

LRC Committee on Efficiencies in State Government

North Carolina Justification and Continuation Reviews

Richard Bostic
Fiscal Research Division
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FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Overview

- Budget Reform Efforts
- Justification Review
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 - History
 - Results

Budget Reform Efforts

- S.L. 1993-321, Sect. 22
 - Budget Practices Study Commission created
 - Commission to study the “various approaches to budget preparation, presentation, appropriation, and execution”
 - Commission appointed but no report submitted

Budget Reform Efforts

- S.L. 2001-491, Sect. 2.1(13)(c)
 - Zero-based budgeting listed as a study topic for Legislative Research Commission (LRC)
 - LRC made no report on the topic in 2001 or 2002

Budget Reform Efforts

- S.L. 2005-276, Sect. 6.34
 - Legislative Services Commission authorized to undertake zero-based budget reviews of up to two departments prior to the 2007 Session
 - The reviews of department activities could:
 - Justify existence of each activity
 - Provide quantitative estimate of adverse impact of eliminating an activity
 - Provide itemized account of expenditures for maintaining activity at current level or minimum level of service required by law

Justification Reviews

- After a review of program evaluation and alternative budgeting approaches, legislative leadership directed the Fiscal Research Division (FRD) to conduct a pilot justification review program.
- FRD developed its review program after consultation with the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA).

Justification Reviews

- Programs selected for review in October 2006:
 - Principals' Executive Program (UNC)
 - Schools for the Deaf and Blind (HHS)
 - Alcohol Law Enforcement (CC&PS)
 - Office of Administrative Hearings
 - Welcome Centers (Commerce)
 - Secondary Roads (DOT)

Justification Reviews

- Review Objectives
 - Describe resources devoted to program, services the program provides, and recipients of services
 - Identify major policy issues for legislature to address
 - Explore means to achieve program objectives more efficiently and at less cost
 - Identify and assess usefulness of program performance measures

Justification Reviews

- Agencies were allowed to review and comment on draft reports
- FRD published the Justification Reviews between February and April 2007
- Findings were presented to the Appropriations Committees during the 2007 Session

Justification Reviews

- Principals' Executive Program (PEP)
 - Finding: Program should demonstrate that it makes a quantifiable positive impact on teaching and learning in schools
 - Action: The recurring budget was converted to nonrecurring in FY 2007-08. Follow-up data provided by UNC did not convince the legislature to restore operating funds, thus PEP was eliminated in FY 2009-10.

Justification Reviews

- Welcome Centers
 - Finding :The program's mission and policies should be reviewed and legislative approval be given for new centers. (This finding was prompted by the building of two welcome centers away from state borders.)
 - Action :Legislation was enacted to require the Department of Commerce and DOT to consult with Gov Ops and the NER Appropriations Subcommittees before beginning the design or construction of any new welcome center or visitor center buildings.

Justification Reviews

- Welcome Centers
 - Finding: Welcome centers should be more self supporting
 - Action: Legislative efforts to charge rental fees for the racks and display spaces for travel brochures have failed each legislative session since 2007.

Justification Reviews

- Residential Schools for the Deaf and Blind
 - Finding: Transfer the management of these schools from the Department of Health and Human Services to the Department of Public Instruction
 - Action: Schools transferred to DPI in 2010

Justification Reviews

- Office of Administrative Hearings (OAH)
 - Finding: Merge the Civil Rights Division in OAH with the Fair Housing unit in the Human Relations Commission
 - Action: In 2011, the House approved the transfer of the Human Relations Commission to OAH in HB 200 (Budget Act), fourth edition. However, the final edition of HB 200 did not include this consolidation.

Justification Reviews

- Alcohol Law Enforcement
 - Finding: The State Personnel Commission should develop a new Alcohol Law Enforcement nonsworn field classification
 - Action: The Department of Crime Control and Public Safety disagrees with this finding
 - no action has been taken

Justification Reviews

- Secondary Roads
 - Finding: Reduce or eliminate the funding for a secondary roads program and reconsider the state's role in funding local roads and streets.

Justification Reviews

- Secondary Roads
 - Action: Secondary road funding was reduced in the 2009, 2010, and 2011 legislative sessions. Bills have been introduced to examine the role of funding local roads, but no legislative action has been taken.

Continuation Reviews

- First authorized by the 2007 General Assembly (S.L. 2007-323, sec. 6.21)
- Programs selected for review were funded on a nonrecurring basis for one year
- Agencies were directed to provide a written report to Appropriations Committee
- The Committee had to decide whether to continue, reduce, or eliminate funds

Continuation Reviews

- The continuation review report must contain the following:
 - Program description (including recipients of service)
 - Program performance measures
 - Rationale for continuing, reducing, or eliminating funds
 - Recommendation for improving services and for reducing costs
 - Consequences of discontinuing program funding
 - Identification of issues for legislative attention

Continuation Reviews

- Continuation reviews authorized again in 2008, 2009, and 2011
- Additional report requirements in 2008:
 - State statutory objectives for program and the extent the objectives were achieved
 - List functions performed without specific statutory authority
 - Recommend statutory, budgetary, or administrative changes to improve efficiency and effectiveness

Continuation Reviews

- A formal “mission statement” was written in 2008 and included in subsequent legislation:
 - “It is the intent of the General Assembly to establish a process to periodically and systematically review the funds, agencies, divisions, and programs financed by state government.”

Continuation Reviews

- Since 2007, twenty continuation reviews have been completed and reviewed by the General Assembly:
 - 2007 (8)
 - 2008 (7)
 - 2009 (5)
 - 2010 (0)

Continuation Reviews

- Review Results – General Fund Support Eliminated
 - Center for Nursing (UNC)
 - Office of Policy and Planning (DHHS)
 - Purchase of Medical Care Services (cancer, cystic fibrosis, kidney disease, and epilepsy) (DHHS)
 - Safety Education Program (Industrial Commission) – shifted to 100% receipt support
 - Forest Development Program (DENR) - shifted to 100% receipt support

Continuation Reviews

- Review Results – Funding Partially Restored
 - BRIDGE Program (DENR) – cut 5%
 - Prisoner Education (Community Colleges) – cut 33%; eliminated funding for inmates in federal prisons and local jails unless related to job skills or basic skills education
 - Drivers Education (DOT) – cut 4%
 - Indigent Defense (Judicial) – cut 5% (later eliminated in FY 2011-12 budget)

Continuation Reviews

- Review Results – Funding Restored to Prior-Year Level
 - Spot Safety Projects (DOT)
 - NC Military Business Centers (Comm. Colleges)
 - Environmental Stewardship Initiative (DENR)
 - Conference of Clerks of Superior Courts (Judicial)
 - N.C. Conference of District Attorneys (Judicial)
 - Juvenile Crime Prevention Councils (DJJDP)

Continuation Reviews

- Review Results – Funding Restored and Increased
 - Fluoride Mouth Rinse Program (DHHS)
 - Criminal Justice Partnership Program (Correction)
 - Tarheel Challenge Academy (Public Instruction)

Continuation Reviews

- Review Results – No Change in Funding
 - Parking Office (Department of Administration) –
There were two reports on this receipt-supported agency

Continuation/Justification Reviews

- FY 2011-12
 - Seven continuation reviews are authorized and due March 1, 2012
 - Four justification reviews are authorized and due May 1, 2012
 - \$35.6 million reserve established to restore programs under review

Continuation Reviews

Copies of Continuation Reviews, statutory authority, and post review legislative action can be found on the Fiscal Research Division website at the following address:

http://www.ncleg.net/fiscalresearch/Continuation_Reviews/continuation_reviews.shtml