LEG. FINANCE - BILLS 1977 - 1978 1002

SB 629 thru SCR 1

100 d

RECORDS CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

2/26/90
Date

02-519 (REV 8/78)

COMMITTEE REPORT

SENATE

FURTHER: NONE

XXXXXXXX

5/19/78

Date: _____

Mr. President:

The Committee on FINANCE has had SB 629 general obligation bonds in amount of $4,200,000 for cost of highway, ferry, airport, local service roads and trails construction

under consideration and (a majority of the committee) (the committee reports it back as follows)

( ) recommends it do pass ( ) recommends it do not pass

( ) recommends it do pass with attached amendment(s)

( ) recommends it be replaced with CS for _____

and _____ ( ) new title ( ) same title

( ) AND attaches a Letter of Intent ( ) New Fiscal Note

( ) reports it back without recommendation

( ) and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

_____

Chairman

S 60 (rev. 6/77)

sb 629

Introduced: 5/19/78
Referred: Finance

IN THE SENATE BY THE STATE AFFAIRS COMMITTEE

SENATE BILL NO. 629

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act providing for the issuance of general obligation bonds in the amount of $64,200,000 for the purpose of paying the cost of highway, ferry, airport, local service roads and trails construction, constructing and equipping maintenance facilities, and planning various transportation projects; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. For the purpose of paying the cost of highway, ferry, airport, local service roads and trails construction, constructing and equipping maintenance facilities, and planning various transportation projects, general obligation bonds of the state in the principal amount of not more than $64,200,000 shall be issued and sold. The full faith, credit and resources of the state are pledged to the payment of the principal of and interest and redemption premium, if any, on these bonds. These bonds shall be issued under the provisions of AS 37.15 as those provisions read at the time of issuance.

* Sec. 2. If the issuance of these bonds is authorized by the qualified voters of the state, a special fund of the state to be known as the "1978 Transportation Facilities Planning and Construction Fund" shall be established, to which shall be credited the proceeds of the sale of the bonds described in sec. 1 of this Act except for the accrued interest and premiums. The amount of $64,200,000 is appropriated from the "1978 Transportation Facilities Planning and Construction Fund" to the Department of Transporta-

tion and Public Facilities. The proceeds of these bonds shall be allocated as follows:

	Project	Amount
(1)	Highway construction	$32,012,900
(2)	Marine vessels and facilities	4,100,000
(3)	Aviation facilities	5,321,600
(4)	Planning	5,453,100
(5)	Local service roads and trails	12,000,000
(6)	Maintenance facilities and equipment	4,312,400

* Sec. 3. If the issuance of these bonds is authorized by the qualified voters of the state, the amount of $225,000 or as much of that amount as is found necessary is appropriated from the general fund of the state to the state bond committee to carry out the provisions of this Act and to pay expenses incident to the sale and issuance of the bonds authorized in this Act. The amounts expended from the appropriation authorized by this section shall be reimbursed to the general fund from the proceeds of the sale of the bonds authorized by this Act.

* Sec. 4. The amount withdrawn from the public facility planning fund for the purpose of advance planning for the improvements financed under this Act shall be reimbursed to the fund from the proceeds of the sale of bonds authorized by this Act.

* Sec. 5. The question whether the bonds authorized in this Act are to be issued shall be submitted to the qualified voters of the state at the next general election and shall read substantially as follows:

Proposition

State General Obligation Transportation Facilities
Planning and Construction Bonds $64,200,000

Shall the State of Alaska issue its general obligation bonds in

the principal amount of not more th n $64,200,000 for the purpose of paying the cost of highway, ferry, airport, local service roads and trails construction, constructing and equipping maintenance facilities, and planning various transportation projects?

Bonds	Yes	[ ]
Bonds	No	[ ]

* Sec. 6. This Act takes effect immediately in accordance with AS 01.-10.070(c).

SB 629

ALASKA STATE LEGISLATURE

TENTH Legislature SECOND Session

SENATE BILL NO. 629

By THE STATE AFFAIRS COMMITTEE

"An Act providing for the issuance of general obligation bonds in the amount of $64,200,000 for the purpose of paying the cost of highway, ferry, airport, local service roads and trails construction, constructing and equipping maintenance facilities, and planning various transportation projects; and providing for an effective date."

g.o.b.

Introduced in the Senate 5/19/ 78, 19....

HISTORY IN THE SENATE

19 78 Read first time and referred to Committee on

5 19 Finance

Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
Signed by President
Sent to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19 Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
Signed by Speaker
Returned to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19 Received from House

Reported correctly enrolled

Sent to Governor

..... By Governor

Filed with Lt. Governor

Chapter No. .....

31-001

D. SB 629 + 624

Revised 3/7/78

Transportation Capital Budget Revisions

Budget Component	Total	GF	FUNDING GO	FED	IARF
Transportation Planning					
Current Program	7,417.4		3,708.8	3,708.6	
Add:					
FY 79/80 Allocation	7,417.4		3,499.4	3,968.0	
Metropolitan Planning	292.0		0.0	292.0	
Delete:					
Individual FY 79 Allocation	(3,708.4)		(1,854.3)	(1,854.1)	
FY 80 Allocation	(3,709.0)		(1,854.5)	(1,854.5)	
Program Total	7,709.4	----	3,449.4	4,260.0	----
Highway Research					
No Change					
Program Total	1,200.0	----	600.0	600.0	----
Project Planning					
No change					
Program Total	863.7	----	103.7	760.0	----
Region I Programs (Central)					
Current Program	104,285.5	611.0	13,647.0	90,027.5	

	Total	GF	GO	FED	IRRF
Add:					
Unalaska Bridge	2,500.0		300.0	2,200.0	
Delete:					
Anchorage Area SealCoats	(515.0)		(61.8)	(453.2)	
New Seward Interchange Lighting	(992.0)		(119.0)	(873.0)	
Wasilla - Land Acquisition	(100.0)		(100.0)	(0.0)	
Revise:					
Perryville (700.0 -- 540.0 160.0)	100.0		100.0	0.0	
Regional Highway Contingency (4,000.0 -- 966.8 3,124.0)	(119.2)		(119.2)	(0.0)	
Program Total	105,159.3	611.0	13,647.0	90,901.3	----

Region II Programs (Interior)

Current Program	59,294.2	825.0	8,577.2	49,892.0	
Add:					
Parks Hwy Ester to Ester Siding	3,200.0	----	384.0	2,816.0	
Delete:					
Fbx-Airport Rd/Peger Road Intersection Improvements	(150.0)	----	(18.0)	(132.0)	
Revise:					
Richardson Hwy - Badger Road Interchange (315.0 -- 37.8 272.2)	(5,280.0)	----	(633.6)	(4,646.4)	
Steese Hwy Reconstruct (10,060.0 -- 1,207.2 8,852.8)	2,000.0	----	247.2	1,812.8	
Chena Hot Springs Pave 22/35	(315.0)	----	(37.8)	(277.2)	

	Total	GF	GO	FED	LANF
Alaska Hwy Mile 1256/70 Reconstruction (330.0 -- 63.6 466.4)	0.5	----	0.1	0.4	
Program Total	58,800.7	825.0	8,519.1	47,465.6	----
Region III Programs (Southeast)					
Current Program	36,259.6	290.0	8,407.2	27,562.4	
Delete:					
Kake Shop	(305.2)	----	(305.2)	----	
Haines - Seaplane Float	(150.0)	----	(15.0)	(135.0)	
Revise:					
Haines Hwy - Mile 4/26 (7,182.0 -- 861.8 6,320.2)	3,762.0	----	451.4	3,310.6	
Haines - Lutak Road Preconstruction (192.0 -- 23.0 169.0)	(3,726.8)	----	(447.3)	(3,279.5)	
Program Total	35,839.6	290.0	8,091.1	27,438.5	----
Region IV Programs (Western)					
Current Program	18,970.0	----	2,494.8	16,475.2	
Add:					
Nome - Council 42/53 Preconstruction	230.0	----	27.6	202.4	
Delete:					
Nome - Council 32/42	(1,400.00)	----	(168.0)	(1,232.0)	
Pt Hope - Airport Access	(880.0)	----	(105.6)	(774.4)	

	Total	GF	GO	FED	IAGF
Revise:					
Nome City Streets (2,980.0 -- 390.6 2,710.4)	(220.0)	----	(26.4)	(193.6)	
Nome Teller 3/50 Widen and Resurface (1,628.0 -- 196.4 1,432.6)	(242.0	----	(29.0)	(213.0)	
Nome Council 4/13 (1,882.0 -- 225.8 1,656.2)	1,772.0	----	212.6	1,559.4	
Nome Council 62/69 (2,510.0 -- 301.2 2,208.8)	2,250.0	----	270.0	1,980.0	
Nome Council 53/62 Reconstruction (178.0 -- 21.6 156.4)	80.0	----	9.6	70.4	
Regional Contingency (1,000 -- 120.0 880.0)	(1,430.0)	----	(171.6)	(1,258.4)	
Program Total	19,130.0	----	2,514.0	16,616.0	----
Region V Programs (Southcentral)					
Add:					
Hazelet Avenue	10.0		1.2	8.8	
Revise:					
Regional Contingency (1,795.0 -- 2[illegible] 1,579.2)	(10.0)		(1.2)	(8.8)	
Program Total	32,715.0	----	3,070.2	28,844.8	----

	Total	GF	SD	FED	IASF
International Airport Projects					
Current Program	8,000.00	----	----	6,510.0	1,[illegible]
Delete:					
Fbxs NE Land Acquisition	(2,600.0)	----	----	(2,340.0)	(260.0)
Program Total	5,400.0	----	----	4,170.0	1,310.[illegible]
Statewide Aviation Programs					
Add:					
Statewide Trunk and Secondary Airports	2,600.0		260.0	2,340.0	
Program Total	5,900.0	----	1,535.0	4,365.0	----
Statewide Highway Programs					
Current Program	47,810.8		14,889.7	32,921.1	
	9,386.6	----	1,126.4	8,260.2	----
	57,197.4		16,016.1	41,181.3	
Add:					
Abandoned Motor Vehicles	1,000.0	----	120.0	880.0	
Safety Improvement Program	9,386.6	----	1,126.4	8,260.2	
Delete:					
Specific Hwy Safety Project Allocations	(9,386.6)	----	(1,126.4)	(8,260.2)	
Revise:					
Gustineau Channel (11,958.5 -- 1,195.9 10,762.7) Bridge Replacement	(1,[illegible]4.0)	----	(184.4)	(1,65[illegible].6)	

	Total	GF	GO	FED	MRF
Million Dollar Bridge	17,510.0	----	----	17,510.0	
(10,000.0 -- 56.8 17,941.2)					
Program Total	73,863.4	----	15,951.7	57,911.7	----
Statewide Programs - Marine					
No Change					
Program Total	8,450.0	750.0	1,100.0	6,600.0	----
Agency Total	353,810.1	2,476.0	59,381.2	291,952.9	1,310.0

RECORDS CERTIFICATION

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Signature of Camera Operator

2/26/90
Date

02-519 (REV 8/78)

Introduced: 5/23/78
Referred: Commerce and Finance

BY THE RULES COMMITTEE BY REQUEST (for the Special Committee on Employment Resources and Opportunities)

IN THE SENATE

SENATE BILL NO. 630

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act creating the technical services contract fund; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 45 is amended by adding a new chapter to read:

CHAPTER 96. TECHNICAL SERVICES CONTRACT FUND.

Sec. 45.96.010. TECHNICAL SERVICES CONTRACT FUND. There is created within the department the technical services contract fund. The fund may be used only for the award of contracts to technical services organizations as provided in this chapter.

Sec. 45.96.020. TECHNICAL SERVICES CONTRACT AWARDS. (a) Technical services contracts may be awarded to qualified technical service organizations that provide technical services to small businesses without charge.

(b) In awarding technical services contracts the committee shall consider

(1) the likelihood that small business development will be enhanced and employment opportunities expanded in areas of the state with high rates of unemployment;

(2) the past performance of the technical services organization seeking the award in providing technical services to small businesses;

(3) the relative cost of delivering technical services to the small businesses proposed to be served;

(4) the capability of the technical services organization to

successfully provide technical services under the contract.

(c) The commissioner of commerce and economic development may award a provisional technical services contract, subject to ratification by the committee, if

(1) a quorum of the technical services review committee cannot be convened within 30 days after the submittal to the committee of a technical services contract for its approval; and

(2) after making findings of fact, he determines that award of the contract would be in the best interests of the state.

(d) Five per cent of the amount of each technical services contract award shall be used to perform an independent evaluation of the technical services organization's performance under the contract and the impact of the technical services upon the small business served. The technical services organization shall select a person to perform the evaluation from a list of at least 10 qualified persons published by the department. The evaluation shall consider, but need not be limited to, (1) the number of jobs created as a result of the technical services; (2) any resulting expansion of small business opportunities; (3) any related success in acquiring financing experienced by recipients of the technical services; and (4) government policies beneficial and adverse to the operation of the small business. Before March 1 of each year the department shall submit to the legislature a report of the results of the evaluations performed during the previous year.

Sec. 45.96.030. TECHNICAL SERVICES REVIEW COMMITTEE. (a) The technical services review committee is composed of the commissioner of commerce and economic development, the commissioner of revenue, and the commissioner of administration, or their respective designees. The commissioner of commerce and economic development, or his designee, shall act as chairman of the committee and the commissioner of revenue,

or his designee, shall act as vice-chairman of the committee.

(b) The committee shall establish by regulation qualifications for technical services organizations and award technical services contracts.

(c) The Department of Labor shall provide the committee with employment statistics and other information as requested by the committee.

(d) A majority of the members of the committee constitutes a quorum for the transaction of business or the exercise of a function at a meeting of the committee.

Sec. 45.96.900. DEFINITIONS. In this chapter, unless the context requires otherwise,

(1) "committee" means the technical services review committee;

(2) "department" means the Department of Commerce and Economic Development;

(3) "small business" means a business entity incorporated or otherwise organized under state law and that has (A) annual gross sales under $5,000,000 or (B) fewer than 20 employees;

(4) "technical services" includes assistance in (A) business management; (B) financial planning; (C) governmental reporting and interaction; (D) determination of market potential; (E) project feasibility; and (F) routine legal affairs;

(5) "technical services organization" means a business entity incorporated or otherwise organized under state law that provides technical services to small businesses.

* Sec. 2. This Act takes effect July 1, 1978.

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
Bill/Resolution No. SB 630 & 631
Title Technical Services Contract Fund
Requested by Senate Rules Committee Date 5/23/78

SB 630 + 631

II. FISCAL DETAIL
Agency Affected Commerce & Economic Development
Program Category Affected Development
Budget Request Unit(s) Affected Economic Enterprise

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES			36.2	38.4	40.7	43.1
200 TRAVEL			1.2	1.3	1.4	1.5
300 CONTRACTUAL			3.8	4.0	4.2	4.4
400 COMMODITIES			.2	.2	.2	.2
500 EQUIPMENT			.4	.4	.4	.4
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.			4,000.0	-0-	-0-	-0-
TOTAL			4,041.7	44.3	46.9	49.6

FUNDING (Thousands of Dollars)

GENERAL FUND			4,041.7	44.3	46.9	49.6
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME			1	1	1	1
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)
Capitalizations - funding of technical service contractors through SB 631

1. Personnel: One position. Development Specialist III, Small Business & Commercial Enterprise cl. code 2288E. Salary range 20 - 12 months @ $2,411 per month plus benefits @ 25% or $603 per month. Total $36,168
2. Travel: 3 trips - Juneau-Anchorage @ $300 = $900
   1 trip - Juneau-Fairbanks @ $350 = $350 Total $ 1,250
3. Contractual: Rent, communications, postage, printing - $1,800
   Professional fees & services..... - $2,000 Total $ 3,800
4. Commodities: Office supplies..... - $ 150
5. Equipment: Proportionate share of desk, chair, file cabinet, calculator..... - $ 350
   FY-79 Total $41,718

Assume 6% inflation FY 80-82

IV. DATE May 25, 1978 PREPARED BY James R. Deagen
AGENCY Economic Enterprise
PHONE 465-2021

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

33-001 (Rev. 10/76)

COMMITTEE REPORT

SENATE

FURTHER: _____

6/9/78

_____

Date: _____

Mr. President:

The Committee on FINANCE has had SB 630 technical services contract fund

under consideration and (a majority of the committee) (the committee reports it back as follows)

( ) recommends it do pass ( ) recommends it do not pass

( ) recommends it do pass with attached amendment(s)

( ) recommends it be replaced with CS for _____

and _____ ( ) new title ( ) same title

( ) AND attaches a Letter of Intent ( ) New Fiscal Note

( ) reports it back without recommendation

( ) and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

_____

_____

_____

_____

_____

_____

_____

_____

_____

OTHER RECOMMENDATIONS:

_____

_____

_____

_____

_____

_____

_____

_____

Chairman

S 60 (rev. 6/77)

COMMITTEE REPORT

SENATE

FURTHER: Finance

5/23/78

Date: June 8, 1978

Mr. President:

The Committee on COMMERCE has had SB 630 technical services contract fund

under consideration and (a majority of the committee) (the committee reports it back as follows)

( ) recommends it do pass ( ) recommends it do not pass

(✓) recommends it do pass with attached amendment(s)

( ) recommends it be replaced with CS for _____

and _____ ( ) new title ( ) same title

( ) AND attaches a Letter of Intent ( ) New Fiscal Note

(✓) reports it back with individual recommendations

( ) and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

Bill Lemon

Allen Hadney

OTHER RECOMMENDATIONS:

Gray E. Bradley
Chairman
Do Pass

S 60 (rev. 6/77)

AMENDMENT #1

OFFERED IN THE SENATE: BY: Senate Commerce

TO: _____ SENATE BILL No. 630

HOUSE BILL No. _____

PAGE: 2 LINE: 21,22,23

Delete the entire sentence after the word "business."

SB 630

Introduced: 5/23/78
Referred: Commerce and Finance

BY THE RULES COMMITTEE BY REQUEST
(for the Special Committee on Employment Resources and Opportunities)

IN THE SENATE

SENATE BILL NO. 630

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act creating the technical services contract fund; and providing for an effective date."

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* Section 1. AS 45 is amended by adding a new chapter to read:

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Sec. 45.96.010. TECHNICAL SERVICES CONTRACT FUND. There is created within the department the technical services contract fund. The fund may be used only for the award of contracts to technical services organizations as provided in this chapter.

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(b) In awarding technical services contracts the committee shall consider

(1) the likelihood that small business development will be enhanced and employment opportunities expanded in areas of the state with high rates of unemployment;

(2) the past performance of the technical services organization seeking the award in providing technical services to small businesses;

(3) the relative cost of delivering technical services to the small businesses proposed to be served;

(4) the capability of the technical services organization to

successfully provide technical services under the contract.

(c) The commissioner of commerce and economic development may award a provisional technical services contract, subject to ratification by the committee, if

(1) a quorum of the technical services review committee cannot be convened within 30 days after the submittal to the committee of a technical services contract for its approval; and

(2) after making findings of fact, he determines that award of the contract would be in the best interests of the state.

(d) Five per cent of the amount of each technical services contract award shall be used to perform an independent evaluation of the technical services organization's performance under the contract and the impact of the technical services upon the small business served. The technical services organization shall select a person to perform the evaluation from a list of at least 10 qualified persons published by the department. The evaluation shall consider, but need not be limited to, (1) the number of jobs created as a result of the technical services; (2) any resulting expansion of small business opportunities; (3) any related success in acquiring financing experienced by recipients of the technical services; and (4) government policies beneficial and adverse to the operation of the small business. Before March 1 of each year the department shall submit to the legislature a report of the results of the evaluations performed during the previous year.

Sec. 45.96.030. TECHNICAL SERVICES REVIEW COMMITTEE. (a) The technical services review committee is composed of the commissioner of commerce and economic development, the commissioner of revenue, and the commissioner of administration, or their respective designees. The commissioner of commerce and economic development, or his designee, shall act as chairman of the committee and the commissioner of revenue,

or his designee, shall act as vice-chairman of the committee.

(b) The committee shall establish by regulation qualifications for technical services organizations and award technical services contracts.

(c) The Department of Labor shall provide the committee with employment statistics and other information as requested by the committee.

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(4) "technical services" includes assistance in (A) business management; (B) financial planning; (C) governmental reporting and interaction; (D) determination of market potential; (E) project feasibility; and (F) routine legal affairs;

(5) "technical services organization" means a business entity incorporated or otherwise organized under state law that provides technical services to small businesses.

* Sec. 2. This Act takes effect July 1, 1978.

SB 630

ALASKA STATE LEGISLATURE

TENTH Legislature SECOND Session

SENATE BILL NO. 630

By THE RULES COMMITTEE BY REQUEST (for the Special Committee on Employment Resources and Opportunities)

"An Act creating the technical services contract fund; and providing for an effective date."

technical services contract fund

Introduced in the Senate 5/23/, 19 76

HISTORY IN THE SENATE

19	78	
		Read first time and referred to Committee on
5	23	Commerce and Finance
6	9	Reported back with Comm recommendation that 3 do pass w/Am. to Finance
		Read second time and
		Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
Signed by President
Sent to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19	
	Read first time and referred to Committee on
	Reported back with recommendation that
	Read second time and
	Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
Signed by Speaker
Returned to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19	
	Received from House
	Reported correctly enrolled
	Sent to Governor
	..... By Governor
	Filed with Lt. Governor
	Chapter No. .....

31-001

RECORDS CERTIFICATION

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James O. Smith
Signature of Camera Operator

2/26/90
Date

02-519 (REV 8/78)

May 26, 1978

The Honorable John Rader
President of the Senate
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear President Rader:

Under the authority of art. III, sec. 18 of the Alaska Constitution, and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a Bill making FY 78 appropriation adjustments for the University of Alaska.

The University of Alaska has requested authority to make adjustments to the appropriations made to them in Chapter 155, SLA 1977. We have delayed submission of this pending complete information from the University. What are believed to be the final adjustments were received in the Division of Budget and Management on May 24, 1978.

The Fiscal Year 1978 budget for the University of Alaska was essentially the same as their FY 77 budget. Since the passage of the FY 77 budget, the University has undergone significant organizational change. Many of these adjustments the University says involve the same functions being performed as were budgeted, but the authorization for expenditure and revenue receipt are being moved to reflect more accurately current administrative authorization. While these do not legally constitute a required appropriation transfer, there are some adjustments that do. In these instances funds will be reprogrammed for uses other than the originally budgeted purposes. These are indicated in the University's documentation.

Due to the inflexible nature of the FY 78 budget, we have restructured the University's budget to provide one appropriation for each campus with allocations for the various functions (Instruction, Academic Support, etc.) This will allow for minor adjustments within each campus appropriation between now and the end of the fiscal year, should such a need arise.

Salary increase money appropriated to the University of Alaska has been distributed, as have the Chancellor's and Regents' Distributions. These distributions are displayed by component on the back-up documentation and are reflected in the new appropriation levels.

Previously approved revised programs and the supplemental appropriation (ch. 30 SLA 1978) have not been included in the new levels. We are not repealing them by this action, rather it seemed that omitting them would clarify the intent of this bill.

The University has undergone many problems over the past few years and now seems to be on the way to solving many of them. These transfers are a step in that progress by having the budget show actual costs of programs where those costs are incurred.

Your consideration of this matter will be appreciated.

Sincerely,

S/JSH

Jay S. Hammond
Governor

Introduced: 5/26/78
Referred: Finance

IN THE SENATE

BY THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

SENATE BILL NO. 632

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE -- SECOND SESSION

A BILL

For an Act entitled: "An Act making FY 78 appropriation adjustments for the University of Alaska; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. Section 9, ch. 153 SLA 1977, page 7, lines 18 - 26, page 8, lines 1 - 26, page 9, lines 1 - 28, page 10, lines 1 - 26, and page 11, lines 1 - 17 are repealed and re-enacted to read:

	Allocations	Appropriation Items	Appropriation Fund Sources General Fund	Other Funds
UNIVERSITY OF ALASKA				
Board of Regents/ Statewide		$ 4,385,900	$ 3,234,900	$ 1,151,000
Board of Regents	$ 274,800			
Statewide-Institutional Support	4,111,100			
Organized Research		37,011,200	7,073,100	29,938,100
Geophysical Institute	7,410,600			
Institute of Marine Science	5,326,700			
Institute of Water Resources	734,800			
Agricultural Experimental Station	2,623,300			

Institute of Arctic Biology	5,092,300			
Institute of Social and Economic Research	1,381,900			
Center for Northern Education Research	710,900			
SeaGrant	1,066,700			
Arctic Environment Information and Data Center	1,717,800			
Bionne Center	786,100			
Cooperative Wildlife Research	266,600			
Mineral Industry Research	249,600			
Forest Soils Laboratory	337,300			
WAMI/Medical Science	1,052,900			
General Miscellaneous Research	781,700			
Naval Arctic Research Laboratory	7,472,000			
Fairbanks		28,128,800	19,907,900	8,220,900
Instruction	7,581,200			
Research and Professional Centers	41,900			
Public Service	791,600			
Academic Support	2,983,000			

Student Services	3,445,700			
Institutional Support	12,860,700			
Student Loans, Scholarships	424,700			
Anchorage		14,257,200	9,437,700	4,819,500
Instruction	3,550,100			
Research and Professional Centers	675,900			
Academic Support	1,656,600			
Student Services	1,867,800			
Institutional Support	5,408,800			
Student Loans, Scholarships	1,098,000			
Southeast		2,833,300	2,090,000	743,300
Instruction	668,100			
Public Service	358,000			
Academic Support	283,000			
Student Services	339,100			
Institutional Support	1,185,100			
Community College Contract Funding		188,600	188,600	
Ketchikan Community College		763,700	675,800	87,900
Instruction	466,300			
Academic Support	89,800			
Student Services	23,000			
Institutional				

Support	184,600			
Sitka Community College		504,300	458,300	46,000
Instruction	268,200			
Academic Support	62,300			
Student Services	15,900			
Institutional Support	88,900			
Sheldon Jackson Consortium	69,000			
Juneau-Douglas Community College		1,195,200	934,900	260,300
Instruction	1,057,900			
Academic Support	137,300			
Anchorage Community College		8,347,000	6,931,700	1,415,300
Instruction	6,824,300			
Public Service	221,700			
Academic Support	985,100			
Student Services	315,900			
Mat-Su Community College		705,500	673,500	32,000
Instruction	333,600			
Academic Support	67,400			
Student Services	6,500			
Institutional Support	203,400			
Public Service -- Eagle River	94,600			
Kodiak Community College		922,000	745,400	176,600
Instruction	581,000			
Student Services	40,300			
Institutional				

Support	300,700		
Kenai Community College		963,900	863,400	100,500
Instruction	545,500		
Student Services	84,100		
Institutional Support	334,300		
Kuskokwim Community College		2,120,500	1,581,400	539,100
Instruction	1,319,900		
Academic Support	46,500		
Student Services	230,700		
Institutional Support	435,300		
Public Service	88,100		
Northwest Community College		403,800	353,800	50,000
Instruction	200,500		
Academic Support	5,000		
Institutional Support	198,300		
Tanana Valley Community College		1,776,400	1,473,900	302,500
Instruction	1,054,700		
Academic Support	596,100		
Student Services	125,600		
Rural Education		4,376,800	3,692,100	684,700
Instruction - Rural Centers	1,132,800		
Instruction - Central Support	201,400		
Research and Professional Centers	269,500		

Public Service	2,014,700
Academic Support - Central	483,600
Institutional Support - Central	274,800

* Sec. 2. This Act takes effect immediately in accordance with AS 01.-10.070(c).

COMMITTEE REPORT

SENATE

FURTHER: _____

5/26/78

Date: _____

Mr. President:

The Committee on FINANCE has had SB 632
FY 78 appropriation adjustments for the University of Alaska

under consideration and (a majority of the committee) (the committee reports it back as follows)

( ) recommends it do pass ( ) recommends it do n t pass

( ) recommends it do pass with attached amendment(s)

( ) recommends it be replaced with CS for _____

and _____ ( ) new title ( ) same title

( ) AND attaches a Letter of Intent ( ) New Fiscal Note

( ) reports it back without recommendation

( ) and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

_____

Chairman

S 60 (rev. 6/77)

S6632

Introduced: 5/26/78
Referred: Finance

IN THE SENATE

BY THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

SENATE BILL NO. 632

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE -- SECOND SESSION

A BILL

For an Act entitled: "An Act making FY 78 appropriation adjustments for the University of Alaska; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. Section 9, ch. 153 SLA 1977, page 7, lines 18 - 26, page 8, lines 1 - 26, page 9, lines 1 - 28, page 10, lines 1 - 26, and page 11, lines 1 - 17 are repealed and re-enacted to read:

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* Sec. 2. This Act takes effect immediately in accordance with AS 01.-10.070(c).

May 26, 1978

The Honorable John Rader
President of the Senate
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear President Rader:

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Your consideration of this matter will be appreciated.

Sincerely,

S/JSH

Jay S. Hammond
Governor

ALASKA STATE LEGISLATURE

TENTH Legislature SECOND Session

SENATE BILL NO. 532

By THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

"An Act making FY 78 appropriation adjustments for the University of Alaska; and providing for an effective date."

FY 78 approp. adjustments/U of A

Introduced in the Senate 2/28/, 19 78

HISTORY IN THE SENATE

19		
73		Read first time and referred to Committee on
5	28	Finance
		Reported back with recommendation that
		Read second time and
		Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
Signed by President
Sent to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19	
	Read first time and referred to Committee on
	Reported back with recommendation that
	Read second time and
	Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
Signed by Speaker
Returned to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19	
	Received from House
	Reported correctly enrolled
	Sent to Governor
	..... By Governor
	Filed with Lt. Governor
	Chapter No. .....

31-001

RECORDS CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

Signature of Camera Operator

2/26/90
Date

02-519 (REV 8/78)

Introduced: 6/1/78
Referred: Finance

BY THE STATE AFFAIRS COMMITTEE
BY REQUEST

IN THE SENATE

SENATE BILL NO. 634

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act making a special appropriation to the Department of Natural Resources for a direct grant to the Kodiak Slaughterhouse; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. The sum of $150,000 is appropriated from the general fund to the Department of Natural Resources for deposit into the agricultural revolving loan fund as forgiveness for the debt owed by the Kodiak Slaughterhouse.

* Sec. 2. This Act takes effect July 1, 1978.

COMMITTEE REPORT

SENATE

FURTHER: _____

_____

6/1/78

Date: _____

Mr. President:

The Committee on FINANCE has had SB 634 special appropriation to Dept. of Natural Resources for direct grant to the Kodiak Slaughterhouse

under consideration and (a majority of the committee) (the committee reports it back as follows)

( ) recommends it do pass ( ) recommends it do not pass

( ) recommends it do pass with attached amendment(s)

( ) recommends it be replaced with CS for _____

and _____ ( ) new title ( ) same title

( ) AND attaches a Letter of Intent ( ) New Fiscal Note

( ) reports it back without recommendation

( ) and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

_____

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_____

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_____

_____

OTHER RECOMMENDATIONS:

_____

_____

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_____

Chairman

S 60 (rev. 6/77)

SB 634

Introduced: 6/1/78
Referred: Finance

BY THE STATE AFFAIRS COMMITTEE
BY REQUEST

IN THE SENATE

SENATE BILL NO. 634

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - SECOND SESSION

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ALASKA STATE LEGISLATURE

TENTH Legislature SECOND Session

SENATE BILL NO. 634

By THE STATE AFFAIRS COMMITTEE BY REQUEST

"An Act making a special appropriation to the Department of Natural Resources for a direct grant to the Kodiak Slaughterhouse; and providing for an effective date."

Spec. Approp./Kodiak Slaughterhouse

6/1/ 70

Introduced in the Senate ....., 19....

HISTORY IN THE SENATE

1970		
6	1	Read first time and referred to Committee on Finance
		Reported back with recommendation that
		Read second time and
		Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
Signed by President
Sent to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19		
		Read first time and referred to Committee on
		Reported back with recommendation that
		Read second time and
		Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
Signed by Speaker
Returned to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19		
		Received from House
		To enrolling
		Reported correctly enrolled
		Sent to Governor
		..... by Governor
		Filed with Lt. Governor
		Chapter No. .....

31-001

RECORDS CERTIFICATION

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Signature of Camera Operator

2/26/90
Date

02-519 (REV 8/78)

COMMITTEE REPORT

HOUSE

FURTHER: _____

_____

Date: _____

Mr. Speaker:

The Committee on FINANCE has had on S.B. 27 "An Act requiring the use of independent financial advisors for negotiated private sales of bonds or bond anticipation notes; ratifying certain past sales; eff. date."
under consideration and (a majority of the committee) (the committee reports it back as follows)

(X) recommends it do pass ( ) recommends it do not pass

( ) recommends it do pass with attached amendment(s)

( ) recommends it be replaced with CS for _____

and _____ ( ) new title ( ) same title

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( ) reports it back without recommendation

( ) and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

_____

_____

_____

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_____

_____

_____

_____

OTHER RECOMMENDATIONS:

_____

_____

_____

_____

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_____

_____

Chairman

H 60 (rev. 6/77)

Introduced: 6/3/78
Referred: Judiciary

IN THE SENATE BY THE JUDICIARY COMMITTEE

SENATE BILL NO. 637 am

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act requiring the use of independent financial advisors for negotiated private sales of bonds or bond anticipation notes; ratifying certain past sales; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. FINDINGS. The legislature finds that there is a potential conflict of interest in negotiating a private sale of bonds or bond anticipation notes to underwriters, and therefore, determines that the public interest should be protected by the use of independent financial advisors by issuers of state or municipal bonds.

* Sec. 2. AS 18.56.115 is repealed and re-enacted to read:

Sec. 18.56.115. INDEPENDENT FINANCIAL ADVISOR. In negotiating the private sale of bonds or bond anticipation notes to an underwriter, the corporation shall retain a financial advisor who is independent from the underwriter.

* Sec. 3. RATIFICATION. Any sales of bonds or bond anticipation notes to an underwriter before the effective date of secs. 1 - 2 of this Act are valid and are ratified notwithstanding the underwriter's providing the issuer with financial or fiscal programming or marketing assistance.

* Sec. 4. EFFECTIVE DATE. This Act takes effect immediately in accordance with AS 01.10.070(c).

Introduced: 6/3/78
Referred: Judiciary

IN THE SENATE BY THE JUDICIARY COMMITTEE

SENATE BILL NO. 637 am

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act requiring the use of independent financial advisors for negotiated private sales of bonds or bond anticipation notes; ratifying certain past sales; and providing for an effective date."

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Jane O. Smith
Signature of Camera Operator

2/26/90
Date

02-519 (REV 8/78)

A M E N D M E N T

Offered in the SENATE By _____

To: _____ SENATE BILL NO. _____

_____ HOUSE BILL NO. _____

AMENDMENT: Page ___1___ Line _____

COMMITTEE REPORT

SENATE

1/27/77

_____ Date

Mr. President:

The Committee on FINANCE has had SCR 1 development and presentation of a proposal for "zero-based" budgeting under consideration. A majority of the members of the Committee

/_/ recommends it do pass

/_/ recommends it do not pass

/_/ recommends it do pass with attached amendment(s)

/_/ recommends it be replaced with CS for _____ and that CS for _____ do pass

/_/ (and) recommends it be referred to the _____ committee

/_/ reports it back without recommendation

/_/ AND attaches a report of its intent

/_/ (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

_____ _____ _____

_____ _____ _____

_____ _____ _____

_____ _____ _____

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

_____
Chairman

S 60

IN THE SENATE BY ORSINI

SENATE CONCURRENT RESOLUTION NO. 1

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - FIRST SESSION

Relating to the development and presentation of a proposal for "zero-based" budgeting.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

WHEREAS the United States Congress and several state legislatures have under consideration proposals for reform of government operations and activities seeking to evaluate programs to eliminate or change those which are inactive or ineffective; and

WHEREAS a common feature of these proposals is the modification of budget acts to require systematic evaluation of total appropriation requests based upon a justification of an appropriation request in its entirety from a zero base to determine whether the proposed activities of the program warrant its continuation; and

WHEREAS the adoption and implementation of a zero-based budgeting system would well serve the legislature, the governor and the people of Alaska in development of more effective review of the performance and accomplishments of state programs by providing a means to evaluate program benefits versus costs, a method to redirect program efforts and funds into more effective programs, and a way to control budget growth;

BE IT RESOLVED by the Alaska State Legislature that it respectfully requests the governor to direct the division of budget and management to prepare a proposal for implementation of a zero-based budgeting system for state government operations and present the proposal to the members of the legislature not later than January 1, 1978.

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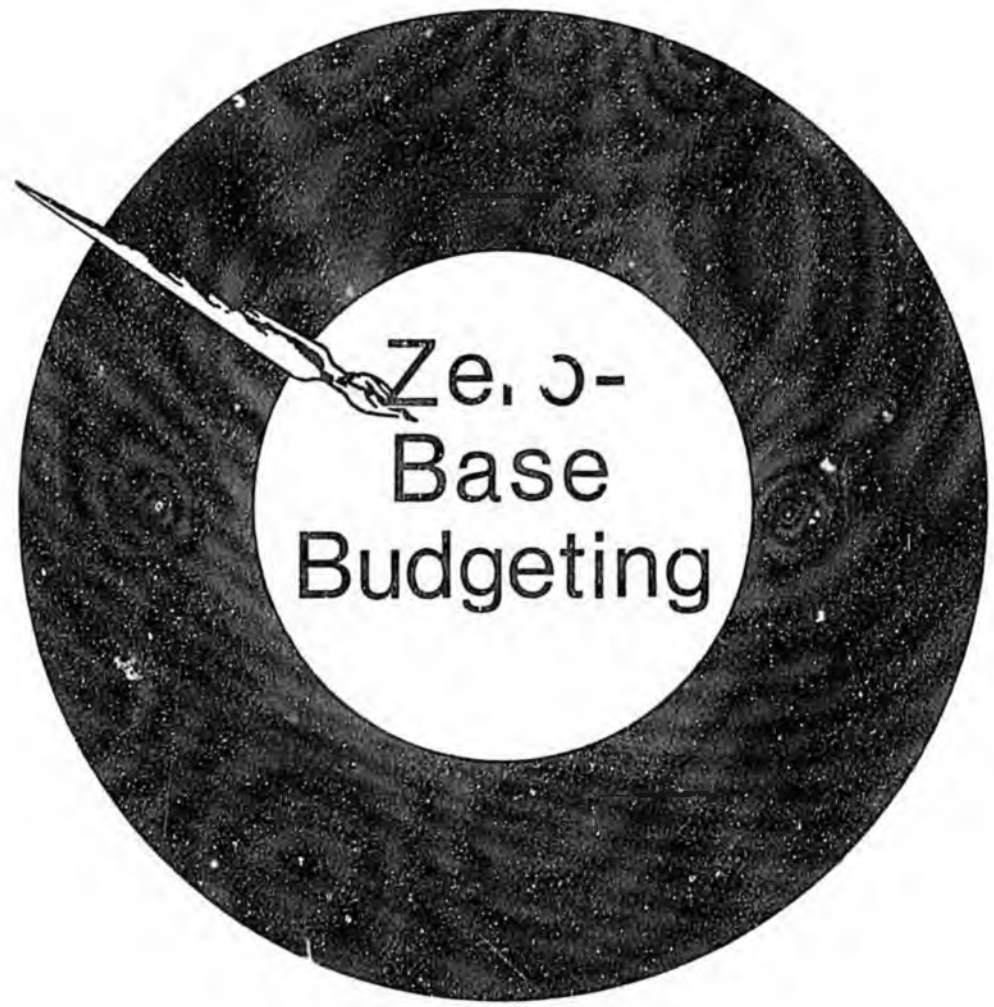
The Council of State Governments



in the States

The Council of State Governments

The Council is a joint agency of all the state governments — created, supported and directed by them. It conducts research on state programs and problems; maintains an information service available to state agencies, officials and legislators; issues a variety of publications; assists in state-federal liaison; promotes regional and state-local cooperation and provides staff for affiliated organizations.

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4. If your State has used ZBB or similar system for one year or more:
   a - please briefly evaluate your experience with it.

   _____

   _____

   b - describe briefly any changes made in the original design.

   _____

   _____

5. If you are not using ZBB, have you considered it, or explored the possibility of using it? *(please explain)*

   _____

   _____

6. Please send any documents, manuals, forms, etc. (2 copies if possible), describing the system and how it operates.
7. A short description written here would also be appreciated. Also add any explanation which will help us compare or contrast your system with other systems.

   _____

   _____

Zero-Base Budgeting in the States

THE COUNCIL OF STATE GOVERNMENTS
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Appendix

State Zero-Base Budget Survey

DEFINITION: STATE: _____

For the purposes of this survey, *zero-base budgeting* is a system by which state programs and activities are organized and budgeted in a detailed plan which focuses review, evaluation and analysis on *all* proposed expenditures rather than on increases above current expenditure levels. The purpose is to determine whether each activity warrants continuation at its current level or a different level, or should be terminated. This focus requires a priority ranking of all programs and activities in successively increasing levels of performance and funding, starting from zero.

QUESTIONS:

1. a - Does your State have what it calls a ZBB system approximating this definition? Yes _____; No _____
   b - Do you have what you call a ZBB system, but with a different definition? Yes _____; No _____
   If yes - please give your definition:
   _____
   _____
   c - Do you have a system approximating the definition which is called by some other name? Yes _____; No _____
   If yes - please give the name here: _____
   (if the answers to 1 a, b, and c are "no," please go to question 5)
2. How is your ZBB system or similar system used?
   a - as the main system for budget requests? Yes _____; No _____
   b - as an additional source of data? Yes _____; No _____
   c - as the main format for the presentation in the budget document? Yes _____; No _____
   d - other *(please describe)* _____
   _____
3. Does your ZBB or similar system formally involve:
   a - subdivision of programs or activities into decision packages? Yes _____; No _____
   b - subdivision of programs or activities according to incremental percentages of expenditure? Yes _____; No _____
   c - distinctions between expenditures for continuing, expanding, and new programs? Yes _____; No _____
   d - annual (biennial) zero-base review of: a) all; b) most; c) some; d) pilot group of; e) no, state programs (*circle appropriate response*)
   Explain b, c, or d: _____
   _____
   e - other *(please describe)* _____
   _____

Footnotes

1. Statement of Richard C. Leone, before U.S. Senate Subcommittee on Intergovernmental Relations. Hearings on *Government Economy and Spending Reform Act of 1976*, 94th Cong., 2d Sess. (1976), p. 293.

2. Aaron Wildavsky and Arthur Hammann, "Comprehensive versus Incremental Budgeting in the Department of Agriculture," in *Administrative Science Quarterly*, vol. 10 (1965), p. 321-46.

3. Peter A. Pyhrr, *Zero-Base Budgeting* (New York, N.Y.: John Wiley & Sons, 1973), p. 97.

4. John D. LaFaver, "Zero-Base Budgeting in New Mexico," *State Government* (Spring 1974), p. 112.

5. For this reason, appraisals of ZBB which focus only on gubernatorial actions miss the main story. This is only one of the problems with Aaron Wildavsky's anti-ZBB polemic in *Budgeting: A Comparative Theory of Budgetary Process* (Boston, Mass.: Little, Brown & Co., 1975), pp. 294-96.

6. Legislation to make federal agency budget estimates available to Congress has been introduced in the 93d and 94th Congress but has not passed, though particular agencies now are required (or as a matter of practice) to submit their estimates to Congress.

7. For an appraisal of the PPB efforts, see Allen Schick, *Budget Innovation in the States* (Washington, D.C.: The Brookings Institution, 1971).

8. Wildavsky, "Comprehensive versus Incremental Budgeting," p. 278.

9. Pyhrr, *Zero-Base Budgeting*, p. 153.

10. Ibid., p. 158.

11. The description of ZBB in Arkansas is based on the State of Arkansas *Budget Preparation Manual, 1977-79 Biennium*.

12. The limitations spelled out on page 12 of the manual cover most uncontrollable expenditures such as AFDC and retirement costs.

13. The California description is adapted from a lengthy statement prepared by the State Department of Finance to accompany its response to the questionnaire.

14. Georgia's ZBB approach is described in its *General Budget Preparation Procedures: Fiscal Year 1977 Budget Development*, issued by the State's Office of Planning and Budget.

15. Idaho's budget procedures are set forth in its *Program Management and Budget Development Manual*, issued by the Division of Budget, Policy Planning and Coordination on May 7, 1976.

16. The budget instructions for the State of Illinois are detailed in Bureau of the Budget Circular No. 3, Revised September 1, 1975.

17. For a description of the Missouri approach, see *Priority Budget and Program Manual, Fiscal Year 1977*.

18. The description of Montana's pilot test is based on its *Priority Budget System: 1977-79 Biennium*, issued by the Office of the Governor.

19. Ibid., p. 11.

20. The New Jersey description is based on Richard Leone's statement (see footnote 1); Michael J. Scheiring, "Zero-Based Budgeting in New Jersey," *State Government*, vol. 49, no. 3, Summer 1976, pp. 174-79; and Circular Letter 75-26 (May 28, 1975) issued by the Division of Budget and Accounting.

21. ZBB in Rhode Island derives from a memorandum from Governor Philip W. Noel to state agencies (July 27, 1973) and related instructions issued by the Division of the Budget.

22. The Tennessee practices are derived from the State's *Budget Instructions and Procedures: Preparation of 1976-77 Budget Requests*, issued by the Department of Finance and Administration.

23. For the State of Texas, see *Detailed Instructions for Preparing and Submitting Requests for Legislative Appropriations for the Biennium Beginning September 1, 1977*, issued jointly by the Governor's Budget and Planning Office and the Legislative Budget Office.

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agencies are cautioned that because of the State's severe financial condition, they must "avoid an incremental approach to preparing the 1976-77 budget requests." Agency activities are to be ranked in order of priority and are to identify their purpose, clientele served, goals, and objectives. The budget requests are to be classified into four levels, with priority rankings assigned to each: (1) continuation at the current level of funding; (2) continuation at the current level of service; (3) improvements for new legislative requirements and to replace lost federal aid; and (4) improvements based on departmental estimates of need. On the basis of a review of the budget instructions, it is not possible to ascertain how these four categories are linked to the budget submissions.

Texas

Texas initiated its ZBB system for the 1976-77 biennium and the basic system is being applied (with only slight modifications) for the 1978-79 biennium. This comprehensive system utilizes decision packages; alternative funding levels; priority rankings; and extensive needs, workload, and performance measures.[23]

Each decision package provides information on objectives and their proposed means of accomplishment; costs, benefits, and performance measurements at various levels of effort; and alternative means of accomplishing the objectives. Activity decision packages are prepared by activity managers and these are ranked in order of priority by program managers. The program managers prepare decision packages for their programs and these are ranked by agency administrators. Thus, the decision packages are prepared at a lower administrative level and their priority is determined at a higher level. Each decision package is structured into a number of activity or program levels, depending on the amount of funds which are being requested. For programs, the prescribed levels are: (1) the minimum level is not to exceed 90 percent of current funding; (2) level 2 cannot exceed the current budgeted amount; (3) level 3 (if it is requested) cannot exceed 110 percent of the current amount; (4) level 4 is for requests that exceed the current amount budgeted for the program by 20 percent or more. There are no restrictions on the funding levels for the activity decision packages, though they should be consistent with those requested for programs.

Although it has a 90 percent limit, the minimum level is to be that level of effort below which the program should be discontinued because it loses its viability or effectiveness. By recommending a minimum level, a program manager is not necessarily recommending that the program be funded at this level. The minimum level merely identifies one alternative, and explains what could be accomplished at this level and, by inference from other levels, what could not be accomplished.

At the activity level, the output data is oriented to workload measures; at the program level, it concentrates on measurements of need and performance. The priority ranking of both activity and program decision packages is arranged in a manner which enables policymakers to estimate the cumulative effects of alternative levels on the budget.

changes in laws, and specify the qualitative and quantitative effects of funding of various incremental levels: 0 percent, 50 percent, 75 percent, 100 percent, 125 percent, and above 125 percent of the current funding level. The program level, inputs, and expected performance at each of these levels (or at a percentage in between the levels) represent a decision unit which assists decisionmakers in determining whether the benefits to be lost from budget decreases in one program outweigh the benefits in other programs.

On a second form, each agency ranks its programs at these various funding levels, thereby communicating its sense of priorities to the Governor and central budget staff. The total requested in each priority level as well as the cumulative request for all priorities are shown on the form. This ranking process assists agencies and the Governor in realigning program priorities. A third form is used for recording past and estimating future performance data for the various priority levels. A variety of performance measurements (such as output, efficiency, and effectiveness measures) is associated with each incremental spending level.

State officials believe that ZBB has assisted them in evaluating and comparing competing demands for funds and for determining the most appropriate level of program and expenditure. However, they also have encountered a number of difficulties such as staff resistance and low-quality submissions. They feel these problems can be overcome as their personnel become more accustomed to ZBB concepts and processes.

Rhode Island

Over a period of years, the State has expanded its program budgeting system, with extensive measurements of objectives and performance. In July 1973, the Governor instructed state agencies to augment their program budgeting submissions with zero-base justification of their requests. Rather than replace the new program budgeting system, the Governor decided "to embody the concept of zero base into our considerations. This will permit us to continue the on-going development of program budgeting while particularly stressing the point that everything demands justification before any dollars are provided."[21]

The ZBB forms supplement the regular budget requests and require a priority ranking and analytic justification of each activity. The Rhode Island Budget Director regards the experience thus far as favorable and partly responsible for a shifting of priorities within existing resources.

Tennessee

Chapter 135 of the Public Acts of 1975 requires each state agency to establish written goals and objectives for each of its programs, including criteria for measuring the performance achieved under the stated goals and objectives.[22] This new requirement was incorporated into the 1976-77 budget process, with agencies submitting their traditional operating budget requests and program budget statements.

The program budget statements contain several ZBB characteristics. State

Foreword

The National Association of State Budget Officers (NASBO), in cooperation with the Congressional Research Service (CRS), has undertaken a survey of zero-base budgeting practices in state governments. NASBO sent a brief questionnaire to all state budget officers in May 1976 and responses were received from 41 States and the District of Columbia. (A copy of the questionnaire is appended to this report.) CRS agreed to analyze the responses and to prepare a report for distribution to NASBO members and interested members and committees of Congress. This report is based on the survey returns and is supplemented with a review of documentary material concerning ZBB in a number of States. A prefatory comment by NASBO is also included.

Many thanks are due to the members of the NASBO Systems, Techniques and Data Committee, under the chairmanship of Leonard D. Schaeffer of Illinois, who authorized this cooperative study and assisted in developing the survey. We also greatly appreciate the cooperation of the budget officers who responded to the questionnaire and sent supporting materials. Our special thanks and appreciation go to Allen Schick and Robert Keith of the Congressional Research Service for analyzing the data and preparing this report for publication.

Lexington, Kentucky
September 1976

Brevard Crihfield
Executive Director
The Council of State Governments

items, thereby enabling state officials to assess the effectiveness associated with each proposed cost increase.

Missouri has used this system for two years, and though it does not have the ZBB label, it has some features of that budget approach.

Montana

As part of a new program planning and budgeting system, the State of Montana is pilot-testing a Priority Budgeting System in eight state programs. The new budgeting approach is mandated by House Bill 643, signed into law on April 16, 1975, and is being put into effect for the 1977-79 biennium.[18] This new system combines features of two contemporary budgetary innovations: PPB and ZBB. Thus it provides for a program structure, multiyear planning, and output and impact measures. The test programs have been selected, in accord with House Bill 643, so as to be representative of the programs and agencies of the state government.

The Priority Budgeting System utilizes three of the main features of zero-base budgeting: decision packages, alternative cost levels, and a priority listing of alternatives. The decision packages are developed and ranked at the activity level, generally the lowest level of the program structure at which work outputs have measurable policy impacts. This ranking process is to be performed at successively higher levels of management—up to the Governor's office—with the packages merged into increasingly comprehensive listings.

House Bill 643 requires at least three alternative funding levels for each program, and this requirement also is being applied to each activity. The first funding level—which in the initial ranking is to be accorded highest priority for the activity—is not to exceed 80 percent of the current budget level. Workload, output, and impact data are to be supplied for each cost alternative, and each package is to display summary data on costs and results for alternative packages in the same activity.

It is anticipated that the Priority Budgeting System data will be used in presenting the budget to the Legislature, but the 1977-79 effort is thus far only "an experiment to determine if this particular approach to planning and budgeting would be most appropriate in meeting State Government's needs in these areas."[19]

New Jersey

ZBB was launched on July 22, 1974, with a memorandum from Governor Brendan Byrne instructing all state agencies "to question the continued need for every program and every activity within every program of our State government and assign a priority ranking to each such program and activity."[20] The State already was using various PPB techniques such as program categories and performance measurements and these were combined with the new ZBB approach.

Three budget forms are used for securing ZBB information from the agencies. One requires each agency to indicate program objectives, identify

Illinois

The Illinois budget process has undergone far-reaching changes since 1969. Budgeting has been converted from a biennial to an annual cycle; the Bureau of the Budget has been established as the Governor's budget agency; the line-item schedules have been removed from the appropriations and main budget document and placed in the budget appendix; a program budget focused on quantitative statements of objectives and performance has been implemented; and a new management by objective (MBO) system has been introduced as a means of identifying and monitoring agency and gubernatorial objectives. To this process of budget innovations, the State adopted for its 1977 budget preparation a procedure for separate consideration of programs within and above 90 percent of the current budget base.[16]

The guidelines for the 1977 budget provide for each agency to request the programs and activities to be proposed within 90 percent of its current funding level. Program expansions and new initiatives can be included within the 90-percent level, but only if an agency deems them of higher priority than other current activities.

Program increments above the 90 percent level are listed in priority order. Proposals to maintain or expand existing programs or to initiate new programs are separately identified, though they are ranked in the priority order determined by the agency. Decision packages are not formally used in the Illinois approach, but the forms are arranged so as to tally the cumulative cost of each add-on proposed above the 90 percent level. The process works in a manner similar to one in which decision packages are applied.

Missouri

The State has a comprehensive program budget, and the budget is prepared by programs, sub-programs, and program elements within departments.[17] Program statements accompanying the requests focus on the problem to be solved, the objectives of the program, and the methods used to accomplish the objectives. Quantitative measures of program service are extensively used and include effectiveness measures, benefit measures, and volume of service.

Budget requests are divided into three categories: the minimum budget, the base budget, and priority items. The minimum budget generally is the current rate of expenditure; the base budget is the minimum budget plus standard inflation factor increases to allow the current level of service in the budget year; priority items are increases requested above the base level. Priority items are ranked at both the program and departmental levels so that the Governor and the Legislature have a comprehensive ranking of such items.

A priority item consists of the package of personnel, operating, and equipment expenses associated with achieving a higher level of service. Each request for a priority item is to be justified by a significant change in measures of service above the levels that would be achieved with the base budget. Thus, the same measures of service are to be used for both the base budget and priority

Prefatory Comment

Zero-base budgeting (ZBB) is a concept which has recently captured considerable attention in fiscal and legislative circles. It is attractive to business and government alike. The term undoubtedly has an appeal to the public far surpassing that of other budget and management terms such as planning, programming, or management by objectives. "Zero-base" is easy to picture. To the ever-suffering taxpayer, the idea of starting from nothing lends fuel to the fervent hope that governmental expenditures can be cut.

ZBB has been around for several years. However, its increasing attraction to governmental executives and legislators in the past two years can be attributed to at least two factors. One was the fiscal crisis in many state and local governments resulting from the impact of the sharp recession of 1974-75. Any recession causes retrenchment at the state-local level, but this recession in addition triggered a threat of debt payment default by New York City and State. This led many leaders to stress more than before that government resources are limited, that we cannot afford to promulgate and expand all desirable programs, and that choices have to be made. ZBB was seen as a way to accomplish this choice-making.

Another factor was the catapulting into the national political scene of Jimmy Carter, a former Governor of Georgia, who as a candidate for President announced the intention of utilizing zero-base budgeting in the federal budget process. The Georgia ZBB system, installed in 1971 during the Governor's first year in office, has been institutionalized, with periodic revisions, as the basic budget system of the State. The national attention now brought to the concept promises to result in further installations of ZBB or variations of it.

Like most other public administration terms, ZBB does not have a commonly accepted definition. The popularity of the term causes its use in many ways. Others use ZBB approaches without calling them such. The authors of this report have done an admirable job of sorting out the state responses and reviewing budget manuals to come up a classification they felt was most accurate. State respondents have accepted this classification, even though in a few cases it meant transforming "yes" answers to "no," or vice versa.

The problem of classification occurs because of the catchiness of the term. For purposes of this report, a ZBB system includes more than the intent to analyze programs from the ground up; it also includes certain trappings such as dividing agency activities into "decision packages" and "priority rankings." The trappings, however, can obscure accomplishment (the "triumph of technique over purpose"). Good program analysis in any budget system will ask what

happens if the program were reduced in size or abolished, no matter what the name of the system.

The spread in state government of ZBB or its variations is another indication of the continual search for improved budgetary procedures. ZBB is the current fashion, although two processes related to and sometimes tied to budgeting—Management by Objectives (MBO) and evaluation of program effectiveness—are in strong contention. Past movements—program budgeting, performance budgeting, planning, program and budgeting systems (PPBS)—have come, made their mark, and have retreated to the rear of the stage.

Note, however, that they are still on the stage. New approaches to improved budget analysis and decision-making have usually been heralded with fanfare, resulted in redesign of forms and instructions, and frequently choked in an entanglement of paperwork. Surviving this collapse are those elements of the new approach which prove to be most useful in the long run. Thus the current emphasis on sound analysis and program effectiveness evaluation has grown at least in part from PPBS. By the same token, ZBB sometimes starts too ambitiously, and survives in more modest form as the strong elements of the system are adapted to political, fiscal, and manpower realities.

Indeed, this transformation is already under way; for instance, some States apply the technique not to zero but to everything above 80 or 90 percent. In addition, States already utilizing sophisticated techniques of budget analysis are adapting some aspects of ZBB to augment their present systems. Furthermore, nobody really goes to zero on everything. All States have sacrosanct special funds, programs, or agencies having constitutional protection against which the zero approach would be a waste of time. Programs such as state aid to local governments and public schools are funded according to statutory formulas and are not usually susceptible to the zero approach. Many of these limitations on "pure" ZBB are recognized and noted in this report.

We can expect, then, that the States in applying ZBB concepts to their budget systems will sooner or later institutionalize the most usable segments of this approach, integrating them with the strong features of their current systems. In this manner ZBB will be added to the many approaches to budgeting and management which have been developed in the past and will be developed in the future in the continuing quest for greater rationality in and understanding of the budget process.

George A. Bell
Executive Director
National Association of
State Budget Officers

On September 28, 1976, a few weeks prior to publication of this report, Dr. Bell died.

making system.[14] On March 15, 1971, Governor Jimmy Carter instructed state agencies to utilize zero-base budgeting in their preparation of fiscal year 1973 budget requests. Detailed budget instructions were subsequently issued for this purpose. The ZBB system has been modified slightly since its introduction, but its basic features have remained intact.

Decision packages are prepared for incremental levels of effort for each function. (In Georgia, the function is the lowest program level at which a budget estimate is prepared. Functional packages are aggregated into activities; activities are aggregated into department summaries.) Within each function, separate decision packages are prepared for different levels of effort, with line-item detail and performance measurements presented for each package. There are three incremental levels. (1) The minimum level is the level of effort, expressed in terms of service and cost, below which it is not realistic or feasible to operate the function at all. Although no percentage limitation is imposed, the minimum level is expected to be below the current funding level. In the decision package for a minimal level, the agency explains the effects of terminating the existing service that is excluded at this level. (2) The current level decision package generally is an estimate of the next year's cost (adjusted for wage and price increases) of providing the current level of service. An agency may include proposals to decrease the level of service in this package. (3) A decision package for new or improved programs must be quantified and explained in terms of service and cost.

Each decision package is formatted to show cumulative costs as a percentage of current funding and to permit its priority ranking by activity. After they have been ranked by activity, the decision packages are ranked by department so as to provide a comprehensive set of priorities for all functional packages in each department's budget request.

Idaho

The State's budget system has been recast in recent years into one which is heavily grounded on program and performance data.[15] The system has two ZBB-type features. Though only a small fraction of state programs are zero-based, the budget requests of all state agencies are structured into decision units which are ranked by priority.

No constraints are imposed on the decision units requested by agencies so that, except for capital outlay, one-time expenses, and programs selected for zero-base review, the budget accepts the current level as a base. Above the budget base, decision units are listed in order of priority until the full budget request is reached. The final decision unit is the sum of the current budget level and any additional decision units. The budget instructions for fiscal year 1978 call on state agencies to strengthen the relationship between specific decision units and specific performance measures.

According to the State's budget division, ZBB was applied to approximately 5 percent of last year's budget, and it hopes to increase this to 20 percent per year, with each program being subjected to a zero-base review every five years.

improvements in its base level. However, because the base level is most likely to be funded, an agency is advised to include its most critical programs or services in it.

The budget forms can accommodate three priority rankings in addition to the base-level request. But an agency need not submit any priority requests or it can make as many as 11 such requests within a particular cost center—the lowest level at which priority rankings are made. However, each priority level has to be separately justified.

The new Priority Budgeting System currently is undergoing its first implementation so that it is too early to report any experience with it. However, Arkansas is one of the few States with this type of budget system to use it for both executive and legislative review. The PBS documents are to be used by the Legislative Council in its budget hearings scheduled during October 1976.

California

The program budgeting system of California focuses on proposed changes in the budget.[13] Through the analysis of Budget Change Proposals (BCP), state agencies and the Department of Finance selectively consider the cost and effectiveness of possible alternatives to current program levels. This selective approach now is used for the zero-base analysis of programs adjudged to be most in need of thorough review.

Three patterns for applying zero-base budgeting have been developed in California. First, the Department of Finance recommends a zero level of funding for the baseline budget planning estimates issued for particular programs. Program managers and department heads then are required to justify in detail various levels of the program, starting at the basic program level and then adding other features and levels of operation. A department may prepare as many Budget Change Proposals as necessary to adjust the original level (in this case zero) to that which it considers appropriate. The major burden of analysis is on the department to show that the program should be funded at above zero level.

A second approach is for the Department of Finance to develop negative Budget Change Proposals, that is, a proposal to set the budget below the current level. A formal negative BCP is prepared by the Department of Finance, and the department operating the program is given an opportunity to provide analytic support for the option it favors. The third approach is initiated by departmental proposals for program eliminations, reductions, trade-offs, and redirections. These are assessed in BCP documents.

In all three types of zero-base review, a decision memo is used to bring the issues in the Budget Change Proposals into an agenda for formal budget hearings. After the hearings, baseline budget planning estimates are adjusted (if appropriate) to the new level which then becomes the basis for the presentation in the Governor's budget.

Georgia

Georgia is generally regarded as the first State to adopt ZBB as its budget-

Introduction

The main purpose of this report is to assess the extent to which ZBB practices have been applied in the States, not to appraise either the worthwhileness of these practices or their impacts on budgetary outcomes. The limited data contained in the survey does not permit this analysis to go beyond the formal procedures of budgeting. On-the-scene observations of budgetary practices would be required before an evaluation can be conducted of ZBB's effectiveness. Yet there is some value in merely recording state-by-state use of ZBB procedures. Although there has been much talk about ZBB in recent years, no one seems to be sure whether it has spread to more than a handful of States.

A second purpose is to provide background information for Congress in its consideration of legislation to introduce ZBB-type practices in the federal government. During the 94th Congress, considerable attention has been given to various forms of Sunset and ZBB legislation. Congress can benefit from an awareness of state innovations in this area.

ZBB is an attempt to come to grips with limitations on state resources. As explained by New Jersey State Treasurer Richard C. Leone, in testimony on why his State has turned to zero-base budgeting,

> the question is how can we deal with the increasing costs of government programs, given the limits on available resources . . . I think we are, at least for the present, approaching the limits of the public's will to see a larger and larger share of national income spent in the public sector.
>
> It seems clear that at all levels of government current budgeting procedures have done little to help decision makers deal with the sources of these problems.[1]

1. Criteria for ZBB Practices

A number of difficulties complicate any attempt to determine the extent to which ZBB practices are applied in the States. For one thing, every budget process has the potential for reviewing all programs from point zero — not just incremental requests — even when no special ZBB techniques are used. From time to time, every State has reviewed some of its programs from top to bottom as part of its regular budget process. Thus, one budget director argues in his response that because "any total review of a budget is for the precise purpose of reviewing levels, needs, and program effectiveness of all programs," his State has a ZBB system even though it does not have specific ZBB methods.

Without disputing the merits of this position, it seems appropriate for purposes of this study to reserve the designation of ZBB to special budget practices and to exclude general budget procedures from its scope. This approach enables us to identify the States which have devised specific ZBB methods to replace or supplement regular budget review procedures.

A second problem is that a few States have announced their intention to zero-base their budgets, but they have not followed up with any concrete changes in their budget practices. Where this is the case, the objective might be to stir agencies to conduct a more thorough review of their existing programs than might be routinely undertaken. Despite the strategic value of embracing the ZBB label, the definition applied in this report requires that the intent be realized through specific ZBB practices.

A third difficulty derives from the fact that some States have formed their views about ZBB from a famous article written by Aaron Wildavsky and Arthur Hammann almost a dozen years ago.[7] The two authors described and rated as a failure an attempt by the U.S. Department of Agriculture to zero-base its budget for the 1964 fiscal year. Whatever the conceptual affinities of the earlier and the present efforts, they share few practical similarities. The Department of Agriculture did not apply any special techniques; and though a great deal of additional effort was expended in behalf of ZBB, none of the distinctive methods associated with current ZBB activities were present.

A fourth complication is that a literal, across-the-board zero-base review of all state programs simply is not possible in an annual or biennial budget cycle. Even when a State establishes a comprehensive ZBB system, decisionmakers are likely to concentrate on only a small number of issues and programs. Thus in Georgia, according to Peter Pyhrr, the Governor "concentrated his time on reviewing policy questions, major increases and decreases in existing programs,

7. ZBB Methods in Selected States

As already noted, ZBB has various meanings and applications. This part of the report describes the ZBB approaches of the States which submitted ZBB documents (budget instructions, forms, manuals, etc.) along with their survey responses. The descriptions offered here are derived from these documents and they deal only with the formal aspects of zero-base budgeting. They do not assess the impact of ZBB on budget outcomes or the extent to which the methods have been used in practice.

Arkansas

In February 1976, the Governor introduced a new Priority Budgeting System (PBS) to be used for the 1977-79 biennium.[11] This system, along with new budget forms and instructions, was subsequently approved by the Arkansas Legislative Council. PBS is to serve as the main system for preparing the budget and presenting it to the State Legislature. All executive branch agencies (other than elective offices and the Highway Department) are covered by it. PBS retains the line-item data requirements but adds program priority rankings to agency budget submissions.

Budget requests under the new system are to be divided into three categories: (1) the *base level* which (with some exceptions) cannot exceed 90 percent of the current fiscal year's budget level; (2) Priority 1 which together with the base level cannot exceed 101 percent of the current budget level;[12] and (3) Priorities 2-11 which are to include any other request not included in the first two categories. Agencies must rank their requests in a descending order of priority—Base Level, Priority 1, Priority 2, Priority 3, etc. Each of these requests must contain its own justification and must be budgeted as a whole unit containing all of the costs necessary for operating the unit at the requested priority level. For example, a request for a Priority 3 program is to be considered as a whole and its justification and contents therefore must be independent of the request for any other priority level.

The three categories do not apply to state aid to schools, cities, counties, or charitable institutions, or to capital expenditures and some minor fixed expenditures.

An agency has discretion in deciding what to include in its base level request and how to rank its other priorities. With the base level set at no more than 90 percent of the current budget, an agency may opt to reduce the level of all of its programs or to eliminate low-level programs or to alter existing programs or methods of delivery. It also has the option to propose program expansions and

means of evaluating the levels of effort proposed for alternative decision packages. Although Georgia was the first to implement ZBB, its most recent modifications are intended to improve the reporting and use of such measures. The latest budget instructions require each agency to "submit a list of effectiveness, workload and efficiency measures for each function prior to preparation of the budget." The amount and type of program and performance data developed in the Texas system seem to be almost comparable to those in full-fledged program budget States. There is less emphasis on formal planning and analysis in the ZBB States and more on linking program and performance to specific levels of cost.

new programs and capital expenditures, and a few packages and rankings where there appeared to be problems."[3] This selective attention is necessary because Georgia had approximately 10,000 decision packages. Yet by any reasonable standard, Georgia and other States have viable ZBB systems even though they do not always conform to the literal criterion.

Finally, ZBB methods vary among the States that have applied it, so that there is not a common core of practices which all ZBB States share. Perhaps all use some form of priority ranking of budget requests, but some use decision packages while others do not. Some divide their budgets into incremental units while others merely have methods for examining the requests at below the base. The definition of ZBB used in the questionnaire referred to "a priority ranking of all programs and activities in successively increasing levels of performance and funding, starting from zero." However, in this report, any systematic analysis at below the base is regarded as a ZBB application, if it is combined with priority rankings.

2. ZBB Applications in the States

Table 1, which summarizes the basic responses from 41 States, identifies 11 States which, on the basis of their responses and a review of available documents, appear to utilize ZBB in their budget practices. This is the minimum number of States that qualify under the standards applied in this report. With more extensive documentation or closer observation, other States might be added to the list. Illinois is included on the list even though it responded negatively in the questionnaire because its budget instructions show a substantial commitment to ZBB techniques. A description of ZBB in each of the 11 States is presented in Chapter 7.

However, the list does not include six States (Connecticut, Kansas, Maryland, Nebraska, Pennsylvania, and South Dakota) which responded affirmatively to one or more of the questions on whether they are using ZBB. (These are questions 1a, 1b, and 1c found in the Appendix.) A number of these States make extensive use of program or performance budgeting which have some objectives in common with ZBB but ought to be distinguished from it. The State of Washington responded negatively and is not included even though the Governor recently instructed all agencies to justify existing programs as thoroughly and in the same manner as new ones and to rank all programs in priority order. If these gubernatorial instructions are incorporated in the budget process, Washington will be among the ZBB States. Louisiana is likewise not included, although after its response was sent in the State enacted legislation requiring ZBB.

Table 2 shows the extent to which ZBB practices are employed in the 11 States. Most of these States apply ZBB to all agencies, but Arkansas does not use it for elective offices and the Highway Department, California selectively applies ZBB to targets of opportunity, Idaho intends to ZBB all programs over a 5-year cycle, and Montana is pilot testing ZBB in eight programs. About one half of the ZBB States use it as their regular system for budget preparation, but several use it to supplement their preexisting program budgeting systems or as an additional source of budgetary data. It should be recognized that funds for some programs, such as state aid to schools and municipalities, are based on statutory formulas and may not be suitable for zero-base treatment in the budget.

As applied in most of these States, zero-base budgeting is a two-step process for justifying and reviewing programs from the ground up (or from some point below the current service level). The first step is the disaggregation of all state activities into "decision packages"; the second is the ranking of these packages in order of priority. Decision packages usually are identified at the lowest level of

6. ZBB and PPB

ZBB is the latest in a series of state budget innovations stretching back to the early years of this century. It follows on the heels of efforts by a number of States to install PPB systems during the 1960s.[7] The relationships and differences between these two sets of budget reforms is a source of both confusion and opportunity.

Aaron Wildavsky regards zero-base budgeting as "an extreme variant" and "a precursor of" PPB, both sharing the same objectives, concepts, and failures.[8] Mr. Wildavsky's perspective is largely derived from the U.S. Department of Agriculture's experiment of the mid-1960s, though he briefly reviews the ZBB activities of two States — Georgia and New Mexico. Peter Pyhrr, however, regards PPB and ZBB as essentially different though potentially complementary systems:

> PPB provides the macroeconomic tool for centralized decision making on major policy issues and basic fund allocations. Zero-base budgeting provides the microeconomic tool to transform these objectives into an efficient operating plan.[9]

The key difference between the two systems is that PPB focuses on top-level decisionmaking, while ZBB focuses on decisions at various operating and management levels. Mr. Pyhrr suggested that "the top-down efforts of PPB can be coordinated with the predominantly bottom-up efforts of zero-base budgeting."[10] The limited evidence from this survey confirms Mr. Pyhrr's claim that the two systems can be compatible and mutually reinforcing. In at least four of the 11 ZBB States, zero-base techniques have been fused into the preexisting program budgeting* apparatus. California, Illinois, New Jersey, and Rhode Island have implemented ZBB practices in ways which have not disturbed their program budgeting activities. In a fifth State — Montana — the new Priority Budgeting System is an integration of PPB and ZBB techniques. It combines PPB-type techniques of multiyear planning and cost-effectiveness analysis with the ranking of activity decision packages on a priority basis.

In the remaining ZBB States, there is a significant and growing use of program and performance measures, not merely as ancillary information but as

*The term PPB is not used by States today. State variations now in use will be referred to generally as "program budgeting."

appropriation. A State's budget document might have to be tripled or quadrupled in size in order to accommodate its ZBB presentations. The number of appropriation accounts also would have to be multiplied if the activity level at which decision packages are evaluated becomes the level at which appropriations are made.

the organization (such as a cost center) capable of formulating a budget request. Each decision package represents one of a number of alternative levels of cost and service for an activity; sometimes it also represents one of a number of ways of performing a given activity. Each decision package thus can be both an incremental budget request and an alternative to another budget request.

Decision packages are in general use in all but three of the ZBB States. In two of the exceptions (California and Rhode Island) zero-base budgeting supplements the regular budget process, a use for which decision packages may not be suitable; however, Rhode Island uses them for expanded or new progthe third State (Tennessee) the ZBB forms coexist with traditional line-item budget methods. Illinois does not formally use decision packages, but its budget process has a similar effect.

Where the decision packages are based on alternative levels of effort, there is no uniformity as to the levels required for budget submission. Several States require that the first decision package for an activity be the minimum level at which it remains viable to continue the activity. This procedure is used in Georgia and Texas, two States with possibly the most developed ZBB systems. In a number of other States, the first decision package might be set at no higher than some percentage of the current funding level. New Jersey sets this lowest level at 50 percent, Montana uses an 80 percent decision package; Illinois sets 90 percent of the current level as the first decision level. New Jersey's ZBB process calls for an identification of the qualitative and quantitative effects of a zero-funding level, and this may be the closest that any State comes to pure zero-base budgeting. In virtually every ZBB State, the decision packages must separately identify costs and levels of effort above the current funding (or service, in some cases) level.

Priority rankings are the most pervasive ZBB element; only California, which applies ZBB selectively, does not engage in ranking of priorities. In a number of States, the decision packages are ranked at progressively higher levels of aggregation, beginning with the activity manager who ranks only the alternatives to the activity he administers, up through the department head who must determine the priority for all activity levels within his agency. A favorite technique is to specify the cumulative costs (and in a few States, the cumulative levels of performance) of each lower-ranking priority. In this way, decisionmakers can evaluate the alternative decision packages that can be "purchased" at different funding levels.

In practice, zero-base budgeting is more a form of marginal analysis than a requirement that the budget be built up from scratch each year or two. It is a device for shifting the bulk of budget preparation from increments above the budget base to decrements below the base. The term "zero-base" is somewhat misleading, but as long as its actual intent is properly understood, ZBB can be judged on its own merits.

Table I
ZBB Systems in the States*

State	*State has this or alternative ZBB system*	*Comments*
Alaska	No	Considered ZBB in 1972, but decided on other budget methods instead.
Arizona	No	Budget Director feels that evaluation methods and other improvements must precede ZBB.
Arkansas	Yes	A new Priority Budgeting System for base-level requests at 90% of current level, and priority ranking of other requests.
California	Yes	Selective use of ZBB in combination with other methods for analysis of budgets at below the base level.
Connecticut(a)	No	Governor's 1972 letter to state agencies calls for ZBB as part of the overall budget process, but no formal system has been introduced.
Delaware	No	....
Florida	No	....
Georgia	Yes	Comprehensive ZBB system with decision packages for minimum and base levels, workload increases, and program expansions. Priority rankings and performance data.
Hawaii	No	A comprehensive PPB system, prescribed by state law, is in operation.
Idaho	Yes	Selective use of ZBB in 5% to 20% of programs, plus priority ranking by decision units of all programs.
Illinois(a)	Yes	Time constraint of annual budget cycle does not permit a total zero-base effort each year. Budget submissions are done in program packages amounting to 90% of last year's base, programs at the margin between 90% and 100% of base, and those desired programs which would be funded only if appropriations exceed the base.
Indiana	No	Considered and rejected ZBB.
Iowa	No	Is considering ZBB and alternative innovations for 1977-79 budget.
Kansas(a)	No	Reviews all spending as part of the regular budget process.
Kentucky	No	....
Louisiana	No	Act 146 of 1976 signed July 16, 1976, mandates ZBB.
Maine	No	A modified system will be used in the next budget cycle.
Maryland(a)	No	Reviews each program as part of the regular budget process. Annual budget instructions commence with the policy that "the budgetary base for the justification of estimated financial requirements is *zero*."
Minnesota	No	....
Mississippi	No	....
Missouri	Yes	Comprehensive program budget with extensive use of program and performance measures; proposed increases above base are priority ranked.

*Zero-base budgeting, a system by which state programs and activities are organized and budgeted on a detailed plan which forces review, evaluation, and analysis on all proposed expenditures rather than on increases above current expenditure levels. The purpose is to determine whether each activity warrants continuation at its current level or a different level, or should be terminated. This begin requires a priority ranking of all programs and activities in successively increasing levels of performance and funding starting from zero. This table excludes nine States which did not respond to the questionnaire.

(a) The responses of these States were adjusted to maintain consistency of definition.

5. ZBB and the Legislative Process

In concept and application, ZBB is primarily an instrument of executive budgeting. In each of the ZBB States, the zero-base activity is associated with the preparation of the budget by state departments and agencies. The appropriations stage of the budget process need not be directly affected by the ZBB activities of the executive branch. Moreover, most ZBB work is done at operating and management levels and the Governor's involvement is limited—as Peter Pyhrr noted—to a review of major policy issues. The literature of ZBB and the instructions issued by practicing States focus on the responsibilities of program managers, up to and possibly including department heads, to review and evaluate all components of their budgets. To the extent that ZBB has had an effect on budget outcomes, the effect will be felt primarily at these management levels.[5]

Although ZBB generally is not conceived as a legislative tool, there is no reason for legislative bodies to be completely excluded. In several ZBB States, the initiative or requirement for ZBB has come from the Legislature. In Arkansas, the Legislative Council has had an active role in the design of ZBB. The pilot testing of ZBB in Montana was mandated by a 1975 act of the State Legislature, while new statutory requirements with regard to budgetary data have prompted Tennessee to introduce ZBB practices. In Texas, the Legislature shares responsibility for budget preparation with the Governor, and ZBB instructions are jointly issued by the Legislative Budget Office and the Governor's Budget and Planning Office. As previously reported, legislative initiatives for future ZBB applications are under way in Wisconsin.

Even where a State Legislature has not actively sponsored ZBB, it may be able to avail itself of the products of the new system. In more than one half of the States, the Legislature receives copies of agency budget submissions, either at the time they are sent to the Governor or at a later date.[6] In these States, a Legislature should be able to obtain the decision packages and priority rankings submitted by the agencies to the executive budget office.

However, there is no necessity for a State to recast its budget document or the form of appropriations to conform to ZBB methods. Once a budget decision has been made on the basis of ZBB presentations, it can be cast into any form congruent with the accounting system of the State. ZBB can coexist with program categories, standard organization classifications, line-item detail, or any other budget format. Moreover, inasmuch as decision packages usually are developed at low levels of activity, they are not likely to be suitable for publication in the budget (except, perhaps, in summary form) or as units of