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Session

SENATE FILE ~~88~~
BY COMMITTEE ON APPROPRIATIONS

(SUCCESSOR TO SSB 7)

Passed Senate, Date ^(P. 254) 2/8/93 Passed House, Date _____
Vote: Ayes 45 Nays 5 Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

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

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

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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. 8.62 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
3 70A.1. Moneys expended pursuant to this section shall be
4 reported to the governor and the general assembly in the
5 budget information submitted during the succeeding fiscal
6 year.

7 DIVISION III

8 PERIODIC PROGRAM REVIEW

9 Sec. 301. Section 8.6, Code 1993, is amended by adding the
10 following new subsection:

11 NEW SUBSECTION. 9A. MANAGEMENT REVIEW. To prepare a
12 management review and accompanying recommendations as provided
13 in sections 8.63 through 8.73.

14 Sec. 302. NEW SECTION. 8.63 MANAGEMENT REVIEW OF
15 EXECUTIVE BRANCH PROGRAMS AND FUNCTIONS -- AUTHORIZATION AND
16 PURPOSE.

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

32 2. The purpose of the management review is to provide a
33 mechanism designed to increase the accountability and
34 efficiency of state government through increased managerial
35 oversight and scrutiny of programs, functions, and

1 performance. The director is granted broad authority to
2 recommend termination, reduction, or reorganization of
3 programs or functions.

4 3. The director shall have the powers and duties to
5 prepare and implement the management review as provided in
6 sections 8.64 through 8.69.

7 Sec. 303. NEW SECTION. 8.64 DEFINITIONS.

8 As used in section 8.63, this section, and sections 8.65
9 through 8.69, unless the context otherwise requires:

10 1. "Management review" means the review of a department's
11 program conducted under the director's authority as provided
12 by sections 8.65 through 8.69.

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

16 Sec. 304. NEW SECTION. 8.65 MANAGEMENT REVIEW RULES.

17 The director shall adopt rules pursuant to chapter 17A to
18 implement sections 8.63 and 8.64, this section, and sections
19 8.66 through 8.69. The rules shall include, but are not
20 limited to, the following:

21 1. A schedule assigning a management review date to each
22 department's programs as identified by the director, once
23 within a ten-year cycle. A department's programs may be
24 subdivided by the director, and the parts of a program may be
25 subject to review in different legislative bienniums, with
26 particular programs or functions exempted, to facilitate the
27 director's review.

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

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

34 Sec. 305. NEW SECTION. 8.66 DIRECTOR'S MANAGEMENT REVIEW
35 RESPONSIBILITIES AND DUTIES.

- 1 1. The director shall perform the following duties:
- 2 a. Conduct a thorough review of all information furnished
- 3 by each department administering a program under management
- 4 review.
- 5 b. Obtain, verify, and review any reports, audits, or
- 6 actions taken by other departments concerning the program
- 7 under management review, including, but not limited to, recent
- 8 reports prepared by:
- 9 (1) The auditor of state.
- 10 (2) A legislative interim study or standing committee.
- 11 (3) The legislative fiscal bureau or legislative service
- 12 bureau.
- 13 (4) The treasurer of state.
- 14 (5) A special governmental task force or committee.
- 15 c. Submit the final management review report to the
- 16 governor and the general assembly, on or before January 1 of
- 17 the second year of a legislative biennium. The report shall
- 18 contain at least the following elements:
- 19 (1) Evaluation of each program reviewed.
- 20 (2) Recommendations regarding each program reviewed,
- 21 including any conditions for termination suggested by the
- 22 director.
- 23 2. A department administering a program subject to
- 24 management review shall provide all assistance and information
- 25 reasonably required by the director. Information provided to
- 26 the director shall also be submitted to the legislative fiscal
- 27 bureau. The director shall cooperate with the legislative
- 28 fiscal bureau to facilitate, to the greatest extent possible,
- 29 requests for information made by the legislative fiscal bureau
- 30 in connection with a management review.
- 31 Sec. 306. NEW SECTION. 8.67 CRITERIA FOR REVIEW.
- 32 The director shall not presume that a genuine public need
- 33 continues for a program, or that the program is serving the
- 34 identified public need. The administering department must
- 35 show, through the criteria for review, that there is a

1 continuing public need, and that the program is serving that
2 public need in an administratively or fiscally effective
3 manner. The criteria shall include but are not limited to all
4 of the following:

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

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

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

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

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

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

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

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

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

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

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

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

19 Sec. 307. NEW SECTION. 8.68 MANAGEMENT REVIEW REPORT.

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

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

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

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

31 d. An evaluation of the program under the review criteria
32 of section 8.67.

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

1 legislative package.

2 2. The final report shall contain the management review
3 schedule for the programs subject to review during the second
4 calendar year following the year in which the report is
5 submitted. The schedule shall be adopted by rule in
6 accordance with section 8.65.

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

8 a. Continuance of a program.

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

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

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

16 e. Budget limitations for a program.

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

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

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

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

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

30 Sec. 308. NEW SECTION. 8.69 PROPOSED TRANSITION PLAN.

31 If a program is recommended by the director for
32 termination, the administering department shall submit a
33 transition plan to the director and the general assembly for
34 review. If the department fails to submit an acceptable
35 transition plan, the director shall prepare the transition

1 plan. A transition plan must be approved by the director.

2 DIVISION IV

3 REVIEW OF TAX EXPENDITURES

4 Sec. 401. NEW SECTION. 8.71 REVIEW OF TAX EXPENDITURES -
5 - AUTHORIZATION AND PURPOSE.

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

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

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

30 Sec. 402. NEW SECTION. 8.72 TAX EXPENDITURES DEFINED.

31 As used in sections 8.71, 8.73, and 8.74, "tax
32 expenditures" means tax credits, exemptions, and deductions
33 including but not limited to the following: the personal
34 income tax exemption credit allowed in section 422.12, the
35 federal tax deductions under sections 422.9 and 422.35, the

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

4 Sec. 403. NEW SECTION. 8.73 TAX EXPENDITURE REVIEW
5 SCHEDULE.

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

12 Sec. 404. NEW SECTION. 8.74 TAX EXPENDITURE REVIEW
13 REPORT.

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

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

1 BIENNIAL BUDGETS

2 Sec. 501. Section 2.12, unnumbered paragraph 4, Code 1993,
3 is amended to read as follows:

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

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

16 Sec. 502. NEW SECTION. 2.12B FISCAL BIENNIUM --
17 APPROPRIATIONS.

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

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

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

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

S.F.

H.F.

1 Sec. 503. Section 2.16, unnumbered paragraph 2, Code 1993,
2 is amended to read as follows:

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

22 Sec. 504. Section 8.21, unnumbered paragraph 1, Code 1993,
23 is amended to read as follows:

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. 505. Section 8.22, Code 1993, 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 fiscal biennium, indicating the classes of
15 funds, general or special, from which appropriations are to be
16 made 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. 506. Section 8.22A, subsection 3, Code 1993, is
35 amended to read as follows:

1 3. By December 15 of each fiscal year the conference shall
2 agree to a revenue estimate for the each fiscal year beginning
3 ~~the following July 1~~ of the two ensuing fiscal years. ~~That~~
4 The estimate shall be used by the governor in the preparation
5 of the budget message under section 8.22 and by the general
6 assembly in the budget process. If the conference agrees to a
7 different estimate at a later meeting which projects a greater
8 amount of revenue than the initial estimate amount agreed to
9 by December 15, the governor and the general assembly shall
10 continue to use the initial estimate amount in the budget
11 process for that fiscal year. However, if the conference
12 agrees to a different estimate at a later meeting which
13 projects a lesser amount of revenue than the initial estimate
14 amount, the governor and the general assembly shall use the
15 lesser amount in the budget process for that fiscal year. As
16 used in this subsection, "later meeting" means only those
17 later meetings which are held prior to the conclusion of the
18 regular session of the general assembly.

19 Sec. 507. Section 8.23, Code 1993, is amended to read as
20 follows:

21 8.23 ANNUAL DEPARTMENTAL ESTIMATES.

22 1. On or before September 1, prior to each legislative
23 session, all departments and establishments of the government
24 shall transmit initial budget information to the director, ~~on~~
25 ~~blanks to be furnished by the director, estimates of their~~
26 ~~expenditure requirements, including every proposed~~
27 ~~expenditure, for each of the ensuing fiscal year, classified~~
28 ~~so as to distinguish between expenditures estimated for~~
29 ~~administration, operation, and maintenance, and the cost of~~
30 ~~each project involving the purchase of land or the making of a~~
31 ~~public improvement or capital outlay of a permanent character,~~
32 ~~together with supporting data and explanations as called for~~
33 ~~by the director~~ years of the biennium or for the second fiscal
34 year of the biennium. Requirements of the initial budget
35 information shall be specified by the legislative fiscal

1 bureau. The legislative fiscal bureau shall consult with the
2 department of management in developing budget forms. The
3 requirements shall include but are not limited to a program-
4 based budget system, and budget forms and reporting formats.
5 The specifications developed by the legislative fiscal bureau
6 are subject to approval by the legislative fiscal committee of
7 the legislative council. The budget estimates information
8 shall include for those agencies which pay for energy directly
9 a line item for energy expenses itemized by type of energy and
10 location. ~~The estimates of expenditure requirements shall be~~
11 ~~based upon seventy-five percent of the funding provided for~~
12 ~~the current fiscal year accounted for by program reduced by~~
13 ~~the historical employee vacancy factor in form specified by~~
14 ~~the director and the remainder of the estimate of expenditure~~
15 ~~requirements prioritized by program.~~ The estimates budget
16 information shall be accompanied with by performance measures
17 for evaluating the effectiveness of the program. If a
18 department or establishment fails to submit estimates the
19 budget information within the time specified, the governor
20 shall cause estimates to be prepared for that department or
21 establishment as in the governor's opinion are reasonable and
22 proper. The director shall furnish standard budget request
23 forms to each department or agency of state government.

24 2. On or before November 15 all departments and
25 establishments of government and the judicial department shall
26 transmit to the department of management and the legislative
27 fiscal bureau the final estimates of their receipts and
28 expenditure requirements from federal or other nonstate
29 grants, receipts, and funds for the ensuing fiscal year. The
30 transmittal shall include the names of the grantor and the
31 grant or the source of the funds, the estimated amount of the
32 funds, and the planned expenditures and use of the funds. The
33 format of the transmittal shall be specified by the
34 legislative fiscal bureau.

35 Sec. 508. Section 8.24, Code 1993, is amended to read as

1 follows:

2 8.24 ANNUAL AND BIENNIAL ESTIMATE OF INCOME.

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

13 Sec. 509. Section 8.25, Code 1993, is amended to read as
14 follows:

15 8.25 TENTATIVE BUDGET.

16 Upon the receipt of the budget information and the
17 estimates of expenditure requirements called for by section
18 8.23 and the preparation of the estimates of income called for
19 by section 8.24 and not later than December 1, next
20 succeeding, the director of the department of management,
21 ~~hereinabove-provided-for~~, shall cause to be prepared a
22 tentative budget conforming as to scope, contents and
23 character to the requirements of section 8.22 and containing
24 the budget information and the estimates of expenditures and
25 revenue as called for by sections 8.23 and 8.24, which
26 tentative budget shall be transmitted to the governor.

27 Sec. 510. Section 8.27, Code 1993, is amended to read as
28 follows:

29 8.27 PREPARATION OF BUDGET.

30 ~~Following the inauguration~~ If the governor is reelected to
31 a successive term, the governor shall ~~proceed to~~ continue with
32 the formulation of the budget provided for by sections 8.21
33 and 8.22. However, if the governor-elect did not hold office
34 on January 1 prior to inauguration, the governor's budget
35 document and records required by section 8.35A, subsection 2,

1 shall be submitted no later than the date the document is
2 delivered to the printer.

3 Sec. 511. Section 8.30, Code 1993, is amended to read as
4 follows:

5 8.30 AVAILABILITY OF APPROPRIATIONS.

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

16 Sec. 512. Section 8.35A, subsection 2, Code 1993, is
17 amended to read as follows:

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

1 Sec. 513. Section 8.37, Code 1993, is amended to read as
2 follows:

3 8.37 FISCAL TERM BIENNIUM.

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

7 Sec. 514. Section 8.41, subsection 2, Code 1993, is
8 amended to read as follows:

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

24 Sec. 515. Section 602.1301, subsections 1 and 2, Code
25 1993, are amended to read as follows:

26 1. The supreme court shall prepare an annual operating
27 budget for the department for each of the two years of the
28 fiscal biennium, and shall submit a budget request to the
29 general assembly ~~for the fiscal period for which the general~~
30 ~~assembly is appropriating funds~~ for each of the two years of
31 the fiscal biennium. If an appropriation is made only for the
32 first fiscal year, the supreme court shall submit a budget
33 request for the second fiscal year in accordance with the
34 provisions of subsection 2.

35 2. a. As early as possible, but not later than December

1 1, the supreme court shall submit to the legislative fiscal
2 bureau the ~~annual~~ budget request required pursuant to
3 subsection 1 and detailed supporting information for the
4 judicial department. The submission shall be designed to
5 assist the legislative fiscal bureau in its preparation for
6 legislative consideration of the budget request. The
7 information submitted shall contain and be arranged in a
8 format substantially similar to the format specified by the
9 director of management and used by all departments and
10 establishments in transmitting to the director estimates of
11 their expenditure requirements pursuant to section 8.23,
12 except the estimates of expenditure requirements shall be
13 based upon one hundred percent of funding for the current
14 fiscal year accounted for by program, and using the same line
15 item definitions of expenditures as used for the current
16 fiscal year's budget request, and the remainder of the
17 estimate of expenditure requirements prioritized by program.
18 The supreme court shall also make use of the department of
19 management's automated budget system when submitting
20 information to the director of management to assist the
21 director in the transmittal of information as required under
22 section 8.35A. The supreme court shall budget and track
23 expenditures by the following separate organization codes:

- 24 (1) Iowa court information system.
- 25 (2) Appellate courts.
- 26 (3) Central administration.
- 27 (4) District court administration.
- 28 (5) Judges and magistrates.
- 29 (6) Court reporters.
- 30 (7) Juvenile court officers.
- 31 (8) District court clerks.
- 32 (9) Jury and witness fees.

33 b. Before December 1, the supreme court shall submit to
34 the director of management an estimate of the total
35 expenditure requirements of the judicial department for the

1 fiscal biennium or for the second fiscal year of the biennium,
2 as required by subsection 1. The director of management shall
3 submit this estimate received from the supreme court to the
4 governor for inclusion without change in the governor's
5 proposed budget for the succeeding fiscal biennium or fiscal
6 year. The estimate shall also be submitted to the
7 chairpersons of the committees on appropriations.

8 Sec. 516. APPLICABILITY. Except for the reporting and
9 submission provisions which would be required prior to the
10 effective date of this Act, this division applies to the
11 fiscal period beginning July 1, 1995, and ending June 30,
12 1997, and succeeding fiscal bienniums. However, the program-
13 based budget system shall be implemented with the fiscal
14 period beginning July 1, 1995, except for the budgets of the
15 Iowa department of public health and the department of
16 economic development which shall begin the program-based
17 budget system with the fiscal year beginning July 1, 1994.
18 The program-based budget system shall include, but is not
19 limited to, stating the strategic plan required by section
20 8.61 in terms of desired outcomes, proposals for resource
21 allocation, and performance measures of past and future
22 outcomes.

23 DIVISION VI
24 EXPENDITURE LIMITATION

25 Sec. 601. Section 8.22A, Code 1993, is amended by adding
26 the following new subsection:

27 NEW SUBSECTION. 4. At the meeting in which the conference
28 agrees to the revenue estimate for the following fiscal year
29 in accordance with the provisions of subsection 3, the
30 conference shall agree to an estimate for tax refunds payable
31 from that estimated revenue. Within fourteen days of the
32 transmission of the governor's budget to the general assembly
33 pursuant to section 8.21, the conference shall meet and agree
34 to an estimate for any revenue provision included in the
35 governor's budget which would be a new revenue if the

1 provision was to be enacted. If a new revenue is enacted
2 which has not been previously estimated by the conference and
3 the general assembly remains in session, the conference shall
4 meet and agree to an estimate for the new revenue within
5 fourteen days of the date of enactment. The estimates
6 required by this subsection shall be used in determining the
7 adjusted revenue estimate under section 8.54.

8 Sec. 602. Section 8.54, subsection 1, unnumbered paragraph
9 1, and paragraph a, are amended to read as follows:

10 For the purposes of section 8.22A, this section, and
11 sections 8.55 through 8.57:

12 a. "Adjusted revenue estimate" means the appropriate
13 revenue estimate for the general fund for the following fiscal
14 year as determined by the revenue estimating conference under
15 section 8.22A, subsection 3, adjusted by subtracting estimated
16 tax refunds payable from that estimated revenue and as
17 determined by the conference, adding any new revenues which
18 may be considered to be eligible for deposit in the general
19 fund.

20 Sec. 603. Section 8.54, subsection 6, Code 1993, is
21 amended to read as follows:

22 6. The scope of the expenditure limitation under
23 subsection 3 shall not encompass federal funds, donations,
24 constitutionally dedicated moneys, and moneys in expenditures
25 from state retirement system moneys, and does not encompass an
26 appropriation to the Iowa economic emergency fund created in
27 section 8.55, an appropriation to the cash reserve fund
28 created in section 8.56, or an appropriation to eliminate the
29 GAAP deficit in accordance with section 8.57.

30 Sec. 604. Section 8.55, subsection 3, Code 1993, is
31 amended to read as follows:

32 3. The moneys in the Iowa economic emergency fund may be
33 appropriated by the general assembly only in the fiscal year
34 for which the appropriation is made. The moneys shall only be
35 appropriated by the general assembly for emergency

1 expenditures. However, except as provided in section 8.58,
2 the balance in the Iowa economic emergency fund may be used in
3 determining the cash position of the general fund of the state
4 for the payment of state obligations and for determining the
5 unreserved balance of the general fund of the state under
6 GAAP.

7 Sec. 605. Section 8.56, subsection 3, Code 1993, is
8 amended to read as follows:

9 3. The moneys in the cash reserve fund may be appropriated
10 by the general assembly in accordance with subsection 4 only
11 in the fiscal year for which the appropriation is made. The
12 moneys shall only be appropriated by the general assembly for
13 nonrecurring emergency expenditures and shall not be
14 appropriated for payment of any collective bargaining
15 agreement or arbitrator's decision negotiated or awarded under
16 chapter 20. However, except as provided in section 8.58, the
17 balance in the cash reserve fund may be used in determining
18 the cash position of the general fund of the state for payment
19 of state obligations and for determining the unreserved
20 balance of the general fund of the state under GAAP.

21 Sec. 606. Section 8.57, subsection 4, Code 1993, is
22 amended to read as follows:

23 4. As used in this section and sections 8.55 and 8.56,
24 "GAAP" means generally accepted accounting principles as
25 established by the governmental accounting standards board.

26 Sec. 607. EFFECTIVE DATE. This division, being deemed of
27 immediate importance, takes effect upon enactment.

28 EXPLANATION

29 This bill relates to state budgeting processes involving
30 strategic planning, employee training and education
31 incentives, periodic program and tax expenditure review, and
32 biennial budgeting.

33 The governor, supreme court, and the general assembly would
34 be required to develop a five-year strategic plan for their
35 respective branch of government. In addition, the governor

1 and the general assembly would be required to develop five-
2 year strategic plans for the state. The planning for the
3 executive branch is to be performed by the individual agencies
4 and submitted annually to the governor and the general
5 assembly with their budgeting materials. The governor is to
6 annually compile the plans and identify the top five
7 priorities for the ensuing fiscal year. The planning is to
8 include timelines, cost estimates, identification of resources
9 and cooperative efforts needed, performance indicators, and a
10 progress report. The general assembly's plan is to be
11 considered in a concurrent resolution and would be subject to
12 approval by a constitutional majority of both chambers. The
13 initial planning is to apply to fiscal year 1994-1995.

14 State policy encouraging state employees to possess an
15 active interest in efficient use of public resources is
16 stated. A state agency would be permitted to retain up to 5
17 percent of its state funding which is unused during a fiscal
18 year for use in succeeding fiscal years for payment of
19 employee training or education expenses. Reporting
20 requirements are specified.

21 The department of management is directed to biennially
22 perform a periodic management review of the programs and
23 functions of the executive branch of state government over a
24 10-year period. The responsibilities and duties of the
25 director of the department of management are specified and
26 criteria for review are provided. The director's report
27 concerning the review is to contain various specific elements
28 and is to be submitted to the governor and the general
29 assembly. The report recommendations concerning a program
30 would include continuation, termination, consolidation with
31 other programs, revisions of the program, budget limitation,
32 fee changes, or other managerial changes. If a program is
33 recommended for termination, under the bill, a transition plan
34 must be provided. As the report must be submitted in the
35 second year of a legislative biennium, the first report must

1 be submitted for the 1994 legislative session.

2 Under the bill, a similar periodic review is required to be
3 performed by the director of the department of management and
4 the director of revenue and finance concerning tax
5 expenditures authorized in statute. The term "tax
6 expenditure" is defined to include various specific tax
7 credits, exemptions, and deductions. All tax expenditures are
8 to be reviewed over a four-year period. The tax expenditure
9 review report is to include various specific elements. If the
10 report recommendations would necessitate legislative action,
11 the action is to be proposed as part of the governor's
12 legislative package.

13 A biennial budget process encompassing both years of the
14 legislative biennium is established by the bill. The fiscal
15 biennium would begin on July 1 of each odd-numbered year. The
16 governor is to propose a budget for both years of the biennium
17 and if the general assembly only approves the first year's
18 budget, then for the second year the governor would be
19 required to submit adjustments to the originally proposed
20 budget for that year. In addition, other supplemental
21 reporting is required of the governor in the second year of
22 the biennium. The biennial budgeting requirements would apply
23 to all three branches of government and would begin with the
24 fiscal period beginning July 1, 1995, and ending June 30,
25 1997.

26 Current law providing for a modified zero-based budget
27 process would be repealed. Under the current modified zero-
28 base budget, departmental expenditure estimates are based upon
29 75 percent of the funding provided for the fiscal year
30 previous to that being budgeted. A new program-based
31 budgeting system is to be specified by the legislative fiscal
32 bureau, subject to the approval of the legislative fiscal
33 committee of the legislative council. The program-based
34 system is to include the strategic plan in terms of desired
35 outcomes, proposals for resource allocation, and performance

1 measures of past and future outcomes. With two exceptions,
2 the program-based budgeting system is to be implemented with
3 the fiscal period beginning July 1, 1995. The departments of
4 public health and economic development are to implement the
5 program-based system with the fiscal year beginning July 1,
6 1994.

7 Division VI of the bill relates to general fund expenditure
8 limitation, the Iowa economic emergency fund, the cash reserve
9 fund, and the GAAP deficit reduction account established to
10 reduce the state budget deficit under generally accepted
11 accounting principles.

12 Division VI also requires the revenue estimating conference
13 to meet and agree to estimates of tax refunds and of new
14 revenues. These estimates are used in calculations of the
15 general fund expenditure limitation.

16 Division VI also provides that the state expenditure
17 limitation does not encompass any appropriation made to the
18 Iowa economic emergency fund, cash reserve fund, or to
19 eliminate the GAAP deficit. Balances in the Iowa economic
20 emergency fund and cash reserve fund are to be counted in
21 determining the general fund unreserved balance under GAAP.

22 Division VI takes effect upon enactment.

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SENATE FILE 88

S-3027

1 Amend Senate File 88 as follows:

2 1. By striking page 18, line 34, through page 19,
3 line 2, and inserting the following: "year of the
4 biennium. The legislative fiscal bureau shall consult
5 with the department of management in developing budget
6 forms and requirements. The".

By DERRYL McLAREN

S-3027 FILED FEBRUARY 8, 1993

ADOPTED

SENATE FILE 88

S-3028

1 Amend Senate File 88 as follows:

2 1. Page 12, line 19, by striking the word "may"
3 and inserting the following: "shall".

4 2. Page 12, by striking lines 31 and 32 and
5 inserting the following:

6 "The general assembly may enact appropriations
7 bills".

8 3. Page 13, by striking lines 30 and 31 and

9 inserting the following: "The governor shall
10 transmit".

By MERLIN E. BARTZ

S-3028 FILED FEBRUARY 8, 1993

POST

SENATE FILE 88

S-3030

Amend Senate File 88 as follows:

2 1. By striking page 11, line 32, through page 12,
3 line 15, and inserting the following: "proposed
4 budget for the succeeding fiscal year biennium. The
5 ~~approved-budgets-shall-also-be-submitted-to-the~~
6 ~~chairpersons-of-the-committees-on-appropriations---~~The
7 ~~committees-on-appropriations-may-allocate-from-the~~
8 ~~funds-appropriated-by-this-section-the-funds-contained~~
9 ~~in-the-approved-budgets-or-such-other-amounts-as~~
10 ~~specified-pursuant-to-a-concurrent-resolution-to-be~~
11 ~~approved-by-both-houses-of-the-general-assembly.~~ The
12 director of revenue and finance shall issue warrants
13 for salaries, support, maintenance, and miscellaneous
14 purposes upon requisition by the administrative head
15 of each statutory legislative agency. ~~If the~~
16 ~~legislative-council-elects-to-change-the-approved~~
17 ~~budget-for-a-legislative-agency-prior-to-July-1,-the~~
18 ~~legislative-council-shall-transmit-the-amount-of-the~~
19 ~~budget-revision-to-the-department-of-management-prior~~
20 ~~to-July-1-of-the-fiscal-year,-however,-if~~ If the
21 general assembly approved the budget it cannot be
22 changed except pursuant to a concurrent resolution
23 approved by the general assembly.

24 Sec. ____ . Section 2.12, Code 1993, is amended by
25 adding the following new unnumbered paragraph:

5 NEW UNNUMBERED PARAGRAPH. Appropriations made
6 pursuant to this section shall be subject to a budget
7 contained in a concurrent resolution approved by both
8 houses of the general assembly."

30 2. By renumbering as necessary.

By RICHARD F. DRAKE

S-3030 FILED FEBRUARY 8, 1993

LOST

SENATE FILE 88

-3029

Amend Senate File 88 as follows:

1. By striking page 3, line 8, through page 9, line 1, and inserting the following:

"MANAGEMENT REVIEW -- TERMINATION OF PROGRAM

Sec. ____ . Section 8.6, Code 1993, is amended by adding the following new subsection:

NEW SUBSECTION. 9A. MANAGEMENT REVIEW. To prepare a management review as provided in sections 8.63 through 8.73.

Sec. ____ . NEW SECTION. 8.63 MANAGEMENT REVIEW OF EXECUTIVE BRANCH PROGRAMS AND FUNCTIONS -- AUTHORIZATION AND PURPOSE.

1. The director shall biennially prepare a management review schedule with input from the legislative fiscal bureau 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 or not the public need is served. The management review is also intended to assure statutory, administrative, and fiscal efficiency in the executive branch of state government. The management review shall be submitted to the governor and the general assembly in the second year of each legislative biennium.

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 unless the responsible agency implements reforms specified by the director and the general assembly.

3. The director shall have the powers and duties to prepare and implement the annual management review as provided in sections 8.64 through 8.73.

Sec. ____ . NEW SECTION. 8.64 DEFINITIONS.

As used in section 8.63, this section, and sections 8.65 through 8.73, unless the context otherwise requires:

1. "Management review" means the review of a department's program conducted under the director's

S-3029

Page 2

1 authority as provided by sections 8.65 through 8.73.

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

6 Sec. ____ . NEW SECTION. 8.65 MANAGEMENT REVIEW
7 RULES.

8 The director shall adopt rules pursuant to chapter
9 17A to implement sections 8.63 and 8.64, this section,
10 and sections 8.66 through 8.73. The rules shall
11 include, but are not limited to, the following:

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

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

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

26 4. A mechanism to implement recommendations
27 contained in a management review report.

28 Sec. ____ . NEW SECTION. 8.66 DIRECTOR'S
29 MANAGEMENT REVIEW RESPONSIBILITIES AND DUTIES.

30 1. The director shall perform the following
31 duties.

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

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

39 (1) The auditor of state.

40 (2) A legislative interim study or standing
41 committee.

42 (3) The legislative fiscal bureau or legislative
43 service bureau.

44 (4) The treasurer of state.

45 (5) Special governmental task forces or
46 committees.

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

S-3029

-2-

S-3029

Page 3

following elements:

(1) Evaluation of each program reviewed.

(2) Recommendations regarding each program

reviewed, including any conditions for reauthorization

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. ____ . NEW SECTION. 8.67 MANAGEMENT REVIEW

EXPENSES.

The department of management may adopt rules

providing for the payment of management review

expenses by the department responsible for

administering a program under management review.

Sec. ____ . NEW SECTION. 8.68 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 or citizen input,

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

S-3029

-3-

S-3029

Page 4

1 or not these alternative methods would achieve the
2 objectives.

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

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

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

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

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

29 11. Identification of the potential impact in
30 terms of federal intervention or loss of federal funds
31 if the program is terminated.

32 Sec. ____ . NEW SECTION. 8.69 MANAGEMENT REVIEW
33 REPORT.

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

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

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

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

45 d. An evaluation of the program under the review
46 criteria of section 8.68.

47 e. A recommendation concerning the program's
48 reauthorization. If the director recommends
49 reauthorization, the reauthorization shall be
50 submitted to the general assembly as part of the

S-3029

S-3029

Page 5

1 governor's legislative package.

2 2. If the general assembly enacts legislation
3 reauthorizing a program, the program shall not be
4 subject to termination pursuant to a rule adopted
5 under section 8.65 for at least ten years. However,
6 the program may be subject to management review in the
7 fifth biennium following the program's
8 reauthorization.

9 3. The final report shall contain the management
10 review schedule for the programs subject to
11 termination on June 30 of the second calendar year
12 following the year in which the report is submitted.
13 The schedule shall be adopted in rule in accordance
14 with section 8.65.

15 4. The director may recommend any or all of the
16 following:

17 a. Continuance of a program.

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

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

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

26 e. Budget limitations for a program.

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

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

33 h. Legislation to implement a recommendation,
34 concerning a program, other than termination.

35 i. Legislation relating to an administering
36 department, program, related agency or department, or
37 a program's underlying public need.

38 Sec. ____ . NEW SECTION. 8.70 TERMINATION OF A
39 PROGRAM.

40 1. If the director recommends the termination of a
41 program, and the program is not reestablished by an
42 Act of the general assembly, the program shall be
43 automatically terminated and the relevant portions of
44 its authorizing Act repealed effective June 30
45 following the submission of the director's report,
46 unless reauthorized by an Act of the general assembly.
47 A program which is reauthorized by legislative
48 enactment shall not be subject to automatic
49 termination for at least ten years. However, the
50 program may be subject to management review in the

S-3029

-5-

S-3029

Page 6

1 fifth biennium following the program's
2 reauthorization.

3 2. If in the course of terminating a program or
4 transferring a program to another agency, its
5 administrative department is terminated, each lesser
6 included board, council, agency, or other subdivision
7 is also automatically terminated at the same time and
8 under the same conditions, unless the lesser included
9 agency is specifically exempted from termination by
10 the director or by affirmative action of the general
11 assembly prior to June 30 immediately following the
12 biennial submission of the final management review
13 report.

14 Sec. ____ . NEW SECTION. 8.71 PROPOSED TRANSITION
15 PLAN.

16 1. If a program is recommended by the director for
17 termination, the administering department shall submit
18 a transition plan for the review of the director. If
19 the department fails to submit an acceptable
20 transition plan, the director shall prepare the
21 transition plan. A transition plan must be approved
22 by the director.

23 2. The director shall adopt rules pursuant to
24 chapter 17A establishing criteria which a transition
25 plan must address. The rules shall include, but are
26 not limited to, all of the following: conclusion of
27 operations, operating funds, transfer of property and
28 records, and repayment of outstanding bonded
29 indebtedness.

30 3. All statutory references to the terminated
31 program shall be invalid upon expiration of that
32 agency's concluding fiscal year, unless specifically
33 retained by affirmative action of the general
34 assembly.

35 Sec. ____ . NEW SECTION. 8.72 CODE EDITOR TO
36 CONFORM CODE TO MANAGEMENT REVIEW RESULTS.

37 If a rule of the director adopted pursuant to
38 sections 8.65 through 8.71 and section 8.73 has the
39 effect of repealing a section of the Code in whole or
40 in part, the Code editor shall conform the Code to
41 reflect the reorganization of state government as
42 implemented by a management review rule. The Code
43 editor shall annually prepare a separate Code editor's
44 bill to reflect changes made pursuant to the
45 management review report of two years preceding.

46 Sec. ____ . NEW SECTION. 8.73 MERIT SYSTEM
47 EMPLOYEES.

48 If the termination of a program pursuant to this
49 chapter results in unemployment for a merit system
50 employee, the employee shall receive first preference

S-3029

S-3029

Page 7

in all other state employment opportunities which subsequently arise for which the displaced employee is qualified. In addition, the employee shall have right of first refusal of such opportunities until the employee is permanently employed.

Sec. ____ . INTENT. It is contemplated by the governor and the general assembly that this Act may in the future entail wide-ranging effects on the operations of state government, including, but not limited to, the organization, structure, and authority of, and appropriations to any and all executive branch programs. However, because maintaining the continuing regulatory, administrative, and fiscal efficiency and effectiveness of all programs is of critical importance, it is the intent of this Act that such effects be deemed to have the full force and effect of law, and take priority over inconsistent provisions of law or practice.

Sec. ____ . DEPARTMENT OF MANAGEMENT -- REVIEW. The department of management shall be subject to management review in the first year of the ten-year review cycle."

2. By numbering, renumbering, and changing internal references as necessary.

By BRAD BANKS

S-3029 FILED FEBRUARY 8, 1993
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DIVISION I

STRATEGIC PLANNING

Section 101. NEW SECTION. 8.61 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. 8.62 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
3 70A.1. Moneys expended pursuant to this section shall be
4 reported to the governor and the general assembly in the
5 budget information submitted during the succeeding fiscal
6 year.

7 DIVISION III

8 PERIODIC PROGRAM REVIEW

9 Sec. 301. Section 8.6, Code 1993, is amended by adding the
10 following new subsection:

11 NEW SUBSECTION. 9A. MANAGEMENT REVIEW. To prepare a
12 management review and accompanying recommendations as provided
13 in sections 8.63 through 8.73.

14 Sec. 302. NEW SECTION. 8.63 MANAGEMENT REVIEW OF
15 EXECUTIVE BRANCH PROGRAMS AND FUNCTIONS -- AUTHORIZATION AND
16 PURPOSE.

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

32 2. The purpose of the management review is to provide a
33 mechanism designed to increase the accountability and
34 efficiency of state government through increased managerial
35 oversight and scrutiny of programs, functions, and

1 performance. The director is granted broad authority to
2 recommend termination, reduction, or reorganization of
3 programs or functions.

4 3. The director shall have the powers and duties to
5 prepare and implement the management review as provided in
6 sections 8.64 through 8.69.

7 Sec. 303. NEW SECTION. 8.64 DEFINITIONS.

8 As used in section 8.63, this section, and sections 8.65
9 through 8.69, unless the context otherwise requires:

10 1. "Management review" means the review of a department's
11 program conducted under the director's authority as provided
12 by sections 8.65 through 8.69.

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

16 Sec. 304. NEW SECTION. 8.65 MANAGEMENT REVIEW RULES.

17 The director shall adopt rules pursuant to chapter 17A to
18 implement sections 8.63 and 8.64, this section, and sections
19 8.66 through 8.69. The rules shall include, but are not
20 limited to, the following:

21 1. A schedule assigning a management review date to each
22 department's programs as identified by the director, once
23 within a ten-year cycle. A department's programs may be
24 subdivided by the director, and the parts of a program may be
25 subject to review in different legislative bienniums, with
26 particular programs or functions exempted, to facilitate the
27 director's review.

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

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

34 Sec. 305. NEW SECTION. 8.66 DIRECTOR'S MANAGEMENT REVIEW
35 RESPONSIBILITIES AND DUTIES.

1 1. The director shall perform the following duties:

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

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

9 (1) The auditor of state.

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

11 (3) The legislative fiscal bureau or legislative service
12 bureau.

13 (4) The treasurer of state.

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

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

19 (1) Evaluation of each program reviewed.

20 (2) Recommendations regarding each program reviewed,
21 including any conditions for termination suggested by the
22 director.

23 2. A department administering a program subject to
24 management review shall provide all assistance and information
25 reasonably required by the director. Information provided to
26 the director shall also be submitted to the legislative fiscal
27 bureau. The director shall cooperate with the legislative
28 fiscal bureau to facilitate, to the greatest extent possible,
29 requests for information made by the legislative fiscal bureau
30 in connection with a management review.

31 Sec. 306. NEW SECTION. 8.67 CRITERIA FOR REVIEW.

32 The director shall not presume that a genuine public need
33 continues for a program, or that the program is serving the
34 identified public need. The administering department must
35 show, through the criteria for review, that there is a

1 continuing public need, and that the program is serving that
2 public need in an administratively or fiscally effective
3 manner. The criteria shall include but are not limited to all
4 of the following:

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

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

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

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

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

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

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

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

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

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

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

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

19 Sec. 307. NEW SECTION. 8.68 MANAGEMENT REVIEW REPORT.

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

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

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

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

31 d. An evaluation of the program under the review criteria
32 of section 8.67.

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

1 legislative package.

2 2. The final report shall contain the management review
3 schedule for the programs subject to review during the second
4 calendar year following the year in which the report is
5 submitted. The schedule shall be adopted by rule in
6 accordance with section 8.65.

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

8 a. Continuance of a program.

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

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

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

16 e. Budget limitations for a program.

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

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

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

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

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

30 Sec. 308. NEW SECTION. 8.69 PROPOSED TRANSITION PLAN.

31 If a program is recommended by the director for
32 termination, the administering department shall submit a
33 transition plan to the director and the general assembly for
34 review. If the department fails to submit an acceptable
35 transition plan, the director shall prepare the transition

1 plan. A transition plan must be approved by the director.

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DIVISION IV

3

REVIEW OF TAX EXPENDITURES

4 Sec. 401. NEW SECTION. 8.71 REVIEW OF TAX EXPENDITURES -
5 -AUTHORIZATION AND PURPOSE.

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

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

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

30 Sec. 402. NEW SECTION. 8.72 TAX EXPENDITURES DEFINED.

31 As used in sections 8.71, 8.73, and 8.74, "tax
32 expenditures" means tax credits, exemptions, and deductions
33 including but not limited to the following: the personal
34 income tax exemption credit allowed in section 422.12, the
35 federal tax deductions under sections 422.9 and 422.35, the

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

4 Sec. 403. NEW SECTION. 8.73 TAX EXPENDITURE REVIEW
5 SCHEDULE.

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

12 Sec. 404. NEW SECTION. 8.74 TAX EXPENDITURE REVIEW
13 REPORT.

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

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

35

DIVISION V

1 BIENNIAL BUDGETS

2 Sec. 501. Section 2.12, unnumbered paragraph 4, Code 1993,
3 is amended to read as follows:

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

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

16 Sec. 502. NEW SECTION. 2.12B FISCAL BIENNIUM --
17 APPROPRIATIONS.

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

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

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

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

1 Sec. 503. Section 2.16, unnumbered paragraph 2, Code 1993,
2 is amended to read as follows:

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

22 Sec. 504. Section 8.21, unnumbered paragraph 1, Code 1993,
23 is amended to read as follows:

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. 505. Section 8.22, Code 1993, 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 fiscal biennium, indicating the classes of
15 funds, general or special, from which appropriations are to be
16 made 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. 506. Section 8.22A, subsection 3, Code 1993, is
35 amended to read as follows:

1 3. By December 15 of each fiscal year the conference shall
2 agree to a revenue estimate for the each fiscal year beginning
3 ~~the following July 1~~ of the two ensuing fiscal years. That
4 The estimate shall be used by the governor in the preparation
5 of the budget message under section 8.22 and by the general
6 assembly in the budget process. If the conference agrees to a
7 different estimate at a later meeting which projects a greater
8 amount of revenue than the initial estimate amount agreed to
9 by December 15, the governor and the general assembly shall
10 continue to use the initial estimate amount in the budget
11 process for that fiscal year. However, if the conference
12 agrees to a different estimate at a later meeting which
13 projects a lesser amount of revenue than the initial estimate
14 amount, the governor and the general assembly shall use the
15 lesser amount in the budget process for that fiscal year. As
16 used in this subsection, "later meeting" means only those
17 later meetings which are held prior to the conclusion of the
18 regular session of the general assembly.

19 Sec. 507. Section 8.23, Code 1993, is amended to read as
20 follows:

21 8.23 ANNUAL DEPARTMENTAL ESTIMATES.

22 1. On or before September 1, prior to each legislative
23 session, all departments and establishments of the government
24 shall transmit initial budget information to the director, ~~on~~
25 ~~blanks-to-be-furnished-by-the-director, estimates-of-their~~
26 ~~expenditure-requirements, including every proposed~~
27 ~~expenditure, for each of the ensuing fiscal year, classified~~
28 ~~so-as-to-distinguish-between-expenditures-estimated-for~~
29 ~~administration, operation, and maintenance, and the cost of~~
30 ~~each project involving the purchase of land or the making of a~~
31 ~~public improvement or capital outlay of a permanent character,~~
32 ~~together with supporting data and explanations as called for~~
33 ~~by the director~~ years of the biennium or for the second fiscal
34 year of the biennium. The legislative fiscal bureau shall
35 consult with the department of management in developing budget

1 forms and requirements. The requirements shall include but
2 are not limited to a program-based budget system, and budget
3 forms and reporting formats. The specifications developed by
4 the legislative fiscal bureau are subject to approval by the
5 legislative fiscal committee of the legislative council. The
6 budget estimates information shall include for those agencies
7 which pay for energy directly a line item for energy expenses
8 itemized by type of energy and location. ~~The estimates of~~
9 ~~expenditure requirements shall be based upon seventy-five~~
10 ~~percent of the funding provided for the current fiscal year~~
11 ~~accounted for by program reduced by the historical employee~~
12 ~~vacancy factor in form specified by the director and the~~
13 ~~remainder of the estimate of expenditure requirements~~
14 ~~prioritized by program.~~ The estimates budget information
15 shall be accompanied with by performance measures for
16 evaluating the effectiveness of the program. If a department
17 or establishment fails to submit estimates the budget
18 information within the time specified, the governor shall
19 cause estimates to be prepared for that department or
20 establishment as in the governor's opinion are reasonable and
21 proper. The director shall furnish standard budget request
22 forms to each department or agency of state government.

23 2. On or before November 15 all departments and
24 establishments of government and the judicial department shall
25 transmit to the department of management and the legislative
26 fiscal bureau the final estimates of their receipts and
27 expenditure requirements from federal or other nonstate
28 grants, receipts, and funds for the ensuing fiscal year. The
29 transmittal shall include the names of the grantor and the
30 grant or the source of the funds, the estimated amount of the
31 funds, and the planned expenditures and use of the funds. The
32 format of the transmittal shall be specified by the
33 legislative fiscal bureau.

34 Sec. 508. Section 8.24, Code 1993, is amended to read as
35 follows:

1 8.24 ANNUAL AND BIENNIAL ESTIMATE OF INCOME.

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

12 Sec. 509. Section 8.25, Code 1993, is amended to read as
13 follows:

14 8.25 TENTATIVE BUDGET.

15 Upon the receipt of the budget information and the
16 estimates of expenditure requirements called for by section
17 8.23 and the preparation of the estimates of income called for
18 by section 8.24 and not later than December 1, next
19 succeeding, the director of the department of management,
20 ~~hereinabove-provided-for~~, shall cause to be prepared a
21 tentative budget conforming as to scope, contents and
22 character to the requirements of section 8.22 and containing
23 the budget information and the estimates of expenditures and
24 revenue as called for by sections 8.23 and 8.24, which
25 tentative budget shall be transmitted to the governor.

26 Sec. 510. Section 8.27, Code 1993, is amended to read as
27 follows:

28 8.27 PREPARATION OF BUDGET.

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

1 delivered to the printer.

2 Sec. 511. Section 8.30, Code 1993, is amended to read as
3 follows:

4 8.30 AVAILABILITY OF APPROPRIATIONS.

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

15 Sec. 512. Section 8.35A, subsection 2, Code 1993, is
16 amended to read as follows:

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

35 Sec. 513. Section 8.37, Code 1993, is amended to read as

1 follows:

2 8.37 FISCAL TERM BIENNIUM.

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

6 Sec. 514. Section 8.41, subsection 2, Code 1993, is
7 amended to read as follows:

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

23 Sec. 515. Section 602.1301, subsections 1 and 2, Code
24 1993, are amended to read as follows:

25 1. The supreme court shall prepare an annual operating
26 budget for the department for each of the two years of the
27 fiscal biennium, and shall submit a budget request to the
28 general assembly ~~for-the-fiscal-period-for-which-the-general~~
29 ~~assembly-is-appropriating-funds~~ for each of the two years of
30 the fiscal biennium. If an appropriation is made only for the
31 first fiscal year, the supreme court shall submit a budget
32 request for the second fiscal year in accordance with the
33 provisions of subsection 2.

34 2. a. As early as possible, but not later than December
35 1, the supreme court shall submit to the legislative fiscal

1 bureau the ~~annual~~ budget request required pursuant to
2 subsection 1 and detailed supporting information for the
3 judicial department. The submission shall be designed to
4 assist the legislative fiscal bureau in its preparation for
5 legislative consideration of the budget request. The
6 information submitted shall contain and be arranged in a
7 format substantially similar to the format specified by the
8 director of management and used by all departments and
9 establishments in transmitting to the director estimates of
10 their expenditure requirements pursuant to section 8.23,
11 except the estimates of expenditure requirements shall be
12 based upon one hundred percent of funding for the current
13 fiscal year accounted for by program, and using the same line
14 item definitions of expenditures as used for the current
15 fiscal year's budget request, and the remainder of the
16 estimate of expenditure requirements prioritized by program.
17 The supreme court shall also make use of the department of
18 management's automated budget system when submitting
19 information to the director of management to assist the
20 director in the transmittal of information as required under
21 section 8.35A. The supreme court shall budget and track
22 expenditures by the following separate organization codes:

- 23 (1) Iowa court information system.
- 24 (2) Appellate courts.
- 25 (3) Central administration.
- 26 (4) District court administration.
- 27 (5) Judges and magistrates.
- 28 (6) Court reporters.
- 29 (7) Juvenile court officers.
- 30 (8) District court clerks.
- 31 (9) Jury and witness fees.

32 b. Before December 1, the supreme court shall submit to
33 the director of management an estimate of the total
34 expenditure requirements of the judicial department for the
35 fiscal biennium or for the second fiscal year of the biennium,

1 as required by subsection 1. The director of management shall
2 submit this estimate received from the supreme court to the
3 governor for inclusion without change in the governor's
4 proposed budget for the succeeding fiscal biennium or fiscal
5 year. The estimate shall also be submitted to the
6 chairpersons of the committees on appropriations.

7 Sec. 516. APPLICABILITY. Except for the reporting and
8 submission provisions which would be required prior to the
9 effective date of this Act, this division applies to the
10 fiscal period beginning July 1, 1995, and ending June 30,
11 1997, and succeeding fiscal bienniums. However, the program-
12 based budget system shall be implemented with the fiscal
13 period beginning July 1, 1995, except for the budgets of the
14 Iowa department of public health and the department of
15 economic development which shall begin the program-based
16 budget system with the fiscal year beginning July 1, 1994.
17 The program-based budget system shall include, but is not
18 limited to, stating the strategic plan required by section
19 8.61 in terms of desired outcomes, proposals for resource
20 allocation, and performance measures of past and future
21 outcomes.

22 DIVISION VI
23 EXPENDITURE LIMITATION

24 Sec. 601. Section 8.22A, Code 1993, is amended by adding
25 the following new subsection:

26 NEW SUBSECTION. 4. At the meeting in which the conference
27 agrees to the revenue estimate for the following fiscal year
28 in accordance with the provisions of subsection 3, the
29 conference shall agree to an estimate for tax refunds payable
30 from that estimated revenue. Within fourteen days of the
31 transmission of the governor's budget to the general assembly
32 pursuant to section 8.21, the conference shall meet and agree
33 to an estimate for any revenue provision included in the
34 governor's budget which would be a new revenue if the
35 provision was to be enacted. If a new revenue is enacted

1 which has not been previously estimated by the conference and
2 the general assembly remains in session, the conference shall
3 meet and agree to an estimate for the new revenue within
4 fourteen days of the date of enactment. The estimates
5 required by this subsection shall be used in determining the
6 adjusted revenue estimate under section 8.54.

7 Sec. 602. Section 8.54, subsection 1, unnumbered paragraph
8 1, and paragraph a, are amended to read as follows:

9 For the purposes of section 8.22A, this section, and
10 sections 8.55 through 8.57:

11 a. "Adjusted revenue estimate" means the appropriate
12 revenue estimate for the general fund for the following fiscal
13 year as determined by the revenue estimating conference under
14 section 8.22A, subsection 3, adjusted by subtracting estimated
15 tax refunds payable from that estimated revenue and as
16 determined by the conference, adding any new revenues which
17 may be considered to be eligible for deposit in the general
18 fund.

19 Sec. 603. Section 8.54, subsection 6, Code 1993, is
20 amended to read as follows:

21 6. The scope of the expenditure limitation under
22 subsection 3 shall not encompass federal funds, donations,
23 constitutionally dedicated moneys, and moneys in expenditures
24 from state retirement system moneys, and does not encompass an
25 appropriation to the Iowa economic emergency fund created in
26 section 8.55, an appropriation to the cash reserve fund
27 created in section 8.56, or an appropriation to eliminate the
28 GAAP deficit in accordance with section 8.57.

29 Sec. 604. Section 8.55, subsection 3, Code 1993, is
30 amended to read as follows:

31 3. The moneys in the Iowa economic emergency fund may be
32 appropriated by the general assembly only in the fiscal year
33 for which the appropriation is made. The moneys shall only be
34 appropriated by the general assembly for emergency
35 expenditures. However, except as provided in section 8.58,

1 the balance in the Iowa economic emergency fund may be used in
2 determining the cash position of the general fund of the state
3 for the payment of state obligations and for determining the
4 unreserved balance of the general fund of the state under
5 GAAP.

6 Sec. 605. Section 8.56, subsection 3, Code 1993, is
7 amended to read as follows:

8 3. The moneys in the cash reserve fund may be appropriated
9 by the general assembly in accordance with subsection 4 only
10 in the fiscal year for which the appropriation is made. The
11 moneys shall only be appropriated by the general assembly for
12 nonrecurring emergency expenditures and shall not be
13 appropriated for payment of any collective bargaining
14 agreement or arbitrator's decision negotiated or awarded under
15 chapter 20. However, except as provided in section 8.58, the
16 balance in the cash reserve fund may be used in determining
17 the cash position of the general fund of the state for payment
18 of state obligations and for determining the unreserved
19 balance of the general fund of the state under GAAP.

20 Sec. 606. Section 8.57, subsection 4, Code 1993, is
21 amended to read as follows:

22 4. As used in this section and sections 8.55 and 8.56,
23 "GAAP" means generally accepted accounting principles as
24 established by the governmental accounting standards board.

25 Sec. 607. EFFECTIVE DATE. This division, being deemed of
26 immediate importance, takes effect upon enactment.

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VARN, CH.
ROSENBERG
RENSINK

SSB 7
APPROPRIATIONS
New

SENATE FILE 88
BY (PROPOSED COMMITTEE ON
APPROPRIATIONS BILL BY
CHAIRPERSON MURPHY)

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

A BILL FOR

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

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DIVISION I

STRATEGIC PLANNING

Section 101. NEW SECTION. 8.61 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. 8.62 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
3 70A.1. Moneys expended pursuant to this section shall be
4 reported to the governor and the general assembly in the
5 budget information submitted during the succeeding fiscal
6 year.

7 DIVISION III

8 PERIODIC PROGRAM REVIEW

9 Sec. 301. Section 8.6, Code 1993, is amended by adding the
10 following new subsection:

11 NEW SUBSECTION. 9A. MANAGEMENT REVIEW. To prepare a
12 management review and accompanying recommendations as provided
13 in sections 8.63 through 8.73.

14 Sec. 302. NEW SECTION. 8.63 MANAGEMENT REVIEW OF
15 EXECUTIVE BRANCH PROGRAMS AND FUNCTIONS -- AUTHORIZATION AND
16 PURPOSE.

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

32 2. The purpose of the management review is to provide a
33 mechanism designed to increase the accountability and
34 efficiency of state government through increased managerial
35 oversight and scrutiny of programs, functions, and

1 performance. The director is granted broad authority to
2 recommend termination, reduction, or reorganization of
3 programs or functions.

4 3. The director shall have the powers and duties to
5 prepare and implement the management review as provided in
6 sections 8.64 through 8.69.

7 Sec. 303. NEW SECTION. 8.64 DEFINITIONS.

8 As used in section 8.63, this section, and sections 8.65
9 through 8.69, unless the context otherwise requires:

10 1. "Management review" means the review of a department's
11 program conducted under the director's authority as provided
12 by sections 8.65 through 8.69.

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

16 Sec. 304. NEW SECTION. 8.65 MANAGEMENT REVIEW RULES.

17 The director shall adopt rules pursuant to chapter 17A to
18 implement sections 8.63 and 8.64, this section, and sections
19 8.66 through 8.69. The rules shall include, but are not
20 limited to, the following:

21 1. A schedule assigning a management review date to each
22 department's programs as identified by the director, once
23 within a ten-year cycle. A department's programs may be
24 subdivided by the director, and the parts of a program may be
25 subject to review in different legislative bienniums, with
26 particular programs or functions exempted, to facilitate the
27 director's review.

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

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

34 Sec. 305. NEW SECTION. 8.66 DIRECTOR'S MANAGEMENT REVIEW
35 RESPONSIBILITIES AND DUTIES.

1 1. The director shall perform the following duties:

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

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

9 (1) The auditor of state.

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

11 (3) The legislative fiscal bureau or legislative service
12 bureau.

13 (4) The treasurer of state.

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

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

19 (1) Evaluation of each program reviewed.

20 (2) Recommendations regarding each program reviewed,
21 including any conditions for termination suggested by the
22 director.

23 2. A department administering a program subject to
24 management review shall provide all assistance and information
25 reasonably required by the director. Information provided to
26 the director shall also be submitted to the legislative fiscal
27 bureau. The director shall cooperate with the legislative
28 fiscal bureau to facilitate, to the greatest extent possible,
29 requests for information made by the legislative fiscal bureau
30 in connection with a management review.

31 Sec. 306. NEW SECTION. 8.67 CRITERIA FOR REVIEW.

32 The director shall not presume that a genuine public need
33 continues for a program, or that the program is serving the
34 identified public need. The administering department must
35 show, through the criteria for review, that there is a

1 continuing public need, and that the program is serving that
2 public need in an administratively or fiscally effective
3 manner. The criteria shall include but are not limited to all
4 of the following:

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

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

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

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

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

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

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

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

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

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

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

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

19 Sec. 307. NEW SECTION. 8.68 MANAGEMENT REVIEW REPORT.

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

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

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

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

31 d. An evaluation of the program under the review criteria
32 of section 8.67.

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

1 legislative package.

2 2. The final report shall contain the management review
3 schedule for the programs subject to review during the second
4 calendar year following the year in which the report is
5 submitted. The schedule shall be adopted by rule in
6 accordance with section 8.65.

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

8 a. Continuance of a program.

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

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

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

16 e. Budget limitations for a program.

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

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

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

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

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

30 Sec. 308. NEW SECTION. 8.69 PROPOSED TRANSITION PLAN.

31 If a program is recommended by the director for
32 termination, the administering department shall submit a
33 transition plan to the director and the general assembly for
34 review. If the department fails to submit an acceptable
35 transition plan, the director shall prepare the transition

1 plan. A transition plan must be approved by the director.

2 DIVISION IV

3 Sec. 401. NEW SECTION. 8.71 REVIEW OF TAX EXPENDITURES -
4 - AUTHORIZATION AND PURPOSE.

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

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

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

29 Sec. 402. NEW SECTION. 8.72 TAX EXPENDITURES DEFINED.

30 As used in sections 8.71, 8.73, and 8.74, "tax
31 expenditures" means tax credits, exemptions, and deductions
32 including but not limited to the following: the personal
33 income tax exemption credit allowed in section 422.12, the
34 federal tax deductions under sections 422.7 and 422.35, the
35 sales and services tax exemptions under section 422.45, the

1 real property homestead exemption under chapter 425, and the
2 military service tax credit under chapter 426A.

3 Sec. 403. NEW SECTION. 8.73 TAX EXPENDITURE REVIEW
4 SCHEDULE.

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

11 Sec. 404. NEW SECTION. 8.74 TAX EXPENDITURE REVIEW
12 REPORT.

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

15 a. A complete description of the tax expenditure,
16 including the goals and objectives of the expenditure as
17 stated in the Code of Iowa.

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

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

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

24 e. A determination of whether the tax expenditure is
25 meeting its stated goals and objectives. If a tax expenditure
26 does not have a written goal or objective, the report shall
27 include recommended intent language for the tax expenditure.
28 Any intent language shall be referred to the general assembly
29 as part of the governor's legislative package.

30 f. A recommendation concerning the expenditure. If the
31 report recommends repeal or modification of the expenditure,
32 the recommendation shall be submitted to the general assembly
33 as part of the governor's legislative package.

34 DIVISION V
35 BIENNIAL BUDGETS

1 Sec. 501. Section 2.12, unnumbered paragraph 4, Code 1993,
2 is amended to read as follows:

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

1 such other amounts as specified, pursuant to a concurrent
2 resolution to-be approved by both houses of the general
3 assembly. The director of revenue and finance shall issue
4 warrants for salaries, support, maintenance, and miscellaneous
5 purposes upon requisition by the administrative head of each
6 statutory legislative agency. If the legislative council
7 elects to change the approved budget for a legislative agency
8 ~~prior to July 1~~ for either or both fiscal years of a fiscal
9 biennium, the legislative council shall transmit the amount of
10 the budget revision to the department of management prior to
11 July 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. 502. NEW SECTION. 2.12B FISCAL BIENNIUM --
16 APPROPRIATIONS.

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 a 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. 503. Section 2.16, unnumbered paragraph 2, Code 1993,

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. 504. Section 8.21, unnumbered paragraph 1, Code 1993,
22 is amended to read as follows:

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

35 Sec. 505. Section 8.22, Code 1993, is amended to read as

1 follows:

2 8.22 NATURE AND CONTENTS OF BUDGET.

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

7 PART I

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

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

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

- 20 a. The purpose and need for each capital project.
- 21 b. A priority listing of capital projects.
- 22 c. The costs of acquisition, lease, construction,
23 renovation, or demolition of each capital project.
- 24 d. The identification of the means and source of funding
25 each capital project.
- 26 e. The estimated operating costs of each capital project
27 after completion.
- 28 f. The estimated maintenance costs of each capital project
29 after completion.
- 30 g. The consequences of delaying or abandoning each capital
31 project.
- 32 h. Alternative approaches to meeting the purpose or need
33 for each capital project.
- 34 i. Alternative financing mechanisms.
- 35 j. A cost-benefit analysis or economic impact of each

1 capital project.

2 2. Financial statements giving in summary form:

3 a. The condition of the treasury at the end of the last
4 completed fiscal year, the estimated condition of the treasury
5 at the end of the year in progress, and the estimated
6 condition of the treasury at the end of each of the following
7 fiscal-year ensuing fiscal years of the fiscal biennium if the
8 governor's budget proposals are put into effect.

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

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

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

25 e. A statement of federal funds received in the form of
26 block or categorical grants which were not included in the
27 governor's budget for the previous fiscal year and a statement
28 of anticipated block grants and categorical grants for each of
29 the ensuing fiscal years of the fiscal biennium. The budget
30 shall indicate how the federal funds will be used and the
31 programs to which they will be allocated. The amount of state
32 funds required to implement the programs to which the federal
33 funds will apply shall also be indicated. The departments
34 shall provide information to the director on the anticipated
35 federal block grants and categorical grants to be received on

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

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

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

30 PART II

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

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

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

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

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

17 PART III

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

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

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

33 Sec. 506. Section 8.22A, subsection 3, Code 1993, is
34 amended to read as follows:

35 3. By December 15 of each fiscal year the conference shall

1 agree to a revenue estimate for the each fiscal year beginning
2 ~~the following July 1~~ of the two ensuing fiscal years. That
3 The estimate shall be used by the governor in the preparation
4 of the budget message under section 8.22 and by the general
5 assembly in the budget process. If the conference agrees to a
6 different estimate at a later meeting which projects a greater
7 amount of revenue than the initial estimate amount agreed to
8 by December 15, the governor and the general assembly shall
9 continue to use the initial estimate amount in the budget
10 process for that fiscal year. However, if the conference
11 agrees to a different estimate at a later meeting which
12 projects a lesser amount of revenue than the initial estimate
13 amount, the governor and the general assembly shall use the
14 lesser amount in the budget process for that fiscal year. As
15 used in this subsection, "later meeting" means only those
16 later meetings which are held prior to the conclusion of the
17 regular session of the general assembly.

18 Sec. 507. Section 8.23, Code 1993, is amended to read as
19 follows:

20 8.23 ANNUAL DEPARTMENTAL ESTIMATES.

21 1. On or before September 1, prior to each legislative
22 session, all departments and establishments of the government
23 shall transmit initial budget information to the director, ~~on~~
24 ~~blanks-to-be-furnished-by-the-director, estimates-of-their~~
25 ~~expenditure-requirements, including every proposed~~
26 ~~expenditure, for each of the ensuing fiscal year, classified~~
27 ~~so-as-to-distinguish-between-expenditures-estimated-for~~
28 ~~administration, operation, and maintenance, and the cost of~~
29 ~~each project involving the purchase of land or the making of a~~
30 ~~public improvement or capital outlay of a permanent character,~~
31 ~~together with supporting data and explanations as called for~~
32 ~~by the director~~ years of the biennium or for the second fiscal
33 year of the biennium. Requirements of the initial budget
34 information shall be specified by the legislative fiscal
35 bureau. The legislative fiscal bureau shall consult with the

1 department of management in developing budget forms. The
2 requirements shall include but are not limited to a program-
3 based budget system, and budget forms and reporting formats.
4 The specifications developed by the legislative fiscal bureau
5 are subject to approval by the legislative fiscal committee of
6 the legislative council. The budget estimates information
7 shall include for those agencies which pay for energy directly
8 a line item for energy expenses itemized by type of energy and
9 location. ~~The estimates of expenditure requirements shall be~~
10 ~~based upon seventy-five percent of the funding provided for~~
11 ~~the current fiscal year accounted for by program reduced by~~
12 ~~the historical employee vacancy factor in form specified by~~
13 ~~the director and the remainder of the estimate of expenditure~~
14 ~~requirements prioritized by program.~~ The estimates budget
15 information shall be accompanied with by performance measures
16 for evaluating the effectiveness of the program. If a
17 department or establishment fails to submit estimates the
18 budget information within the time specified, the governor
19 shall cause estimates to be prepared for that department or
20 establishment as in the governor's opinion are reasonable and
21 proper. The director shall furnish standard budget request
22 forms to each department or agency of state government.

23 On or before November 15 all departments and establishments
24 of government and the judicial department shall transmit to
25 the department of management and the legislative fiscal bureau
26 the final estimates of their receipts and expenditure
27 requirements from federal or other nonstate grants, receipts,
28 and funds for the ensuing fiscal year. The transmittal shall
29 include the names of the grantor and the grant or the source
30 of the funds, the estimated amount of the funds, and the
31 planned expenditures and use of the funds. The format of the
32 transmittal shall be specified by the legislative fiscal
33 bureau.

34 Sec. 508. Section 8.24, Code 1993, is amended to read as
35 follows:

1 8.24 ANNUAL AND BIENNIAL ESTIMATE OF INCOME.

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

12 Sec. 509. Section 8.25, Code 1993, is amended to read as
13 follows:

14 8.25 TENTATIVE BUDGET.

15 Upon the receipt of the budget information and the
16 estimates of expenditure requirements called for by section
17 8.23 and the preparation of the estimates of income called for
18 by section 8.24 and not later than December 1, next
19 succeeding, the director of the department of management,
20 ~~hereinabove-provided-for~~, shall cause to be prepared a
21 tentative budget conforming as to scope, contents and
22 character to the requirements of section 8.22 and containing
23 the budget information and the estimates of expenditures and
24 revenue as called for by sections 8.23 and 8.24, which
25 tentative budget shall be transmitted to the governor.

26 Sec. 510. Section 8.27, Code 1993, is amended to read as
27 follows:

28 8.27 PREPARATION OF BUDGET.

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

1 delivered to the printer.

2 Sec. 511. Section 8.30, Code 1993, is amended to read as
3 follows:

4 8.30 AVAILABILITY OF APPROPRIATIONS.

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

15 Sec. 512. Section 8.35A, subsection 2, Code 1993, is
16 amended to read as follows:

17 2. Commencing September 1, the director shall provide
18 weekly budget tapes in the form and level of detail requested
19 by the legislative fiscal bureau reflecting finalized agency
20 budget requests for the following fiscal year as submitted to
21 the governor. The director shall transmit all agency requests
22 in final form to the legislative fiscal bureau by November 15.

23 ~~Final~~ Except as otherwise provided for a newly elected
24 governor pursuant to section 8.27, final budget records
25 containing the governor's recommendation and proposed
26 legislative package and final agency requests shall be
27 transmitted to the legislative fiscal bureau by January 1 or
28 ~~no-later-than-the-date-the-governor's-budget-document-is~~
29 ~~delivered-to-the-printer.~~ The governor's recommendation and
30 proposed legislative package included on this record shall be
31 considered confidential by the legislative fiscal bureau until
32 it is made public by the governor. The legislative fiscal
33 bureau shall use this data in the preparation of information
34 for the legislative appropriation process.

35 Sec. 513. Section 8.37, Code 1993, is amended to read as

1 follows:

2 8.37 FISCAL TERM BIENNIUM.

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

6 Sec. 514. Section 8.41, subsection 2, Code 1993, is
7 amended to read as follows:

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

23 Sec. 515. Section 602.1301, subsections 1 and 2, Code
24 1993, are amended to read as follows:

25 1. The supreme court shall prepare an annual operating
26 budget for the department for each of the two years of the
27 fiscal biennium, and shall submit a budget request to the
28 general assembly ~~for-the-fiscal-period-for-which-the-general~~
29 ~~assembly-is-appropriating-funds~~ for each of the two years of
30 the fiscal biennium. If an appropriation is made only for the
31 first fiscal year, the supreme court shall submit a budget
32 request for the second fiscal year in accordance with the
33 provisions of subsection 2.

34 2. a. As early as possible, but not later than December 1,
35 the supreme court shall submit to the legislative fiscal

1 bureau the ~~annual~~ budget request required pursuant to
2 subsection 1 and detailed supporting information for the
3 judicial department. The submission shall be designed to
4 assist the legislative fiscal bureau in its preparation for
5 legislative consideration of the budget request. The
6 information submitted shall contain and be arranged in a
7 format substantially similar to the format specified by the
8 director of management and used by all departments and
9 establishments in transmitting to the director estimates of
10 their expenditure requirements pursuant to section 8.23,
11 except the estimates of expenditure requirements shall be
12 based upon one hundred percent of funding for the current
13 fiscal year accounted for by program, and using the same line
14 item definitions of expenditures as used for the current
15 fiscal year's budget request, and the remainder of the
16 estimate of expenditure requirements prioritized by program.
17 The supreme court shall also make use of the department of
18 management's automated budget system when submitting
19 information to the director of management to assist the
20 director in the transmittal of information as required under
21 section 8.35A. The supreme court shall budget and track
22 expenditures by the following separate organization codes:
23 (1) Iowa court information system.
24 (2) Appellate courts.
25 (3) Central administration.
26 (4) District court administration.
27 (5) Judges and magistrates.
28 (6) Court reporters.
29 (7) Juvenile court officers.
30 (8) District court clerks.
31 (9) Jury and witness fees.
32 b. Before December 1, the supreme court shall submit to
33 the director of management an estimate of the total
34 expenditure requirements of the judicial department for the
35 fiscal biennium or for the second fiscal year of the biennium,

1 as required by subsection 1. The director of management shall
2 submit this estimate received from the supreme court to the
3 governor for inclusion without change in the governor's
4 proposed budget for the succeeding fiscal biennium or fiscal
5 year. The estimate shall also be submitted to the
6 chairpersons of the committees on appropriations.

7 Sec. 516. APPLICABILITY. Except for the reporting and
8 submission provisions which would be required prior to the
9 effective date of this Act, this division applies to the
10 fiscal period beginning July 1, 1995, and ending June 30,
11 1997, and succeeding fiscal bienniums. However, the program-
12 based budget system shall be implemented with the fiscal
13 period beginning July 1, 1995, except for the budgets of the
14 Iowa department of public health and the department of
15 economic development which shall begin the program-based
16 budget system with the fiscal year beginning July 1, 1994.
17 The program-based budget system shall include, but is not
18 limited to, stating the strategic plan required by section
19 8.61 in terms of desired outcomes, proposals for resource
20 allocation, and performance measures of past and future
21 outcomes.

22 EXPLANATION

23 This bill relates to state budgeting processes involving
24 strategic planning, employee training and education
25 incentives, periodic program and tax expenditure review, and
26 biennial budgeting.

27 The governor, supreme court, and the general assembly would
28 be required to develop a five-year strategic plan for their
29 respective branch of government. In addition, the governor
30 and the general assembly would be required to develop five-
31 year strategic plans for the state. The planning for the
32 executive branch is to be performed by the individual agencies
33 and submitted annually to the governor and the general
34 assembly with their budgeting materials. The governor is to
35 annually compile the plans and identify the top five

1 priorities for the ensuing fiscal year. The planning is to
2 include timelines, cost estimates, identification of resources
3 and cooperative efforts needed, performance indicators, and a
4 progress report. The general assembly's plan is to be
5 considered in a concurrent resolution and would be subject to
6 approval by a constitutional majority of both chambers. The
7 initial planning is to apply to fiscal year 1994-1995.

8 State policy encouraging state employees to possess an
9 active interest in efficient use of public resources is
10 stated. A state agency would be permitted to retain up to 5
11 percent of its state funding which is unused during a fiscal
12 year for use in succeeding fiscal years for payment of
13 employee training or education expenses. Reporting
14 requirements are specified.

15 The department of management is directed to biennially
16 perform a periodic management review of the programs and
17 functions of the executive branch of state government over a
18 10-year period. The responsibilities and duties of the
19 director of the department of management are specified and
20 criteria for review are provided. The director's report
21 concerning the review is to contain various specific elements
22 and is to be submitted to the governor and the general
23 assembly. The report recommendations concerning a program
24 would include continuation, termination, consolidation with
25 other programs, revisions of the program, budget limitation,
26 fee changes, or other managerial changes. If a program is
27 recommended for termination, under the bill, a transition plan
28 must be provided. As the report must be submitted in the
29 second year of a legislative biennium, the first report must
30 be submitted for the 1994 legislative session.

31 Under the bill, a similar periodic review is required to be
32 performed by the director of the department of management and
33 the director of revenue and finance concerning tax
34 expenditures authorized in statute. The term "tax
35 expenditure" is defined to include various specific tax

1 credits, exemptions, and deductions. All tax expenditures are
2 to be reviewed over a four-year period. The tax expenditure
3 review report is to include various specific elements. If the
4 report recommendations would necessitate legislative action,
5 the action is to be proposed as part of the governor's
6 legislative package.

7 A biennial budget process encompassing both years of the
8 legislative biennium is established by the bill. The fiscal
9 biennium would begin on July 1 of each odd-numbered year. The
10 governor is to propose a budget for both years of the biennium
11 and if the general assembly only approves the first year's
12 budget, then for the second year the governor would be
13 required to submit adjustments to the originally proposed
14 budget for that year. In addition, other supplemental
15 reporting is required of the governor in the second year of
16 the biennium. The biennial budgeting requirements would apply
17 to all three branches of government and would begin with the
18 fiscal period beginning July 1, 1995, and ending June 30,
19 1997.

20 Current law providing for a modified zero-based budget
21 process would be repealed. Under the current modified zero-
22 base budget, departmental expenditure estimates are based upon
23 75 percent of the funding provided for the fiscal year
24 previous to that being budgeted. A new program-based
25 budgeting system is to be specified by the legislative fiscal
26 bureau, subject to the approval of the legislative fiscal
27 committee of the legislative council. The program-based
28 system is to include the strategic plan in terms of desired
29 outcomes, proposals for resource allocation, and performance
30 measures of past and future outcomes. With two exceptions,
31 the program-based budgeting system is to be implemented with
32 the fiscal period beginning July 1, 1995. The departments of
33 public health and economic development are to implement the
34 program-based system with the fiscal year beginning July 1,
35 1994.