- 1 HB297
- 2 197096-1
- 3 By Representative Poole
- 4 RFD: Fiscal Responsibility
- 5 First Read: 02-APR-19

1	197096-1:n	:02/13/2019:LSA-KF*/jmb
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8	SYNOPSIS:	In order to further provide for efficient
9		and effective budgeting of the revenues of the
10		state, this bill amends the Department of Finance
11		Division of The Budget Management Act of 1976 so as
12		to provide for biennial budget periods, annual
13		fiscal accounting, and performance review.
14		Provision is made for the State General Fund and
15		the Education Trust Fund biennial budgets to be
16		considered on alternate years, enrolling sufficient
17		financial detail into each budget so as to
18		adequately define each source of revenue and totals
19		for each budgeted program, cost center, and line
20		item in each budget and the entire appropriation
21		bill by each source of revenue, and to further
22		provide for performance review of the state
23		agencies, departments, boards, bureaus, and
24		institutions of the state. This bill becoming law
25		is contingent upon the constitutional amendment
26		proposed by HB providing for biennial budgeting

sessions of the legislature and its approval in a

1	statewide referendum as is provided for in law		
2	governing such election.		
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4	A BILL		
5	TO BE ENTITLED		
6	AN ACT		
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8	To amend Section 41-4-3.1, Code of Alabama 1975,		
9	regarding monthly financial reports by the Department of		
10	Finance; Sections 41-4-82 and 41-4-83, Code of Alabama 1975,		
11	regarding the Department of Finance Division of the Budget;		
12	and Sections 41-19-1, 41-19-3 through 41-19-8, and 41-19-10		
13	through 41-19-12, Code of Alabama 1975, regarding The Budget		
14	Management Act of 1976, so as to provide for biennial		
15	budgeting by the State of Alabama and to further provide for		
16	performance review of entities funded by the State of Alabama.		
17	BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:		
18	Section 1. Section 41-4-3.1, 41-4-82, 41-4-83,		
19	41-19-1, 41-19-3 through 41-19-8, and 41-19-10 through		
20	41-19-12, Code of Alabama 1975, are hereby amended to read as		
21	follows:		
22	<b>"</b> §41-4-3.1.		
23	"(a) The Alabama Department of Finance shall produce		
24	monthly financial reports. It is the intent of the Legislature		
25	that the monthly reports shall increase the transparency of		
26	state finances and, when conditions emerge that make budget		

proration likely, provide advance notice to the affected

agencies of government so that they can prepare as much as possible for its impact on their operations.

- "(b) The monthly reports shall provide information on at least the State General Fund and the Education Trust Fund and may include such other major state funds as the Director of Finance may determine or as may be requested by joint resolution of the legislature. Each monthly report shall be released no later than the final day of the month following the month covered by that report. Each monthly report shall be published in a prominent location on the Department of Finance web site to provide broad public access to the document and shall be provided to the Legislative Services Agency and the chairs of the House Ways and Means and Senate Finance and Taxation Committees.
- "(c) The monthly reports shall include at least the following information on the fiscal condition of the fund being reported:
- "(1) The beginning fund balance at the start of the fiscal year, including reversions and other amounts carried forward from prior years.
- "(2) The forecast of revenues expected to be received in each month during the fiscal year, including receipts from all sources. The forecast shall include an estimate of each revenue source to the fund, except that revenue sources which represent less than one percent of the fund total may be combined into one category and shall include

a comparison of forecast revenues with actual revenues showing the variance thereof, by month and cumulatively year to date.

- "(3) Any adjustments to the forecast that result in the expectation of material increases or decreases in any revenue source or any one-time revenue sources, together with the amounts of the adjustments <u>including any adjustments to</u> revenue as a result of enacted legislation.
- "(4) The annual total of resources expected to be available for the year, as of the month covered by the report, considering the beginning balance, official revenue forecast, and all material adjustments to the forecast of expected revenues.
- "(5) The total expenditures authorized by law to be made from the fund during the fiscal year being reported. These expenditures shall include the amounts in original appropriations acts, any supplemental appropriations enacted, and any other acts that appropriate resources from the fund during the fiscal year, including laws that create continuing appropriations. In addition, the expenditures shall reflect any reductions in the amounts appropriated due to any proration or spending plan changes.
- "(6) The projected ending balance in the fund as of the last day of the fiscal year.
- "(7) The year-to-date expenditures from the fund by department, agency, <u>and/or function including a comparison</u> with prior year amounts and with the most recent estimates by the Department of Finance.

"(8) A statement of actual and year-to-date revenue collections for each revenue source, including a comparison with prior year amounts and with the most recent estimates by the Department of Finance.

"§41-4-82.

"\$41-4-83.

and contents of which shall be as follows:

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"Within five days after On or before the second Tuesday in March in advance of the convening of each regular business fiscal session of the Legislature, the Governor shall transmit to the Legislature a document to be known as a budget, setting forth his financial program for each of the fiscal years which will have begun before the next succeeding regular fiscal session of the Legislature (hereinafter referred to as "budget years," regardless of the number thereof) and having the character and scope hereinafter set forth The fiscal sessions held in even-numbered calendar years shall be designated for passing biennial budgets for the basic appropriations for the ordinary expenses of the executive, legislative, and judicial agencies of the state, for other functions of government, for debt service, and for capital outlay. The fiscal sessions held in odd-numbered calendar years shall be designated for passing biennial budgets for the support, maintenance, and development of public education, for debt service, and for capital outlay for public education.

"The budget shall consist of three parts, the nature

"(1) Part I shall consist of the Governor's budget
message, which shall be in writing and delivered to the
Legislature on or before the second Tuesday in March, in which
he/she shall set forth:

- "a. His/Her program for meeting all the expenditure needs of the government for each of the budget years, indicating the fund, general or special, from which such expenditures are to be made and the means through which such expenditures are to be financed.
  - "b. Financial statements giving in summary form:
- "1. The condition of the Treasury at the end of the last completed fiscal year, the estimated condition of the Treasury at the end of the fiscal year in progress and the estimated condition of the Treasury at the end of each of the budget years if his budget proposals are to be put into effect.
- "2. Statements showing the bonded indebtedness of the government, debt authorized and unissued, debt redemption and interest requirements and the condition of the sinking funds, if any.
- "3. A summary of appropriations recommended for each of the budget years for each department, board, bureau, commission, agency, office and institution of the state and for the government as a whole, in comparison with the actual expenditures for each of the completed fiscal years covered by the last preceding budget and the estimated expenditures for the fiscal year in progress.

"4. A summary of the revenue, classified according to sources, estimated to be received by the government during each of the budget years, in comparison with the actual revenue received by the government during each of the completed fiscal years covered by the last preceding budget and the estimated income for the fiscal year in progress.

"c. Such other financial statements, data and comments as in his/her opinion are necessary or desirable in order to make known in all practicable detail the financial condition and operation of the government and the effect that the budget as proposed by him/her will have on such condition and operation.

"d. If the estimated revenues for the budget years plus the estimated amounts in the Treasury at the close of the fiscal year in progress are less than the aggregate appropriations recommended for the budget years, the Governor shall make recommendation to the Legislature with respect to the manner in which such deficit shall be met, whether by the imposition of new taxes, increased rates in existing taxes or otherwise. If the revenues are more than the aggregate appropriations recommended, he/she shall make such recommendations with respect to the application of such surplus to the reduction of debt, to reductions in taxation or to such other action as in his/her opinion is in the public interest.

"(2) Part II shall present in detail for each of the budget years his/her recommendations for appropriations to

meet the expenditure needs of the government from each fund, general or special, in comparison with the actual expenditures for each of said purposes during the completed fiscal years covered by the last preceding budget and the estimated expenditures for the fiscal year in progress, classified by departments, boards, bureaus, commissions, agencies, officers and institutions of the state and indicating for each the appropriations recommended for meeting the cost of salaries, travel and per diem expenses, administration, operation and maintenance. Each item of expenditure, actual or estimated, and appropriations recommended shall be supported by detailed statements showing the actual and estimated expenditures and appropriations classified according to a standard scheme of classification to be prescribed by the Department of Finance and the purchase of land, public improvements and other capital outlays in connection therewith.

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"(3) Part III shall embrace a proposed appropriation bill or bills and a proposed revenue bill or bills for the purpose of proposing in statutory form the recommendations made in Parts I and II. Such appropriation bill or bills shall indicate the funds, general or special, from which such appropriations shall be made, in sufficient detail to enumerate each earmarked tax, local agency funds, and federal funds which are appropriated and which shall be separately totaled at the end of the appropriation bill by source of revenue contained in the detail above. but But such appropriations need not be in greater detail than to indicate

the total appropriation to be made for each department, board, bureau, commission, agency, office and institution of the state for each budget year for salaries, travel and per diem expenses, administration, operation and maintenance and the cost of land, public improvements and other capital outlays, itemized by specific projects or classes of projects of the same general character or program.

"\$41-19-1.

"This chapter may be cited as The Budget Management and performance Review Act of 2019.

"§41-19-3.

- "(a) It is the purpose of this chapter to establish a comprehensive system for budgeting, and financial management, and performance review which furthers the capacity of the Governor and the Legislature to plan and finance the services which they determine the state will provide for citizens. The system shall include procedures for all of the following:
- "(1) The orderly establishment, continuing review, and periodic revision of the program and financial goals and policies of the state.
- "(2) The development, coordination, and review of long-range program and financial plans that will implement established state goals and policies.
- "(3) The preparation, coordination, analysis, and enactment of a budget budgets, organized to focus on state services and their costs, and that authorizes authorize the

- implementation of policies and plans in the succeeding budget period.
- "(4) The evaluation of alternatives to existing

  policies, plans, and procedures that offer potential for more

  efficient or effective state services.
  - "(5) The regular appraisal and reporting of program performance.
  - "(b) The Governor shall develop a four-year strategic plan and an executive budget for presentation to the Legislature on or before the second Tuesday in March in advance of each fiscal year prior to the first day of the second regular legislative session in each term of office. The format of the executive budget shall be so provided in Section 41-4-83. The format of the strategic plan is to be determined by the Governor. The plan shall encompass the basic appropriations for fiscal years included in the budget period to be addressed in the fiscal session and shall include program, long-range revenue and expenditure plans for the quadrennium, improvements in the state infrastructure requiring capital outlay, and recommended steps to reduce the cost of operation of state government. The Governor shall transmit a copy of the plan to each member of the Legislature in electronic format and a copy of the plan shall be posted on the Governor's website.

"\$41-19-3.1.

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"The Legislative Council shall serve in an advisory capacity to the Governor in the development of the <a href="https://linear.com/local-serve">local-serve</a> in an advisory

program, revenue and expenditure plans, and in the performance

review of agencies, departments, boards, bureaus, the

Legislature, and institutions of the state. The Legislative

Council shall be aided by the Legislative Fiscal Office

Legislative Services Agency.

"\$41-19-4.

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"Beginning in the calendar year 2020, the The Governor shall present, on or before the second Tuesday in March in advance of each fiscal session of the Legislature, is responsible for the preparation and administration of the state an executive budget for the two years of basic appropriations to be addressed in that fiscal session. The executive budget shall be based on and the evaluation of the long range agency/department program plans, and requested budgets and the examination of alternatives. to state agency/department policies and programs and formulation and recommendation for consideration by the Legislature of a proposed comprehensive program and financial plan which It shall cover all estimated receipts and expenditures of the state government, including all grants, loans and moneys received from the federal government. Proposed expenditures shall not exceed estimated revenues and resources.

"For transition purposes, the Governor shall present a one-year executive budget for fiscal year 2021 for the support, maintenance, and development of public education, for debt service, and for capital outlay for public education of

1	the state on or before the first legislative day of the		
2	general session of 2020.		
3	<b>"</b> §41-19-5.		
4	"The Department of Finance shall:		
5	"(1) Assist the Governor in the preparation and		
6	explanation of the proposed comprehensive program and		
7	financial plan, including the coordination and analysis of		
8	state agency/department program goals and objectives, program		
9	plans and program budget requests;		
10	"(2) Develop procedures to produce the information		
11	needed for effective decision making;		
12	"(3) Assist agencies/departments in preparing their		
13	statement of goals and objectives, program plans, program		
14	budget requests and reporting of program performance and		
15	review;		
16	"(4) Administer its responsibilities under the		
17	program execution provisions of this chapter so that the		
18	policy decisions and budget determination of the Governor and		
19	the Legislature are implemented to the fullest extent possible		
20	within the concepts of proper management;		
21	"(5) Provide the Legislature with budget information		
22	related to the development of recommendations for each fiscal		
23	year of each biennial period; and		
24	"(6) Assist agencies/departments in the preparation		
25	of their proposals under Section 41-19-6. This assistance		
26	shall include organization of materials, provision of		
27	centrally collected accounting, budgeting and personnel		

information, standards and guidelines formulation, provision
of population and other required data, and any other
assistance that will help the state agencies/departments
produce the information necessary for efficient
agency/department management and effective decision making by
the Governor and the Legislature for each fiscal year of the
biennial budget period.

"\$41-19-6.

- "(a) Each state agency/department, on the date and in the form and content prescribed by the Department of Finance, shall prepare and forward to the Budget Officer the following program and financial information:
- "(1) The goals and objectives of the agency/department programs, together with proposed supplements, deletions and revisions to such programs <u>for each fiscal year of the biennial budget period</u>;
- "(2) Its proposed plans to implement the goals and objectives, including estimates of future service needs, planned methods of administration, proposed modification of existing program services and establishment of new program services, and the estimated resources needed to carry out the proposed plan;
- "(3) The budget requested for each fiscal year of the biennial budget period to carry out its proposed plans in the succeeding fiscal year. The budget request information shall include the expenditures during the last fiscal year, those estimated for the current fiscal year, those proposed

- for <u>each of the two</u> the succeeding fiscal years of the budget

  period, and any other information requested by the Department

  of Finance;
  - "(4) A report of the revenues during the last fiscal year, an estimate of the revenues during the current fiscal year and an estimate for <u>each</u> the succeeding fiscal year <u>of</u> the biennial budget period;
  - "(5) A statement of legislation required to implement the proposed programs and financial plans; and
  - "(6) An evaluation of the advantages and disadvantages of specific alternatives to existing or proposed program policies or administrative methods.
  - "(b) The state agency/department proposals prepared under subsection (a) of this section shall describe the relationships of their programs services to those of other state agencies/departments and other branches of state government.
  - "(c) If any state agency/department fails to transmit the program and financial information required under subsection (a) of this section on the specified date, the Department of Finance may prepare such information.
  - "(d) The Department of Finance shall compile and submit to the Governor or the Governor-elect for any year when a new Governor has been elected, not later than November 20, a summary of the program and financial information prepared by state agencies/departments.

27 "\$41-19-7.

"(a) The Governor shall formulate the program and financial plan to be recommended to the Legislature after considering each state agency's proposed program and financial plan. The Governor's plan shall include his recommended goals and policies, recommended plans to implement the goals and policies, recommended budget for the <a href="two">two</a> succeeding fiscal years of the biennial budget period and recommended revenue measures to balance the budget.

"Beginning in the calendar year 2021, the Governor's plan shall focus on the basic appropriations and fiscal years included in the biennial budget period to be addressed in the fiscal session.

"(b) The proposed comprehensive program and financial plan shall be presented by the Governor in a message to a joint session of the Legislature on or before the fifth first legislative day of each regular fiscal session of the Legislature. This presentation shall explain the budget plan submitted to the Legislature on or before the second Tuesday in March in advance of the legislative fiscal session. The message shall be accompanied by an explanatory report which summarizes recommended goals, plans and appropriations. The explanatory report shall be furnished each member of the Legislature and each state agency/department on or before the fifth second Tuesday in March in advance of the first legislative day of the regular fiscal session of the Legislature. The report shall contain the following information:

1	"(1) The coordinate program goals and objectives
2	that the Governor recommends to guide the decisions on the
3	proposed program plans and budget appropriations;
4	"(2) The program and budget recommendations of the
5	Governor for each fiscal year of the succeeding fiscal year;
6	"(3) A summary of state revenues in the last fiscal
7	year, a revised estimate for the current fiscal year and an
8	estimate for the succeeding fiscal year of the succeeding
9	<pre>biennial budget period;</pre>
10	"(4) A summary of expenditures during the last
11	fiscal year, those estimated for the current fiscal year and
12	those recommended by the Governor for the each fiscal year of
13	the succeeding biennial budget period fiscal year; and
14	"(5) Any additional information which will
15	facilitate understanding of the Governor's proposed program
16	and financial plan by the Legislature and the public.
17	"§41-19-8.
18	"The Legislature shall:
19	"(1) Consider the program and financial plan
20	recommended by the Governor, including proposed goals and
21	policies, tax rate and other revenue changes and long range
22	program plans;
23	"(2) Adopt programs and alternatives to the plan
24	recommended by the Governor which it deems appropriate;
25	"(3) Adopt legislation to authorize the
26	implementation of a comprehensive program and financial plan;
27	and

"(4) Provide <u>for performance review of</u>

agency/departments in each fiscal year of the biennial budget

period and for a post audit of financial transactions, program

accomplishments and execution of legislative policy direction.

"\$41-19-10.

"(a) Except as limited by policy decisions of the Governor, appropriations by the Legislature and other provisions of law, the several state agencies/departments shall have full authority for administering their program assignments and appropriations and shall be responsible for their proper management.

- "(b) Each state agency/department shall prepare an annual plan for the operation of each of its assigned programs for each fiscal year of the biennial budget period. The operations plan shall be prepared in the form and content and be transmitted on the date prescribed to the Department of Finance. The operations plan shall be separate for each fiscal year of the biennium; provided, however, that unexpended funds for the first fiscal year of a biennial budget period may be carried forward and expended in the second fiscal year of the biennial budget period. Funds unexpended at the end of the biennial budget period shall revert to the fund from which appropriated.
  - "(c) The Department of Finance shall:
- "(1) Review each operations plan to determine that it is consistent with the policy decisions of the Governor and appropriations by the Legislature, that it reflects proper

planning and efficient management methods and that
appropriations have been made for the planned purpose and will
not be exhausted before the end of <u>each fiscal year of the</u>
biennial budget period the <u>fiscal year</u>;

- "(2) Approve the operations plan if satisfied that it meets the requirements under subdivision (1) of this subsection; otherwise, the Department of Finance shall require revision of the operations plan in whole or in part; and
- "(3) Modify or withhold the planned expenditures at any time during the appropriation period if the Department of Finance finds that such expenditures are greater than those necessary to execute the programs at the level authorized by the Governor and the Legislature or that the revenues and resources will be insufficient to meet the authorized expenditure levels.
- "(d) No state agency/department may increase salaries of its employees, employ additional employees or expend money or incur any obligations except in accordance with law and with a properly approved operations plan by the Director of Finance.
- "(e) Appropriation transfers or changes as between objects of expenditures within a program may be made only by the Director of Finance. Appropriation transfers or changes between programs within an agency/department may be made only by the Governor and shall be reported to the Legislature quarterly. No transfers shall be made between agencies/departments except pursuant to interagency agreements

executed for purposes of accomplishing objectives for which the funds involved were appropriated.

"(f) The Department of Finance shall report quarterly to the Governor and the Legislature on the operations of each state agency/department, relating actual accomplishments to those planned and modifying, if necessary, the operations plan of any agency/department for the balance of each fiscal year of the biennial budget period the fiscal year.

"\$41-19-11.

- "(a) Each state agency/department, shall submit a performance report to the Department of Finance on or before November 1 for the preceding fiscal year. These reports shall be in the form prescribed by the Budget Officer and shall include statements concerning:
- "(1) The work accomplished and the services provided in the preceding fiscal year or other meaningful work period, relating actual accomplishments to those planned under subsection (b) of Section 41-19-10;
- "(2) The relationship of accomplishments and services to the policy decisions and budget determinations of the Governor and the Legislature;
- "(3) The costs of accomplishing the work and providing the services, to the extent feasible, citing meaningful measures of program effectiveness and costs; and
- "(4) The administrative improvements made in the preceding year, potential improvements in future years and

suggested changes in legislation or administrative procedures to make further improvements.

- "(b) The Finance Department shall summarize the performance reports and forward these reports copies to each member of the Legislature annually in a form to be determined by the Finance Department.
- "(c) In order to accomplish the provisions of this Act, there is hereby created within the Office of the State Finance Director the Division of Planning. The Director of this Division shall be appointed by the Finance Director and shall not be under the state merit system. Additional employees of this Division may be subject to the state merit system.
- "(d) In order to assure effective administration of the planning and performance management provisions of this

  Act, the Budget and Planning Divisions of the Finance

  Department shall be funded by an assessment made against each state agency, department, board, bureau, the Legislature, and each institution of higher education of the state receiving a state appropriation and required to participate in the requirements of this Chapter.

"\$41-19-12.

"(a) Any person in state government, including elected or appointed officials, who prepares false budget or fiscal information to be presented to any legislative committee or who presents false budget or fiscal information to any legislative committee, knowing such budget or fiscal

information to be false, shall be guilty of a misdemeanor and, on conviction, shall be imprisoned in the county jail for not more than one year and may also be fined not more than \$1,000.00 \$10,000.00.

"(b) In the event of a second conviction under this section, such person shall be forever ineligible to hold any position with the State of Alabama."

Section 2. Section 41-19-3.2 is added to the Code of Alabama 1975, as amended, to read as follows:

"\$41-19-3.2

Beginning in the calendar year 2021, general sessions of the Legislature shall begin on the fourth Tuesday of January in each calendar year from which bills making appropriations shall be excluded. On the second Tuesday of April of each calendar year, a fiscal session of the Legislature shall be held annually following the general session. The fiscal session shall be limited to 12 legislative days and 35 calendar days. While in fiscal session, the Legislature shall consider only bills affecting state revenues and/or making basic appropriations for the two succeeding fiscal years or amending such revenue and/or appropriations acts as the legislature shall determine. The basic appropriations in these bills shall be itemized and totaled for each fiscal year of the biennial budget period as is provided for in Section 41-4-83.

The term "basic appropriations" means such appropriations as the Legislature may deem appropriate for the

ordinary expenses of the executive, legislative, and judicial departments of the state, for payment of the public debt, and for education. The legislature shall divide appropriations into two parts, passing basic appropriations for the ordinary expenses of the executive, legislative, and judicial departments of the state in one annual fiscal session, and passing basic appropriations for education in the succeeding annual fiscal session. Appropriations for interest on the public debt shall be divided between the two parts according to the purposes served by the debt.

Beginning in the calendar year 2021, the Legislature in the fiscal session held in an even calendar year shall pass bills making basic appropriations for the ordinary expenses of the executive, legislative, and judicial agencies of the state, for other functions of government, for associated debt service, and for capital outlay of the state in the fiscal session for the biennial budgeting period beginning with an odd-numbered fiscal year. This bill shall contain basic appropriations for the two succeeding fiscal years.

Beginning in the calendar year 2022, the Legislature in the fiscal session held in an odd calendar year shall pass bills making basic appropriations for support, maintenance, and development of public education, for associated debt service, and for capital outlay for public education in the fiscal session for the biennial budgeting period beginning with an even-numbered fiscal year. These bills shall contain basic appropriations for the two succeeding fiscal years.

Basic appropriations for interest on the public debt shall be divided between the two types, general and education, making basic appropriations according to the purposes served by the debt.

For transition purposes, the Legislature shall pass a one-year bill making basic appropriations for the support, maintenance, and development of public education, for debt service, and for capital outlay for public education, during the general legislative session of calendar year 2021. This bill shall provide basic appropriations for the fiscal year 2022.

Section 3. Any provision of law in conflict with the provisions of this Act is hereby repealed.

Section 4. If a court of competent jurisdiction shall adjudge to be invalid or unconstitutional any clause, sentence, paragraph, section or part of this Act, such judgment or decree shall not affect, impair, invalidate or nullify the remainder of this Act, but the effect thereof shall be confined to the clause, sentence, paragraph, section, part of this Act so adjudged to be invalid or unconstitutional.

Section 5. This act shall become effective upon its passage and approval by the Governor, or its otherwise becoming law, and is contingent upon the constitutional amendment contained in HB \_\_\_\_\_ becoming law and its approval in a statewide referendum as is provided for in law governing such election.