STATE OF OKLAHOMA

1st Session of the 60th Legislature (2025)

SENATE BILL 810 By: Bergstrom

AS INTRODUCED

An Act relating to state finance; creating the Zero-Based Budgeting Implementation Act; providing short title; requiring the Legislative Office of Fiscal Transparency to develop categories of agencies; requiring a staggered plan of a certain amount of years; requiring collaboration among various entities; requiring certain steps to be completed in each agency analysis; requiring certain inquiries; requiring development of certain forms; providing for codification; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 8016 of Title 62, unless there is created a duplication in numbering, reads as follows:

This act shall be known and may be cited as the “Zero-Based Budgeting Implementation Act”.

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 8017 of Title 62, unless there is created a duplication in numbering, reads as follows:

A. No later than December 1, 2025, the Legislative Office of Fiscal Transparency (LOFT) shall develop a list of every Oklahoma

State Agency. As used in this Act, "Agency" and "State Agency" shall have the same meaning as the term pursuant to Section 415.12 of Title 74 of the Oklahoma Statues to include every Agency, Board, Commission, Trust, and entity of government of the State of Oklahoma that receives any appropriated funds, or is designated as a non-appropriated entity yet operates as a State Agency, Board, Commission, Trust, or other entity of State Government.

B. No later than December 1, 2025, LOFT shall use the full list of Agencies developed under Subsection A of this section to develop a tiered categorization structure for all agencies to implement a staggered plan for agency review using zero-based budgeting.

C. The tiered categorization shall consist of a minimum of three tiers in which to classify each agency. LOFT shall separate the agencies into tiered categories with the higher tiers for agencies with larger budgets, more employees, a greater statutory footprint, more licenses, and more administrative rules.

The Tiered categorization for each state agency shall be created by taking into consideration the following:

1. The size of the current annual budget of the agency from all revenue sources including state appropriations, federal funds, grants, gifts, etc;

2. The number of employees currently authorized as well as currently filled positions by the agency;

3. The number of statutes covering the state agency operations;

4. The number of administrative rules promulgated by the state agency;

5. The number of licensees overseen by the state agency; and

6. Any other relevant information as identified by LOFT.

D. LOFT shall develop a staggered plan based on the tiered categorization structure created subsection C of this section.

1. Higher tiered agencies shall be up for review no fewer than every 4 and no more than every 6 years. Lower tiered agencies shall be up for review no fewer than every 2 or no more than every 4 years on a standard system.

2. The staggered plan shall be created so that all agencies will rotate being up for review over a maximum six year period from first implementation.

3. The staggered plan shall take into consideration the currently scheduled sunset of any agency so that the agency is reviewed using zero-based budgeting the year before it is up for sunset extension.

4. The staggered plan shall include a cross section of agencies from each tier so that each year will have as similar of a distribution as possible of the items listed under paragraph B so that no one year has an exceedingly higher cumulative amount of budget, statutes, rules, employees, or other items to be reviewed when all agencies up for review that year than any other year on the staggered plan.

5. The staggered plan will be based on the fiscal year. Each July 1st LOFT will begin evaluating each agency up for review that year in order to complete the review and issue a report by December 1st of that year for Legislative consideration during the next session.

SECTION 3. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 8018 of Title 62, unless there is created a duplication in numbering, reads as follows:

A. Beginning July 1, 2026, LOFT shall use the staggered plan created in Section 2 of this Act to begin zero-based budgeting reviews of the agencies identified to be included in the staggered plan during the 2027 fiscal year and shall provide the Legislature with zero-based budgeting recommendations by December 1st each year.

B. The LOFT zero-based budgeting review and analysis shall be a collaborative process between LOFT, an agency, the Governor’s office, the Legislature, and agency program staff. LOFT analysts will meet with the agency staff as needed to review and obtain any relevant information to perform a thorough analysis.

C. The zero-based budgeting analysis process consists of four main steps:

1. Identify and Evaluate Key Activities

LOFT analysts will initiate the process by gathering information from the agency and compiling their research on the programs and the key activities of the agency. In collaboration with the agency, LOFT analysts will work to ensure an adequate understanding of the program and its activities. Agencies shall discuss the program's key activities and explain why the program and its activities are critical and necessary. Agencies shall provide information on the programs intended outcomes, statutory authority, customers, budget, and consider alternative methods for delivering program services.

2. Information to be considered when evaluating the key activities and related information include but are not limited to:

a. Key Activities:

(1) Who is the primary constituency for the activity?

(2) Is the activity concentrated in one particular part of the state, or is it implemented consistently statewide?

(3) Is there any historical context for the activity that is important for decision makers to know?

(4) What is the policy objective for the activity and program?

(5) What are some alternative ways of delivering the services of the program?

(6) What are the trade-offs of the alternative methods?

(7) How do the key activities relate to the appropriated purpose of the program?

b. Statutory Authority:

(1) Is the agency statutorily required to perform the activity?

(2) Is the statutory authority specific to that activity or is the activity being performed within the broader general powers and authority of the Agency?

(3) What are the legal consequences to not performing the activity? Include any state, federal, or rule/regulation authority or requirements.

c. Personnel:

(1) Are personnel wholly or partially dedicated to this activity?

(2) If partially, what percentage of the time is the employee working on this activity?

d. Expenditures:

(1) What is the current budget/cost to carry out the activity?

(2) What are the major cost centers for the activity?

(3) What are the overhead costs to operating the program?

e. Administrative rules:

(1) What percentage of new administration rules have been enacted over the last 5 years by this agency?

(2) Amendatory rules?

(3) Repealed rules?

f. Licensing:

(1) What is the burden on licensing of individuals under this state agency?

(2) Is the licensing only for government employees or private sector employees?

D. Develop and Evaluate the Performance Measures

1. After the key activities have been identified under subsection A of the Section, LOFT shall identify the appropriate performance measures for the program and its activities. As part of the zero-based budgeting analysis process LOFT shall conduct a thorough review of the measures and work with the Governor's office and the Legislature on recommendations in a coordinated manner. The coordinated review is intended to develop a common understanding of the program's purpose and ensure that the measures reported satisfy the expectations of core functions of government in Oklahoma. Agencies will review the recommendations and offer alternative metrics if appropriate. At the end of the process, the zero-based budgeting report should reflect the best possible measures for the programs and activities of an agency and provide state and agency leadership the information needed to assess program performance and improve operations in a report provided to the Governor and the

Legislature no later than December 1st each year. The zero-based budgeting process should include:

a. review of existing and historical performance measures for the program,

b. development and evaluation of performance measures for the program,

c. internal review by LOFT of zero-based budget performance measures,

d. discussion of performance measures with the agency, and

e. review of agency budget performance measures by The Oklahoma Senate, The Oklahoma House of Representatives, the Director of the Office of Management and Enterprise Services, and LOFT with the agency.

2. Performance measures are an integral part of a zero-based budgeting analysis and should describe the workload, efficiency, and effectiveness of the activity or program.

Performance Measures will include at least four years of actual data and the agency should be able to explain trends over time in outcomes as well as how those outcomes reflect a program's overall effectiveness. Where historical data is available, analysts will review performance trends and consider factors contributing to program performance. When the zero-based budgeting process results in a new performance measure that the agency does not currently track, analysts will work with the agency to develop a plan for tracking the performance measure in all future fiscal years.

3. While the zero-based budgeting process focuses on performance at the program level, the agency and state performance metrics to which the program contributes should also be considered. When selecting candidate measures, relevant state indicators and federal benchmarks should be identified and included with the other ZBB performance measures.

Performance measures should be selected based on overall value for providing meaningful information to management and decision makers. Quality performance measures are clear (understandable to general audience), valid (data can be measured), and relevant to the core purpose of the program or agency. LOFT shall use the questions for analysis/consideration, including but not limited to:

a. Based on the performance measures identified, how are the program and its activities performing?

b. What factors may be causing a program to be less effective than desired and what would need to change to increase effectiveness? This could include law changes, funding changes, etc.

c. Is the data provided for the performance measure reliable and accurate? Is the agency able to document the sources used for the data?

d. What are the limitations of the data available for the measures, if any?

E. Analyze the Program Budget and Expenditures

1. The financial analysis of a program will examine historical expenditures by object class for a program. The goal of the analysis is to show the cost effectiveness or return on investment of the program when compared to the outcomes established in the performance metric analysis. Agencies shall explain in detail the expenditures that comprise each object class and identify the major cost centers for each program. LOFT shall use the following questions for analysis/consideration, including but not limited to:

a. Personal Services:

(1) What percentage of program expenditures is dedicated to personnel?

(2) Are personnel expenditures primarily for full-time staff or for temporary/part-time staff?

(3) Could more functions of the program be performed by part-time rather than full-time staff? Why?

(4) Does the agency use contractors to fulfill activities that could be done with staff or the converse?

(5) How have budget reductions over the last few years affected personnel as compared to basic

operations such as travel, equipment, contractual services, etc. in the program?

b. Regular Operating Expenses/Motor Vehicle Expenses and Repairs:

(1) Is the agency spending an increasing and/or substantial amount on motor vehicle expenses and repairs?

(2) If so, be able to show the size and age of fleet, average operating cost per vehicle, anticipated mileage for the upcoming year, etc. Would vehicle expenses be reduced by replacing part of the fleet rather than continuing to repair older vehicles?

c. Publications and Printing:

(1) Are there publications that could be reduced or eliminated by making them available electronically to consumers?

(2) Could forms be consolidated to reduce the number or types of forms that the agency prints?

d. Supplies and Materials:

(1) Are there unusual items that this program requires or are there cyclical buying cycles for supplies?

(2) How has supply expenditures changed over the last two years?

e. Repairs and Maintenance:

(1) Are there major repairs funded through this object class that could be funded through bonds rather than cash?

(2) Does the agency perform repairs and maintenance in house or are these functions contracted out?

(3) Could savings be achieved by outsourcing (or insourcing) these items?

f. Equipment:

(1) Is this a large cost center for the program? What is the age of inventory?

(2) Is an inordinate amount spent to repair older equipment?

(3) Would it be more cost effective to repair existing equipment or purchase new?

g. Energy: Has the agency found ways to reduce utility costs to offset increases in rates?

h. Travel:

(1) Have travel expenditures varied significantly between years?

(2) How do travel expenditures correspond with motor vehicle expenses? Are employees who travel

primarily relying on their vehicles or state vehicles?

i. Real Estate Rentals:

(1) You should have a thorough inventory of real estate space including the square footage, price per square foot, geographic locations, and details of the rental agreement.

(2) Are there penalties to relocating certain offices or consolidating office space with other divisions or departments?

j. Telecommunications:

(1) Does the agency have a staff member who reviews billings from the agency's telecommunications provider each month?

(2) Has the agency thoroughly evaluated the inventory for which it is billed to determine if there are terminals/phone lines that are unused that should be disconnected?

(3) Has the agency worked with the contracted telecommunication providers to find ways to lower its overall billings?

(4) Are there other telecommunication or computer charges that are critical to the delivery of program services?

k. Contractual Services:

(1) What services are contracted?

(2) Are any of these services that could be provided using existing staff?

(3) Are there services currently performed by full-time staff that could be provided more efficiently through a contract?

(4) Are funds for contracts spent in a timely manner or are there contracts that act as a “parking lot” for funds between years and may take multiple fiscal years to spend down?

(5) Are contractors working on specific time-limited projects or ongoing routine work?

(6) As with real estate, the agency may be asked to provide a list of all contracts associated with the program, their cost, and any specifics associated with the contract (options for renewing, penalties for early termination, etc.)

l. Unique Object Classes:

(1) Why was a unique object class created?

(2) What account codes are charged for expenditures related to the unique object class?

(3) How are the funds in the unique object class used?

2. Summarize the Analysis: For each summary of zero-based summary analysis, positive results and areas that need improvement shall be highlighted. Questions, including but not limited to the following should be addressed in discussions with the LOFT Analysts and Agency personnel:

a. Do the program's goals align with the Agency mission statement, statutory authority, directives of the Cabinet member overseeing your agency, Governor's strategic plan.

b. Is the program currently performing any activities that are not statutorily authorized? What would be the impact of halting those activities? Conversely, are there activities the program is not performing that it is statutorily required to do?

c. What have the staffing trends been for the program for the last 6 years?

d. Does the performance measure data the agency currently collects provide an accurate depiction of the efficiency and outcomes of the program and its activities?

e. How have changes in funding affected the cost to provide services?

f. What are the revenue and expense trends for the program over the last few years? Has it affected program services?

g. Can a program or activity be implemented more efficiently? Are there alternative ways or less costly ways the program could be implemented to deliver the same services?

h. Does this program or activity have to be provided by state government? Could the non- profit or private sector or another level of government provide the service?

i. Is this program or any of its services duplicative or similar to other programs or services the state or another entity outside of state government already offers?

j. Given the cost vs. outcomes, is it a program the state should continue to fund?

k. Would any laws need to change to end an activity or alter it to make it more efficient?

l. If a program is successful, what best practices could they offer for other programs or agencies?

m. What trends and outcomes are you seeing in performance measures?

F. LOFT shall develop necessary forms for Agencies to provide requested information. A sample form would include requests for the following information:

Agency Name__________

Program Name__________

KEY ACTIVITIES:

Provide a brief overview of the agency's purpose_____________

Provide a brief overview of the program's purpose____________

Provide a list of the program's top three ultimate and long-term goals:

Goal 1:___________________

Goal 2:___________________

Goal 3:___________________

Please, list the program's key activities, and complete the table below:

Key Activity 1:_________________________

Key Activity 2:_________________________

Key Activity 3:_________________________

Key Activity 4:_________________________

Key Activity 5:_________________________

SECTION 4. This act shall become effective November 1, 2025.

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