and records required by section 8.35A, subsection 2, shall be submitted no later than the date the document is delivered to the printer.~~

Sec. 511. Section 8.30, Code 1991, is amended to read as follows:

8.30 AVAILABILITY OF APPROPRIATIONS.

The appropriations made are not available for expenditure until allotted as provided for in section 8.31. All appropriations are declared to be maximum and proportionate appropriations, the purpose being to make the appropriations payable in full in the amounts named if the estimated budget resources during the each fiscal year of the fiscal biennium for which the appropriations are made, are sufficient to pay all of the appropriations in full. The governor shall restrict allotments only to prevent an overdraft or deficit in any fiscal year for which appropriations are made.

Sec. 512. Section 8.35A, subsection 2, Code 1991, is amended to read as follows:

2. Commencing September 1, the director shall provide weekly budget tapes in the form and level of detail requested by the legislative fiscal bureau reflecting finalized agency budget requests for the following fiscal year as submitted to the governor. The director shall transmit all agency requests in final form to the legislative fiscal bureau by November 15. ~~Final~~ Except as otherwise provided for a newly elected governor pursuant to section 8.27, final budget records containing the governor's recommendation, proposed legislative package, and final agency requests shall be transmitted to the legislative fiscal bureau by January 1 ~~or no later than the date the governor's budget document is delivered to the printer.~~ The governor's recommendation included on this record shall be considered confidential by the legislative

fiscal bureau until it is made public by the governor. The legislative fiscal bureau shall use this data in the preparation of information for the legislative appropriation process.

Sec. 513. Section 8.37, Code 1991, is amended to read as follows:

8.37 FISCAL TERM BIENNIUM.

The fiscal term biennium of the state ends on the thirtieth day of June in each odd-numbered year, and the succeeding fiscal term biennium begins on the day following.

Sec. 514. Section 8.41, subsection 2, Code 1991, is amended to read as follows:

2. Federal funds deposited in the state treasury as provided in subsection 1 shall either be included as part of the governor's budget required by section 8.22 or shall be included in a separate recommendation made by the governor to the general assembly. If federal funds received in the form of block grants or categorical grants have not been included in the governor's budget for the current fiscal year or biennium because of time constraints or because a budget is not being submitted for the next-fiscal second year of a fiscal biennium, the governor shall submit a supplemental statement to the general assembly listing the federal funds received and including the same information for the federal funds required by section 8.22, part I, subsection 2, paragraph "e", for the statement of federal funds in the governor's budget.

Sec. 515. APPLICABILITY. This division applies to the fiscal period beginning July 1, 1993, and ending June 30, 1995, and succeeding fiscal bienniums. However, the program-based budget system shall be implemented with the fiscal period beginning July 1, 1995, except for the budgets of the Iowa department of public health and the department of economic development which shall begin the program-based budget system with the fiscal period beginning July 1, 1993. The program-based budget system shall include, but is not limited to, stating the strategic plan required by section

8.53 in terms of desired outcomes, proposals for resource allocation, and performance measures of past and future outcomes.

MICHAEL E. GRONSTAL
President of the Senate

ROBERT C. ARNOULD
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2373, Seventy-fourth General Assembly.

JOHN F. DWYER
Secretary of the Senate

Approved June 3, 1992

TERRY E. BRANSTAD
Governor