
Sunset Review of the Arizona Joint Legislative Budget Committee and the Joint Legislative Tax Committee

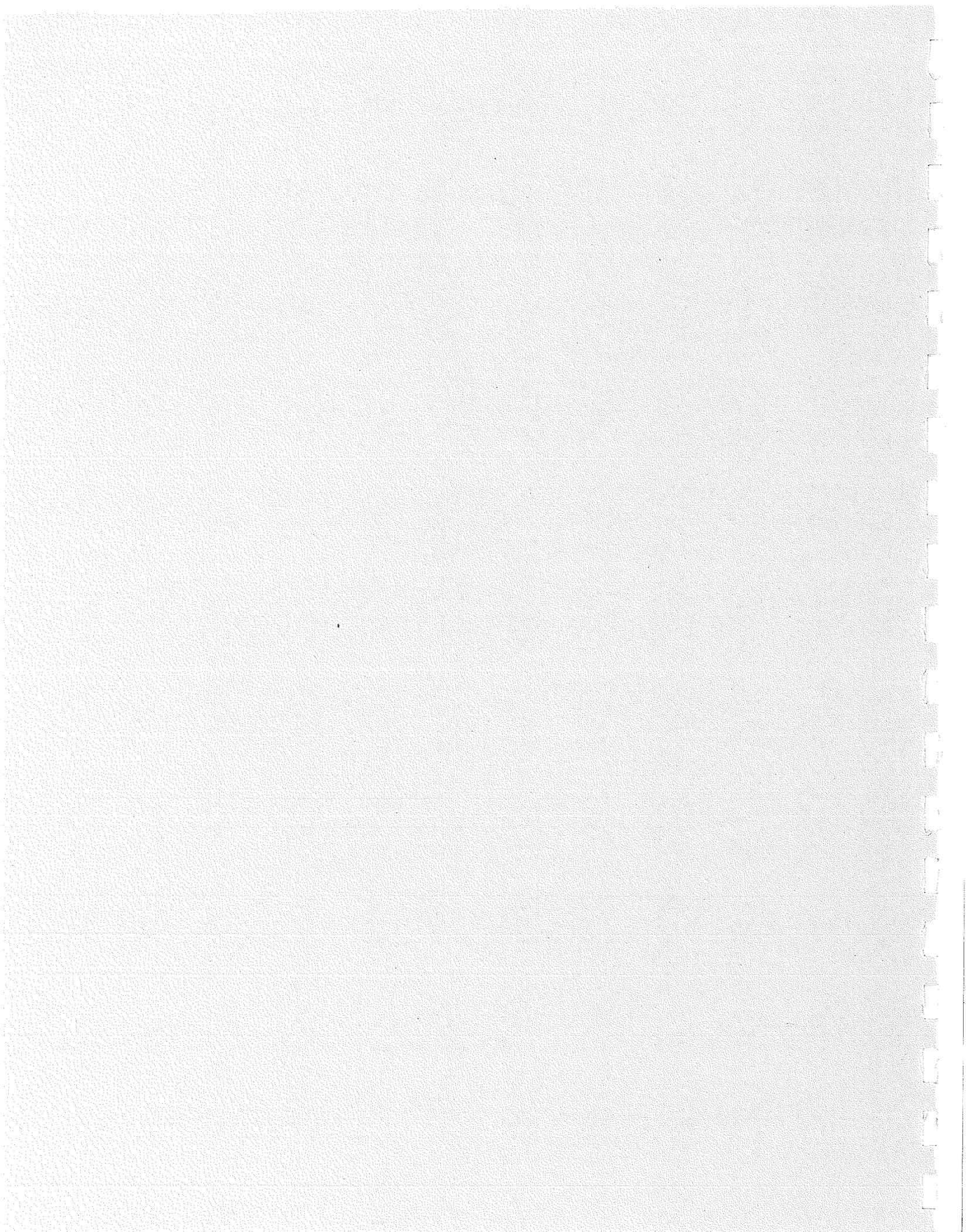
September 1999

FINAL REPORT



NATIONAL CONFERENCE
of STATE LEGISLATURES

The Forum for America's Ideas



Contents

- Contents iii
- List of Tables iv
- Executive Summary v
- Recommendations vii
- Introduction and Background 1
 - Organization and Staffing of the Joint Legislative Budget Committee and the
Joint Legislative Tax Committee 1
 - Budget for the JLBC 2
 - Sunset Review Scope and Purpose 3
 - Methodology 3
 - Acknowledgments 4
- Sunset Factors - Joint Legislative Budget Committee 5
- Sunset Factors - Joint Legislative Tax Committee 9
- Finding 1. Comparability of the JLBC Staff with Other Legislative Fiscal Staffs 13
 - JLBC Staff Have Excellent Credentials 14
 - Products and Services of the JLBC Staff 15
- Finding 2. Quality of Work of the JLBC Staff 17
 - The JLBC Performs a Significant Function 17
 - The JLBC Staff Has Established Procedures to Ensure the Quality of
Services and Products 19
 - The JLBC Staff Constitute a Nonpartisan Agency 21
- Finding 3. Impact of Changes in the State Budget Process on the JLBC 23
 - Statutory Changes in the State Budget Process 23
- Finding 4. Management 27
 - JLBC Management Structure 27
 - Employment Issues 29
 - Annual Performance Evaluations 31
- Appendices
 - A. Survey of Legislators 33
 - B. Agency Response 35

List of Tables

Table

1. JLBC Funding Sources and FTEs for Fiscal Years 1998 Through 2000	3
2. Comparison of the JLBC Staff to Similar Agencies in other States	16
3. Summary of Responses to Legislator Survey.....	23
4. JLBC Staff Turnover Rate FY 1997 Through FY 1999	35

Executive Summary

The National Conference of State Legislatures (NCSL) conducted a review of the Arizona Joint Legislative Budget Committee (JLBC), the Joint Legislative Tax Committee, and the JLBC staff as part of the sunset process. The NCSL study team developed findings and offers recommendations in the following areas.

Comparability of the JLBC Staff with other Legislative Fiscal Staffs

The staff of the Arizona Joint Legislative Budget Committee compares favorably with central legislative fiscal staffs in other states in terms of staff size and professional character. Staff members are well qualified and perform their work responsibilities in a professional manner. The products and services of the JLBC staff are comparable in nature to those of other legislative fiscal staffs, making allowance for differences among legislatures.

Quality of Work of the JLBC Staff

The JLBC and committee staff have been efficient and effective in carrying out their statutory functions of analyzing the governor's budget recommendations, making recommendations to the legislature, and carrying out related and ancillary responsibilities as required by statutes and the rules of the Joint Legislative Budget Committee. Legislators are familiar with the work of the staff and indicate approval of the quality of its work. The JLBC staff director has established adequate procedures for staff training and control of the quality of work products. The JLBC staff has established procedures to ensure that any recommendations of the Office of the Auditor General with a fiscal impact receive appropriate recognition and consideration in JLBC staff recommendations to the committee. The JLBC staff is nonpartisan, although in a partisan legislative environment concerns about the nonpartisan nature inevitably arise.

Impact of Changes in the State Budget Process on the JLBC

Legislation since 1993 has substantially changed the Arizona budget process, requiring a change from an annual to a biennial budget cycle, strategic program area reviews (SPARs), and a change from line-item appropriations to program budgeting. As the legislation is fully implemented in the near future, the responsibilities and work load of the JLBC staff will change. The changes are likely to require the JLBC staff to focus more than in the past on agency performance evaluation, as part of SPARS and in support of the shift to program budgeting. The changes could require staff to develop new skills and methods of analysis. The staff should begin to plan to meet the additional requirements for skills and expertise it will face.

Sunset Questions

The Joint Legislative Budget Committee should be continued for another 10 years under the Arizona sunset law.

Recommendations

Recommendation 1. The JLBC staff should continue to ensure that the Joint Legislative Budget Committee receives an impartial evaluation of the Office of the Auditor General's recommendations that carry a fiscal impact.

Recommendation 2. The chairs of the JLBC should consider specifying in the committee rules and regulations that the work of the JLBC staff director and staff is to be nonpartisan in nature.

Recommendation 3. The JLBC staff director should conduct a strategic planning exercise with JLBC staff to assess the possible future impacts on JLBC staff responsibilities of the statutory changes to biennial budgeting, a program budgeting format, and the enhanced opportunity for JLBC staff to conduct agency performance reviews. The staff director should report the results of the planning exercise to the Joint Legislative Budget Committee chairs.

Recommendation 4. The staff director should continue to emphasize the role of team leaders as trainers and mentors for the members of their teams, and should consider encouraging more regular staff meetings.

Recommendation 5. The staff director should consider other appropriate means of recognizing staff achievement and ability to compensate for the limited opportunities for advancement in title and management responsibilities.

Introduction and Background

The National Conference of State Legislatures (NCSL), under contract with the Arizona Legislature, has conducted a sunset review of the Arizona Joint Legislative Budget Committee (JLBC) and the Joint Legislative Tax Committee (JLTC). The review was conducted as part of the Sunset Review set forth in Arizona Revised Statutes (A.R.S.) §§ 41-2951 through 41-2957. A sunset review is a systematic evaluation of an agency to determine if that agency should be continued, terminated, revised or consolidated.

This report addresses sunset factors for each of the two joint committees that are formally subject to sunset review. The report also includes a review of the Joint Legislative Budget Committee staff.

For the sake of clarity, references in this report to "JLBC" are references to the Joint Legislative Budget Committee itself. The staff is referred to as staff, JLBC staff or committee staff.

Organization and Staffing of the Joint Legislative Budget Committee and the Joint Legislative Tax Committee

The JLBC and JLTC are statutorily established committees of the Arizona Legislature. The authorization for and responsibilities of the JLBC are found in A.R.S. § 41-1272*ff.* The authorization and powers and duties of the JLTC are found in A.R.S. § 41-1321*ff.*

The primary duties and powers of the JLBC are to ascertain facts and make recommendations to the Legislature on the state's budget, revenues and expenditures and future fiscal needs, and implement a system of fiscal notes on introduced bills and rules with fiscal impacts.

The 16 members of the JLBC are the majority leaders of the Senate and the House of Representatives, the chairs of the Senate and House appropriations committees, the chairs of the Senate Finance Committee and the House Ways and Means Committee, and five additional members from each of the two appropriations committees. The chairs of the two appropriations committees serve alternate annual terms as chair of JLBC.

The JLBC is charged with the appointment of a budget analyst and other necessary staff, for whom the budget analyst will serve as staff director (A.R.S. §41-1273). This is the statutory authorization for the JLBC staff. The staff's mission is:

To provide the Arizona Legislature with sound research, analysis, forecasts and recommendations on government finances and public policies; and to provide the members with high quality work that is factual and delivered in a timely and professional manner, enabling the members to make informed public policy decisions that are in the best interests of the citizens of Arizona.

These responsibilities are unique to the committee and its 34-member staff in the Arizona Legislature, and are integral parts of the Arizona legislative process. No other body in the Legislature has functions similar to or duplicative of those of the committee and its staff.

The duties and powers of the JLTC are to recommend legislation to set the rate of the telecommunication service excise tax established by A.R.S. § 42.5251ff and to analyze the state tax structure, burdens on taxpayers, and tax incentives for existing and prospective businesses. The JLTC may appoint a tax analyst and staff, but has not done so. The committee may also utilize the staff of the Joint Legislative Budget Committee for certain studies.

The 18 members of the JLTC are the president of the Senate, the speaker of the House of Representatives, the majority leader, the majority whip, the minority leader, the minority whip, the chair of the Appropriations Committee of the Senate and the chair of the Finance and Revenue Committee of the Senate, the majority leader, the majority whip, the minority leader, the minority whip, the chair of the Appropriations Committee of the House of Representatives and the chair of the Ways and Means Committee of the House of Representatives and two additional members of each chamber.

Budget for the JLBC

The JLBC is funded through general fund appropriation. Table 1 shows funding appropriations for fiscal years 1998 through 2000.

Table 1. JLBC Funding Sources and FTEs for Fiscal Years 1998 Through 2000

Categories	1998 Actual	1999 Estimate	2000 Approved
FTE Positions	34	34	34
General Fund	\$1,990,900	\$2,223,600	\$2,251,300

No funding is specified for the JLTC.

Sunset Review Scope and Purpose

This sunset review was conducted to evaluate the operations of the JLBC and JLTC, focusing on the 12 sunset factors found in A.R.S. § 41-2954. This study includes a review of the Joint Legislative Budget Committee staff, and examines these issues.

- The comparability of the JLBC staff to the joint legislative fiscal staff agencies of other comparable states.
- An assessment of the quality of the work of the JLBC staff and the level of satisfaction with the products and services provided by the office among legislators, legislative staff, and other state and local government clients.
- An assessment of issues that recent and ongoing revisions in the state budget process may have on the JLBC staff.
- An assessment of the organizational structure of the office and the effectiveness of its management systems and processes.

Methodology

The NCSL study team followed a methodology that it has used to conduct similar studies of legislative staff agencies in other states. This methodology is an accepted and effective approach to assessing the operations and internal management of a legislative staff agency.

In completing this review the NCSL study team conducted the following activities.

1. Reviewed the statutes, annual reports, strategic plans, office management guide, division manuals and other documents that describe the role, responsibilities and functions of the JLBC staff.
2. Reviewed selected reports produced by the JLBC.
3. Conducted personal interviews with legislative leaders, members of the Joint Legislative Budget Committee and other members of the Arizona Legislature. In addition, the NCSL study team conducted personal interviews with executive branch staff members and JLBC staff members. During the interviews the NCSL study team solicited feedback on the quality of the work performed by the JLBC, satisfaction with the JLBC, views on the internal management of the JLBC and areas for improvement.
4. Surveyed all members of the Arizona House and Senate.
5. Reviewed the JLBC's organizational structure, personnel policies and quality control processes.

6. Assembled a review team of experienced legislative staff directors who assessed the information gathered by the NCSL study team, reviewed the draft report, and provided feedback on the recommendations and findings.

Acknowledgments

NCSL conducted this sunset review as part of a larger project that included the performance of sunset reviews on three other legislative agencies: the Arizona Department of Library, Archives and Public Records; the Legislative Council (including the Ombudsman for Private Property Rights); and the Arizona Office of the Ombudsman-Citizen's Aid.

Seven NCSL staff members participated in the project. Brian Weberg, director of NCSL's Legislative Management Program, served as the overall project manager and also conducted the review of the OCA. Ronald Snell, director of NCSL's Fiscal, Economic and Human Resources Division, and Judy Zelio, program principal in NCSL's Fiscal Affairs Program, were primarily responsible for this report on the JLBC and JLTC.

The following legislative staff practitioners participated in the review group for this project.

Joyce Bigbee, director, Legislative Fiscal Office, Alabama
Diane Bolender, director, Legislative Service Bureau, Iowa
Doug Brown, director, Office of Legislative Legal Services, Colorado
Dianne Odrobina, legislative council administrator, Michigan
Dale Propp, director, Legislative Reference Library, Texas

These individuals reviewed the information developed by the NCSL study team, critiqued the draft report, and provided valuable advice, feedback and observations on study team conclusions and recommendations.

In addition, Kenneth Conahan, staff director, Joint Budget Committee, Colorado, reviewed portions of this sunset review.

The National Conference of State Legislatures expresses its appreciation to the JLBC director and his staff and the members and staff of the Arizona Legislature for their cooperation and assistance during the course of this sunset review.

Sunset Factors

JOINT LEGISLATIVE BUDGET COMMITTEE

In accordance with A.R.S. § 41-2954, the Legislature should consider the following 12 factors in determining whether the Joint Legislative Budget Committee (JLBC) should be continued or terminated. It should be noted that this report is principally concerned with the staff of the JLBC.

1. The objective and purpose for establishing the JLBC.

The JLBC was established in 1966 and its membership was revised in 1979 (A. R. S. § 41-1272). The 16 members of the JLBC are the majority leaders of the Senate and the House of Representatives, the chairs of the Senate and House appropriations committees, the Senate Finance Committee and the House Ways and Means Committee, and five additional members from each of the two appropriations committees. The chairs of the two appropriations committees serve alternate annual terms as chair of JLBC.

The statutory responsibilities of the JLBC are to:

1. Ascertain facts and make recommendations to the Legislature relating to the state budget, revenues and expenditures of the state, future fiscal needs, the organization and functions of state agencies or their divisions and such other matters incident to the above functions as may be provided for by rules of the Joint Legislative Budget Committee.
2. Implement a system of fiscal notes to apply to those bills introduced in the Legislature that have a fiscal impact. These fiscal notes shall also reflect the fiscal impact of legislation on cities, counties and all other political subdivisions of the state.
3. Implement a system of fiscal notes for any rule as defined by section 41-1001 which has a fiscal impact.
4. Adopt rules.

The JLBC may make studies, conduct inquiries and investigations, and hold hearings.

The JLBC also is charged with the appointment of a budget analyst and other necessary staff, for whom the budget analyst will serve as staff director (A.R.S. §41-1273). This is the statutory authorization for the JLBC staff. The staff's statutory responsibilities are to:

1. Prepare and distribute an analysis of the governor's budget as soon as possible after the governor presents the budget to the Legislature.

2. Determine, in consultation with the governor's office of strategic planning and budgeting, an estimate of appropriations subject to the limit imposed by article IX, section 17, of the Constitution of Arizona.
3. List funds recommended for elimination or consolidation and from conversion from nonappropriated to appropriated status.
4. Recommend, in consultation with the governor's office of strategic planning and budgeting, agencies to be subject to a strategic program authorization review and to make recommendations to the JLBC following the review.
5. Provide support to the Joint Committee on Capital Review and to the Joint Legislative Tax Committee.

In carrying out these statutory responsibilities and its general responsibility for staff support to the JLBC, the major functions of the JLBC staff are as follows.

1. Analysis and recommendation for the state budget.
2. Technical, analytical and preparatory support in the preparation of appropriations bills for legislative consideration.
3. Economic and state revenue forecasts
4. Analyses of economic activity, state budget conditions, and their relationship to each other.
5. Preparation of fiscal notes as directed.
6. An *Appropriations Report*, published after completion of the budget, to provide budgetary detail and statements of legislative intent.
7. Management and fiscal research reports related to state programs and agency activities.

The responsibilities of the Joint Legislative Budget Committee and its staff are unique to the committee and its staff in the Arizona Legislature, and are integral parts of the Arizona legislative process. No other body in the legislature has functions similar to or duplicative of those of the committee and its staff.

2. The effectiveness with which the JLBC has met its objective and purpose and the efficiency with which it has operated.

The committee and staff have been efficient and effective in carrying out their statutory functions of analyzing the governor's budget recommendations, making recommendations to the Legislature, and carrying out related and ancillary responsibilities as listed in Sunset Factor 1.

3. The extent to which the JLBC has operated within the public interest.

The JLBC and its staff operate within the public interest through performing its statutory purposes. The staff's work in providing timely and accurate information to the committee and Legislature assists the Legislature in maintaining the balance of power in state government and in creating a state budget in the interests of the people of Arizona.

4. The extent to which rules adopted by the JLBC are consistent with the legislative mandate.

The JLBC rules support the statutory intention for the committee. The rules provide for committee membership and chairmanship, identify the committee's statutory powers and duties, outline committee procedures, explain the duties of the legislative budget analyst, specify how bills are to be selected for fiscal notes, describe the procedure for settlement of state liability claims that are covered by the risk management self-insurance fund, and require strict confidentiality of the JLBC staff on any request by a legislator. The JLBC's statutory requirement for ascertaining facts and making recommendations about the state budget, revenues and expenditures and its future fiscal needs are outlined in Rule 2. Rule 7 describes the duties for the legislative budget analyst (the JLBC staff director). The statutory requirement for implementation of a system of fiscal notes for bills introduced that have a fiscal impact is met by Rule 13. It states that the president of the Senate and the speaker of the House of Representatives or their designees may each designate bills that shall have a fiscal note.

5. The extent to which the JLBC has encouraged input from the public before adopting its rules and the extent to which it has informed the public as to its actions and their expected impact on the public.

To the extent that the adoption of rules is at issue, this factor does not apply to the JLBC. The committee, however, informs the public of its legislative work through open meetings and an extensive program of print and electronic publications. These include *Revenue Highlights*, *Economic Review*, *Appropriations Report*, periodic reports on the budget, and reference publications such as the *Tax Handbook* (with annual supplements) and *The Budget Process of the State of Arizona: A Legislative Perspective*.

6. The extent to which the JLBC has been able to investigate and resolve complaints that are within its jurisdiction.

This factor does not apply because the committee and staff are not a regulatory body.

- 7. The extent to which the attorney general or any other applicable agency of state government has the authority to prosecute actions under enabling legislation.**

This factor does not apply because the committee and staff are not a regulatory body or enforcement agency.

- 8. The extent to which the JLBC has addressed deficiencies in its enabling statutes that prevent it from fulfilling its statutory mandates.**

No such deficiencies have been evident.

- 9. The extent to which changes are necessary in the laws of the JLBC to adequately comply with the factors listed in the sunset law.**

No such changes appear to be needed.

- 10. The extent to which termination of the JLBC would significantly harm the public health, safety or welfare.**

The information and services provided by the JLBC are essential to the Legislature in its policy deliberations and its termination would be prejudicial to the public health, safety and welfare.

- 11. The extent to which the level of regulation exercised by the JLBC is appropriate and whether less or more stringent levels of regulation would be more appropriate.**

This factor does not apply because the committee is not a regulatory or enforcement agency.

- 12. The extent to which the JLBC has used private contractors in the performance of its duties and how effective use of private contractors could be accomplished.**

The staff of the JLBC contract with external vendors for economic forecasting services in connection with the committee's revenue forecasting responsibilities. Staff could use private contractors for studies requiring specialized skills that would be used too seldom to develop among staff or that would not be cost-effective to hire staff to perform. For example, legislative fiscal staffs in other states have employed private contractors for state cash management studies, review of data processing systems, management and personnel studies, and actuarial studies of retirement systems.

Sunset Factors

JOINT LEGISLATIVE TAX COMMITTEE

In accordance with A.R.S. § 41-2954, the Legislature should consider the following 12 factors in determining whether the Joint Legislative Tax Committee (JLTC) should be continued or terminated.

1. The objective and purpose for establishing the JLTC.

The Joint Legislative Tax Committee was established by A.R.S. § 41-1321 and its powers and duties are set in A.R.S. § 41-1322. The 18 members of the committee are the president of the Senate, the speaker of the House of Representatives, the majority leader, the majority whip, the minority leader, the minority whip, the chair of the Appropriations Committee of the Senate and the chair of the Finance and Revenue Committee of the Senate, the majority leader, the majority whip, the minority leader, the minority whip, the chair of the Appropriations Committee of the House of Representatives and the chair of the Ways and Means Committee of the House of Representatives and two additional members of each chamber.

The duties and powers of the committee are to fix the rate of the telecommunication service excise tax established by A.R.S. § 42.5251ff and to analyze the state tax structure, burdens on taxpayers, and tax incentives for existing and prospective businesses. The committee may appoint a tax analyst and staff and may utilize the staff of the Joint Legislative Budget Committee for undertaking tax studies.

2. The effectiveness with which the JLTC has met its objective and purpose and the efficiency with which it has operated.

The JLTC has met approximately once a year in the 1990s to establish a tax rate to support a 911 emergency communication system. The committee has not exercised its other potential powers.

3. The extent to which the JLTC has operated within the public interest.

The committee has operated within the public interest by performing its statutory purpose of setting certain tax rates as needed. Its responsibilities could be transferred to other committees without detriment to the public interest.

4. The extent to which rules adopted by the JLTC are consistent with the legislative mandate.

The committee has not adopted rules.

- 5. The extent to which the JLTC has encouraged input from the public before adopting its rules and the extent to which it has informed the public as to its actions and their expected impact on the public.**

This factor does not apply because the committee has not adopted rules.

- 6. The extent to which the JLTC has been able to investigate and resolve complaints that are within its jurisdiction.**

This factor does not apply because the committee is not a regulatory agency.

- 7. The extent to which the attorney general or any other applicable agency of state government has the authority to prosecute actions under enabling legislation.**

This factor does not apply because the committee is not a regulatory agency.

- 8. The extent to which the JLTC has addressed deficiencies in its enabling statutes that prevent it from fulfilling its statutory mandates.**

No such deficiencies have been evident.

- 9. The extent to which changes are necessary in the laws of the JLTC to adequately comply with the factors listed in the sunset law.**

No such changes appear to be needed.

- 10. The extent to which termination of the JLTC would significantly harm the public health, safety or welfare.**

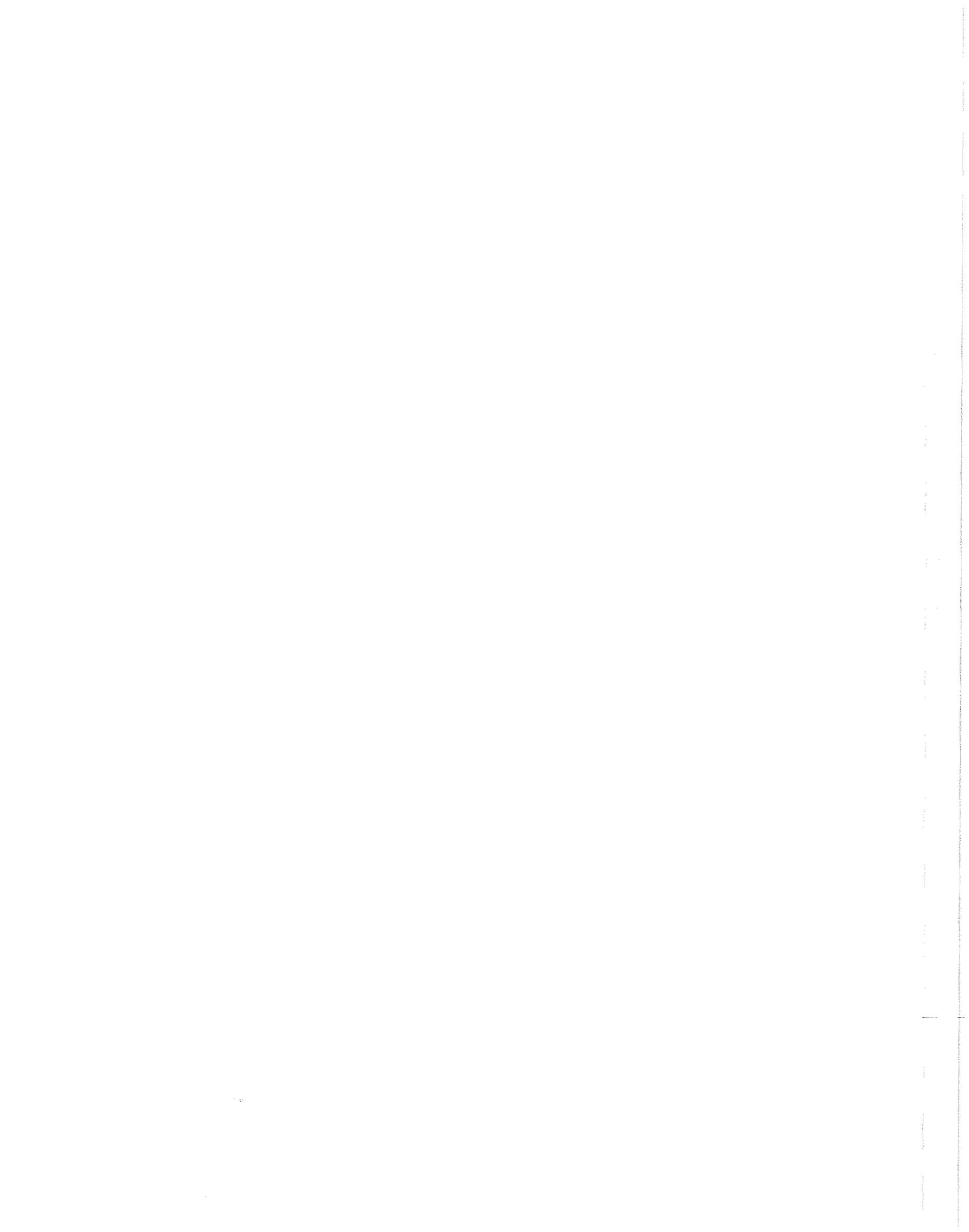
The limited functions of the committee could be transferred to other committees without harm to the public health, safety or welfare.

- 11. The extent to which the level of regulation exercised by the JLTC is appropriate and whether less or more stringent levels of regulation would be more appropriate.**

This factor does not apply because the committee is not a regulatory or enforcement agency

12. The extent to which the JLTC has used private contractors in the performance of its duties and how effective use of private contractors could be accomplished.

The JLTC has not had occasion to make use of private contractors. Portions of the tax studies the committee is authorized to undertake could be contracted out, a practice that other states have used for tax studies.



Finding 1. Comparability of the JLBC Staff with Other Legislative Fiscal Staffs

Summary

The staff of the Arizona Joint Legislative Budget Committee compares favorably with central legislative fiscal staffs in other states in terms of staff size and professional character. Staff members are well qualified and perform their work responsibilities in a professional manner. The products and services of the JLBC staff are comparable in nature to those of other legislative fiscal staffs, making allowance for differences among legislatures.

The JLBC staff is a nonpartisan, central legislative staff agency serving the Joint Legislative Budget Committee members, chamber leaders and members at large in their needs for state budget and tax analysis. The JLBC employs full-time professional staff members who are each, with the exception of the staff director, assigned specific areas of budget or economic analysis. The staff is divided into three major areas of responsibility: 1) a support group, consisting of administrative, clerical and computer support staff; 2) a fiscal analysis group, consisting of professional fiscal analysts; and 3) an economic and revenue forecasting group. The JLBC staff is exempt from the state civil service system.

The authorized number of JLBC staff--a total of 34 professional and support staff members--is roughly comparable to those in other states with similar legislative fiscal office structure and responsibilities.

As part of this performance review, NCSL compared the JLBC staff with similar fiscal offices in six states (see table 2).

Table 2. Comparison of the JLBC Staff to Similar Agencies in other States

States	State Population, 1998	Fiscal Office Budget FY 1998	Office Staff Size (FTE)	Number of Professional Fiscal Staff	Number of Support Staff
Arizona	4,668,631	\$2.2 million	28	22	6
Connecticut	3,274,069	\$1.7 million	25	21	4
Iowa	2,862,447	\$1.8 million	27	24	3
Nevada	1,746,898	\$1.9 million	24	18	6
New Mexico	1,736,931	\$2.5 million	34	29	5
Wisconsin	5,223,500	\$2.3 million	33	29	4

Note: This study did not report vacant positions.

Sources: Bureau of the Census and written surveys of legislative fiscal offices, December 1998.

The fiscal offices to which the JLBC staff is compared have similar nonpartisan fiscal and economic analysis responsibilities. The number of staff in each of these offices is roughly comparable to that of Arizona's JLBC.

JLBC Staff Have Excellent Credentials

The JLBC staff members have excellent academic and professional credentials for performing their staff roles. The staff has a good balance of veteran analysts and new or young employees who are just out of graduate school. There is also a good balance of analysts trained at Arizona institutions of higher education and those recruited from other regions of the country. Academic training of staff members includes bachelor's and advanced degrees in accounting, economics, business, public finance and public administration.

Products and Services of the JLBC Staff

The major functions of the JLBC staff are as follows.

1. Analysis and recommendations for the state budget;
2. Technical, analytical and preparatory support in the preparation of appropriations bills for legislative consideration;
3. Economic and state revenue forecasts;
4. Analyses of economic activity, state budget conditions and their relationship to each other;
5. Preparation of fiscal notes as directed;
6. An *Appropriations Report*, published after completion of the budget, to provide budgetary detail and statements of legislative intent;
7. Management and fiscal research reports related to state programs and agency activities, including involvement in agency performance assessment in SPARs. Review of agency strategic plans and program budget structure; and
8. Staffing the Joint Committee on Capital Review.

These responsibilities are comparable to those of other legislative fiscal staffs in general character. The differences from other large, professional legislative fiscal agencies are those of emphasis rather than of fundamental responsibility and arise from the needs of the Arizona Legislature. The differences below are noted for comparative purposes only.

The most important difference from most other states arises from the fact that the Arizona state budget process is controlled by the Legislature more than that of almost any other state. Precise comparisons are not possible, but probably only Colorado and Texas can safely be said to have budget processes that are controlled so much by the legislature as is Arizona's. The legislative budgeting process in Arizona places as demanding a work load and as heavy a responsibility for analysis upon the JLBC staff as that of legislative fiscal staff in any other state.

One measure of the variety of JLBC staff responsibilities is the range and quality of JLBC publications, which include, as noted above, *Revenue Highlights*, *Economic Review*, *Appropriations Report*, periodic reports on the budget, and reference publications such as the *Tax Handbook* (annually updated) and *The Budget Process of the State of Arizona: A Legislative Perspective*. These reports compare favorably with those of much larger legislative staff agencies in other states.

A second difference from some other legislative fiscal staffs is that the JLBC staff does not produce fiscal notes on all proposed legislation. The sunset review conducted for the JLBC in 1989 noted that the committee was not in compliance with legislation requiring fiscal notes, a failure of compliance that since has been remedied. In interviews for this sunset review, some administration personnel noted that the fiscal note process has been "a real success story" for the JLBC in the past decade. Others commented, however, that it is a weakness in the process that fiscal notes are produced only upon request because important legislation can be considered without a fiscal note. JLBC staff noted that the Legislature is considering expansion of the process to more legislation, but that doing so might require more staff.

A third difference from other large legislative fiscal staffs is the relatively limited responsibility the JLBC staff has for formal agency performance evaluation. A growing trend among legislatures, as well as in Congress, is to require regular performance reports from agencies and to link reviews of performance data to the budgeting process. Among Arizona's neighbors, Texas has a fully-developed performance reporting and budgeting process. New Mexico enacted legislation in 1999 calling for conversion to a performance budget over the next two years. Utah has a standing body of legislators and officials from the executive branch and local governments that is developing performance standards and reporting mechanisms for state agencies. Connecticut, Hawaii, Maryland, Florida, Oklahoma, Oregon and several southeastern states have moved toward linking performance reporting and budgeting.

Such performance evaluation differs from performance auditing like that done by the Arizona Office of the Auditor General. In states where it is required as part of the budget process, performance evaluation is an annual or biennial responsibility of agencies. It is intended to convey information about how well agencies serve the public and comply with their basic policy purposes. Doing it well requires a substantial commitment of staff resources.

Such differences in responsibilities from those of legislative fiscal staffs in other states speak only to differences in the ways legislatures choose to perform their functions. This report finds the products and services of the JLBC staff comparable to those of such staffs in other states.

Finding 2. Quality of Work of the JLBC Staff

Summary

The JLBC and committee staff have been efficient and effective in carrying out their statutory functions of analyzing the governor's budget recommendations, making recommendations to the Legislature, and carrying out related and ancillary responsibilities as required by statutes and the rules of the Joint Legislative Budget Committee. Legislators are familiar with the work of the staff and indicate approval of the quality of its work. The JLBC staff director has established adequate procedures for staff training and control of the quality of work products. The JLBC staff has established procedures to ensure that recommendations of the Office of the Auditor General with a fiscal impact receive appropriate recognition and consideration in the JLBC staff recommendations to the committee. The JLBC staff is nonpartisan, although in a partisan legislative environment concerns about its nonpartisan nature inevitably arise.

The JLBC Performs a Significant Function

Providing consistently accurate, objective and reliable fiscal information is critical to the success of the JLBC. JLBC staff responsibilities are extensive. In addition to analysis of the governor's budget and recommendations of policy alternatives, staff responsibilities include economic and revenue forecasting, fiscal impact studies, fiscal notes, tracking federal funds and special analyses of major fiscal issues. The staff tracks the status of revenues and expenditures and issues monthly reports on revenue. It serves as a general fiscal office for the Legislature, providing information in response to requests from all legislators and from other legislative staff.

Equipped with this type of information, the Legislature can make fully informed decisions about tax and budget questions. The taxing and spending consequences of decisions based on JLBC staff's research and recommendations are significant to all Arizona citizens.

The Legislature's expectation of the staff is that it will be a fully professional staff--nonpartisan with respect to party and issues between or within the two houses of the Legislature.

To assess the quality of the JLBC staff's work, the NCSL study team conducted interviews with the leadership of both houses, the membership of the Joint Legislative Budget Committee, other legislators, committee or partisan fiscal and

tax staff, executive branch staff and JLBC staff. Surveys also were mailed to all members of the House and Senate. The survey was designed to elicit their opinions regarding the overall quality of the JLBC's work and opinions on specific items that influence quality. A total of 90 surveys were mailed out; NCSL received 18 responses. This is a response rate of 20 percent.

The survey asked for an assessment of the quality of the JLBC staff's work. Respondents were asked to indicate their agreement with various statements about the staff work by circling one of six possible answers. A choice of "5" indicated strong agreement with a statement, whereas "1" indicated strong disagreement. There was, in addition, the option of "no opinion."

The survey results appear in table 3. JLBC staff appears to have met most legislators' expectations of nonpartisanship and policy neutrality despite a very healthy degree of party competition in both houses of the Arizona Legislature. Legislators who responded to the survey indicated that they are satisfied with the accuracy, clarity, timeliness and usefulness of JLBC work products. They also are satisfied with the budget and revenue analyses of the staff. They are somewhat less satisfied with fiscal notes and have some partisanship concerns. These concerns are discussed later in this section

Another survey, conducted annually by the staff of the JLBC, reveals similar results. On a scale of 0 to 4 (with 0 being unsatisfactory performance, 1 poor, 2 satisfactory, 3 good, and 4 excellent), legislators rated the JLBC staff very positively. Members of appropriations committees, the JLBC and the Joint Committee on Capital Review indicated that the JLBC staff ranked between "good" and "excellent" on the clarity of their presentations (3.57), knowledge of subject matter (3.57), timely follow-up (3.57), and assistance in developing budget alternatives (3.29). These rankings represent the average of responses in 1999. Similar results were reported for the previous three years. Additionally, members who were not appropriations or JLBC members, asked how they would rate the quality of JLBC staff support in enacting the annual state budget, gave an average score of 3.16 (good).

The survey results generally indicate approval of the responsiveness, nonpartisan nature, accuracy, promptness and broadly satisfactory character of the JLBC staff.

Results of Surveys Sent to Legislators

Table 3. Summary of Responses to Legislator Survey

Statements (5 = Strongly Agree, 1 = Strongly Disagree)	Average Response
I am very familiar with the work of the JLBC	4.7
JLBC is responsive to legislative requests.	4.4
JLBC staff responds equally to both parties.	3.4
JLBC office serves both houses of the legislature equally.	4.1
JLBC research products are accurate.	3.8
JLBC research products are timely.	3.8
JLBC research products are understandable.	4.0
JLBC research projects are useful.	4.0
JLBC staff works well with partisan staff.	4.2
JLBC budget analysis is satisfactory.	3.9
JLBC revenue analysis is satisfactory.	3.9
JLBC fiscal notes are satisfactory.	3.7
Overall, the work of the JLBC is satisfactory.	4.1

The JLBC Staff Has Established Procedures to Ensure the Quality of Services and Products

The JLBC Staff Has Established Procedures for Training and Monitoring the Work of New Staff

Staff training is a continuing responsibility for a legislative fiscal office. No legislative fiscal office can hire new staff with the particular mix of skills its work requires because it has no exact counterpart in the public or private sectors. Staff who move from a legislative fiscal office in one state to that in another state are likely to find the mix of requirements different. The need for such training is often at odds with opportunities for providing it because of time constraints when the Legislature is in session. In addition, as one senior JLBC staff person commented, some procedures may be needed only once a year, and training in such procedures is not likely to be effective unless it can be done when it is needed.

The JLBC staff director has established procedures for training and monitoring the work of new staff. New staff are assigned at least one "buddy," a senior staff member who acts as a general resource person as a new staff person becomes acquainted with the office and its procedures, and who reviews all the new staff person's work before it leaves the office. Since the goal is to choose a buddy who is familiar with the new staff person's assigned agencies, a new person may

work with more than one buddy, depending on the new staff person's assignments. In addition, formal training is scheduled for the legislative interim.

The JLBC staff has developed documents that describe the major steps in the budget process, the role of the committees, the role of staff and the development of budget recommendations. Such documents are valuable guides, but as staff pointed out, much training in specialized procedures has to occur in the context of carrying out the procedures. This makes it important for all staff, but particularly new staff, to know whom to ask for guidance and assistance. Numerous staff indicated that such guidance and assistance are readily available from their colleagues, commenting that the staff "operate as an office team" and that "people welcome questions."

The entire staff is grouped in five teams—three for fiscal analysts, one for economists and one for support staff. The three teams of fiscal analysts each have a senior staff person as leader. There was no designated leader for the economists' team at the time interviews for this report were conducted because of the retirement of the former senior economist. Some staff indicated their team leader was a person they particularly chose to ask questions, although being an information resource is not particularly a team-leader responsibility. Because teams are loosely organized around issues, it might be feasible for the staff director to place more emphasis upon the team leaders as trainers and mentors.

The JLBC Staff Has Effective Procedures to Ensure the Quality of Documents

JLBC staff analysis and documents must be of the highest quality. Errors or shortcomings have the potential to impede the work of the Legislature, produce erroneous legislation, or prejudice the welfare of the people of Arizona. The staff recognizes the necessity of preserving the highest standards of work and has established procedures to ensure it.

All documents from less experienced staff and all fiscal notes, budget recommendations, and decision items for the Joint Legislative Budget Committee are reviewed before they leave the office. The buddies for new staff review all their work and decide whether the staff director also should review it. The previous deputy director reviewed all fiscal notes and referred them to the staff director for further review as needed. The new assistant director will assume the same responsibility.

The staff director reviews all budget recommendations and committee decision items and shares that responsibility with senior staff.

JLBC staff members spoke of the value of this review in helping them improve the quality of their work.

The JLBC Staff Review the Office of the Auditor General's Findings

Recommendations made by the Office of the Auditor General (OAG) in the course of reporting the results of performance audits may include

recommendations for additional agency funding to make it possible for an agency to comply with law. JLBC procedures require that any audit finding with a fiscal impact be addressed, analyzed and discussed fully. The JLBC staff procedure is to explain the reasons for concurring with or not concurring with a performance audit recommendation, according to JLBC staff.

Staff of the Governor's Office of Strategic Planning and Budget (OSPB) commented that, although JLBC does report the specific findings of the auditor's office, it does not always follow the auditor's recommendation. They further commented that JLBC sometimes explains the auditor's recommendations in detail, even if JLBC does not concur with the recommendation. Another executive branch agency official noted that on one occasion affecting his agency, JLBC staff recommendations did not follow the auditor's recommendation and did not explain "in detail" the reason for not doing so.

Recommendation 1. The JLBC staff should continue to ensure that the Joint Legislative Budget Committee receives an impartial evaluation of the Office of the Auditor General's recommendations that carry a fiscal impact.

The JLBC Staff Constitute a Nonpartisan Agency

The JLBC staff constitute a central, nonpartisan fiscal staff for the Arizona Legislature. The purpose of such offices, in Arizona and in other legislatures that have such offices, is to provide analysis of economic, fiscal and budgetary issues that is independent of a governor's recommendations and analysis, and that focuses on an explication of factual information and issues. The credibility of a nonpartisan office depends upon its being—in appearance as well as in fact—independent of partisan control.

Since a legislative environment is inherently partisan and the issues that a fiscal office works with often are the focus of partisan dispute, nonpartisan legislative fiscal staff need to balance responsiveness to legislative leadership and majority party membership, responsiveness to the minority party and its leadership, and unbiased analysis. Pressures on nonpartisan offices have increased during the past decade, as legislatures have generally become more partisan and turnover in membership has increased.

In the 1999 survey, the statement that received the lowest level of agreement was "JLBC staff responds equally to both parties," with an average response of 3.4 on a scale where 5 indicates the strongest agreement. The statement with the next lowest level of agreement was "JLBC fiscal notes are satisfactory," with an average response of 3.7. Neither of these scores indicates that that legislators are deeply dissatisfied with the JLBC's nonpartisan work. However, because these two items have the lowest scores among the indicators, they must receive attention. Separate interviews found that dissatisfaction with fiscal notes was based on the belief that partisanship had affected fiscal note results.

Interviews with legislators, other legislative staff and executive branch staff make it clear that they expect JLBC staff to be nonpartisan. When those interviews produced examples of alleged JLBC staff partisanship, it was with the sense that partisanship was a departure from the norm, an unusual event. Interviews with the JLBC staff make it clear that they understand their responsibility to be providers of nonpartisan analysis.

Various legislators and staff expressed concerns about increased partisan pressure upon JLBC staff, and some expressed concern that neither the Arizona statutes nor the rules of the Joint Legislative Budget Committee specify that the staff is to be nonpartisan. Some states with similar nonpartisan fiscal staffs have statutes specifying that staff are to be nonpartisan. For example, Colorado statute 2-3-201 states that the Joint Budget Committee staff director and personnel are to be appointed "without reference to party affiliation." Wisconsin statute 13.95 states that the "fiscal bureau shall be strictly nonpartisan." Other states, such as Montana and Alabama, expect nonpartisan work from their central fiscal offices, but do not place this expectation in statute or rules.

Assertions of partisanship should be put into context. As one legislative staff person commented, "JLBC has to perform a balancing act between nonpartisanship and responsiveness to House and Senate leadership. JLBC has never really had a problem. Some direction from leadership is inevitable." Several long-term observers of JLBC staff felt, however, that partisan pressure upon the staff is heavier than it has been in previous years.

Such perceptions present the danger of a loss of credibility in the JLBC staff's work. Because of the central importance of the JLBC staff to the legislative process, state government overall, and the people of Arizona, it is in the Legislature's interest to reiterate the nonpartisan status of the JLBC staff.

Recommendation 2. The chairs of the JLBC should consider specifying in the committee rules and regulations that the work of the JLBC staff director and staff is to be nonpartisan in nature.

Finding 3. Impact of Changes in the State Budget Process on the JLBC

Summary

Legislation since 1993 has substantially changed the Arizona budget process, requiring a change from an annual to a biennial budget cycle, strategic program area reviews (SPARs), and a change from line-item appropriations to program budgeting. As the legislation is fully implemented in the near future, the responsibilities and work load of the JLBC staff will change. The changes are likely to require the JLBC staff to focus more than in the past on agency performance evaluation, as part of SPARs and in support of the shift to program budgeting. The changes could require staff to develop new skills and methods of analysis. The staff should begin to plan to meet the additional requirements for skills and expertise.

Statutory Changes in the State Budget Process

Beginning in 1993, legislation has changed the state budget process in ways that will substantially affect the timing and nature of the JLBC staff work load. First, the state has now completed a transition to biennial budgeting from annual budgeting, with the 1999 enactment of a full biennial budget for fiscal years 2000 and 2001. Second, legislation in 1999 converted the earlier program authorization review, or PARs, process to a program of strategic program area reviews, or SPARs (Laws 1999, Chapter 148). Third, the statutes call for conversion of the budget from a line-item-appropriation format to a program-budget format, with the conversion to be completed for FY 2006 (A.R.S. § 35-113). Cumulatively, these changes in the state budget process are likely to increase JLBC staff's responsibility for agency performance evaluation, as explained below.

The Impact of Biennial Budgeting

How the transition to biennial budgeting will affect staff work loads is yet to be seen, and will in part be determined by the amount of budget review the governor and Legislature undertake in the legislative session following the budget session. Few states have made such a transition in recent years (Connecticut was the last state to do so in 1991).

Connecticut's early experience with biennial budgeting was largely shaped by the budgetary difficulties the state experienced in the early 1990s, which caused

budget adjustment and revision to be almost as time-consuming an activity for legislators and staff in the post-enactment session as budget enactment was in the budget session.

Connecticut's experience is consistent with the experience of states that have used biennial budgets for a longer time—periods of fiscal difficulty tend to require substantial budget revision for the second year of a biennium, so that the work load of legislators and staff is shaped more by fiscal conditions than by the budget cycle itself.

In the absence of fiscal crises, however, the shift to biennial budgeting can be expected to reduce the amount of analysis required from JLBC staff because agency budget requests will be submitted only once in two years.

Potential for Additional Agency Performance Evaluation

The advantage of biennial budgeting is that the time freed from annual review of agency budget requests creates the possibility for greater review of agency performance or other analytic studies of state government. Arizona's requirement for strategic program area reviews (SPARs) capitalizes on this possibility. SPARs will examine program responsibilities within state government that cross agency lines. In 1999, one subject will be Arizona ports of entry, an area for which the departments of Transportation, Public Safety, and Agriculture share responsibility. Another will be domestic violence programs, for which the Department of Economic Security, the judiciary and the governor's office share responsibility. The third will review university extended education.

JLBC will share responsibility for conducting SPARs with the Governor's Office of Strategic Planning and Budgeting (OSPB). Studies are to produce a joint staff evaluation of the efficiency, effectiveness and necessity of the program, and determine whether the program area should be consolidated into one budget unit. As part of the report, each office independently will recommend whether to retain, eliminate or modify funding and statutory references for the programs.

The bulk of JLBC's and OSPB's work on SPARs will occur in the last four months of the calendar year in odd-numbered years, months that under the annual budgeting cycle were occupied with analysis of agency budget requests and the preparation of recommendations to policymakers. The two staff agencies have been directed to submit their joint reports by January 1, 2000. Thus staff work on SPARs will substitute for work the budget cycle itself no longer requires.

Interviews with legislators and with legislative staff outside JLBC indicated some uncertainty about the difference between SPARs and the Office of the Auditor General's responsibility for performance audits. Some legislators and non-JLBC staff were clear that SPARs are intended as a review of state governmental functions that cross agency lines and are distinct from the Office of the Auditor General's responsibility for performance audits (or, as some legislators characterized them, compliance audits) of agencies. Some felt that state

government is feeling its way toward a satisfactory method of reviewing state performance.

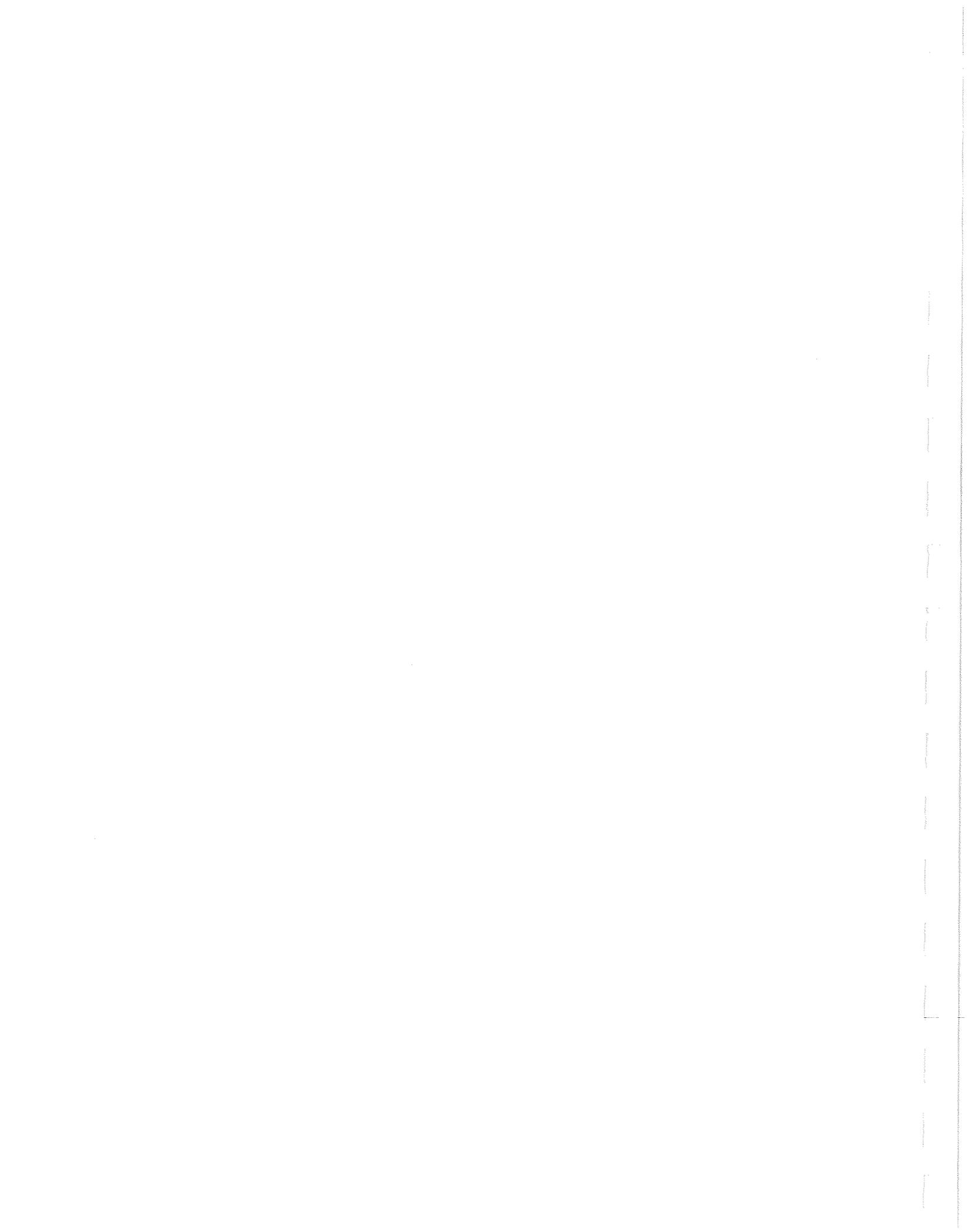
Potential Impact of the Program Budgeting Requirement

The third major element of state budget reform is the requirement to transform the state budget format from traditional line-item budgeting to program budgeting between FY 2000 and FY 2006. Program budgeting makes appropriations to agencies on the basis of broad agency responsibilities, or programs, rather than expenditures for personal services, contracts and travel, for example. Such a shift usually entails an increase in agency discretion over budgets and less legislative control of budget detail. One reason for a shift to program budgeting is to focus policymakers' attention on broad agency activities rather than on budget detail. This, in turn, can mean that legislators and staff will require greater familiarity with agency performance than line-item budgeting processes traditionally involve. A program budgeting process can lead to a need for systematic agency performance evaluation.

Cumulative Impact of the Budget Reforms on JLBC Responsibilities

These three budget reforms potentially could shift JLBC staff responsibilities toward a much greater emphasis on performance evaluation than has been the case in the past. Such a shift could raise questions of staff training in processes of analysis that have not been the JLBC's major emphasis, and that are as technically demanding as those of budget analysis. A shift toward more emphasis on agency performance evaluation also can raise questions of coordination of JLBC's responsibilities with those of the Office of the Auditor General.

Recommendation 3. The JLBC staff director should conduct a strategic planning exercise with JLBC staff to assess the possible future impacts on JLBC staff responsibilities of the statutory changes to biennial budgeting, a program budgeting format, and the enhanced opportunity for JLBC staff to conduct agency performance reviews. The staff director should report the results of the planning exercise to the Joint Legislative Budget Committee chairs.



Finding 4. Management

Summary

The JLBC staff, like most legislative fiscal offices, has a relatively flat management structure. Management assigns a high degree of autonomy and responsibility to analysts, a practice that is responsive to the staff's responsibilities and working environment. Although turnover has been high among analysts in recent years, this reflects the job market in Arizona, and is also the case among comparable offices in other legislatures. The flat structure of the office has the disadvantage of offering few opportunities for increased responsibility and formal promotion, and the staff director should consider appropriate means of addressing the issue.

JLBC Management Structure

Supervision and Internal Communications

The JLBC staff is managed by a staff director and an assistant director. Like most legislative fiscal offices, the staff structure is flat, which is to say that all staff report to the staff director without intermediary supervisors or with only one intermediate level of supervision.

Legislative fiscal offices tend to be characterized by flat structures for two reasons. One is that the tasks budget analysts perform tend to be similar in nature although they differ in complexity and difficulty depending upon the agency assignments an analyst is given. Analysts have to develop familiarity with their agencies and budgets, and fiscal offices have generally found that allowing a high degree of autonomy and demanding a high level of professional responsibility is the most effective way of proceeding. A flat structure is conducive to this sort of work environment. In addition, fiscal offices rarely have the staff resources to permit many senior staff to act solely as supervisors. In such a structure, review of work can be as much a collegial as a hierarchical responsibility.

A second reason for a flat structure is the need to ensure that budget recommendations are mutually consistent and that they combine in a single comprehensive recommendation. The addition of revenue forecasting responsibilities to budget analysis (as in the case of JLBC) only strengthens the need for direct reporting to the agency head, since this additional responsibility increases the potential for inconsistencies of analysis.

Along with this reasoning is the reality that analysts' work is substantially directed by the legislators, committees and subcommittees to whom analysts individually report. To a smaller extent, analysts' work is affected by the nature of the agencies whose budgets they analyze. Legislative fiscal offices have found these effects should be countered with the direct involvement of fiscal office directors in the work of individual fiscal analysts and forecasters in order to maintain consistency of analysis, quality, presentation and recommendations.

The practice in the JLBC is for the staff director to review all staff recommendations, forecasts, fiscal notes and other documents intended to go outside the office. Analysts in the office note that the director's involvement improves the quality of their individual work. Such oversight is essential if JLBC staff is to maintain the consistently excellent quality of its analysis and publications.

As in other legislative fiscal offices, the staff director's review of all work products can produce an overwhelming work load when considered in conjunction with responsibilities for working directly with legislative leaders on broad policy issues, policy direction of the office, personnel management, general office management and internal communications.

The JLBC director has addressed his work load issue by assigning various responsibilities to other members of the staff. The previous deputy director provided support to the director on both policy and administrative matters. With the death of this individual during the past year, the director has divided his responsibilities among a number of individuals. A newly designated assistant director continues to provide back-up to the director on all matters. Another senior staff person is responsible for coordinating internal administration. At the time of this review, the precise division of work between these two individuals had not been fully determined.

Other senior staff are designated to coordinate significant activities, including the staffing of the Joint Committee on Capital Review, the Strategic Program Area Reviews (SPARs), and officewide budget instructions. The same senior staff also serve as non-supervisory team leaders who handle some minor administrative duties and act as channels of communication from the director to the members of their teams. New staff are assigned a "buddy" from the more experienced staff who assists them generally with technical and professional training.

Because JLBC staff responsibilities are likely to evolve as the Legislature implements budget process reforms, flexibility in management processes will remain important, and the director should continue to assign administrative responsibilities as appropriate. However, it is important to specify what administrative responsibilities staff have been assigned and to ensure that all staff understand the distribution of work. As mentioned earlier, it is also advisable for the staff director to continue emphasis on the role of team leaders as trainers and mentors, expanding their responsibilities beyond minor administrative tasks and informal communication resources.

Organizations with a flat structure offer opportunities for the development of collegiality and a sense of responsibility among the staff that often is easier to develop than in a more hierarchical structure. Staff members value such opportunities within JLBC. Staff comments included such remarks as:

- There's autonomy within the structure and a sense of making a difference; there's a team environment.
- New people are quickly given responsibility; there's no long apprenticeship.
- A flexible administrative and supervisory structure that works smoothly.
- The structure is informal and works well.
- There's an open environment.

This collegial, team-oriented environment possibly could be further strengthened by more frequent team meetings and by more regular meetings of the entire office to keep communication flowing.

Recommendation 4. The staff director should continue emphasis upon the role of team leaders as trainers and mentors for the members of their teams, and consider encouraging more regular staff meetings.

Employment Issues

Turnover and Recruitment

In interviews, a number of JLBC staff and executive branch staff commented that JLBC has been experiencing a high rate of turnover in the staff. The rate of turnover among analysts has approached 25 percent for each of the three past years (see table 4). This is an undesirably high rate of turnover because of the loss of expertise and the constant need to recruit and train new staff. At this time, however, it is not an unusual rate of turnover in a legislative fiscal staff. The California Legislative Analyst's Office, for example, has experienced a turnover rate of 25 percent a year for the last three years. Other legislative fiscal offices in other states also report historically high rates of staff turnover in recent years. One senior fiscal staff person from another state recently characterized legislative fiscal employment as "steppingstone jobs rather than career jobs."

Table 4. JLBC Staff Turnover Rate, FY 1997 Through FY 1999

Year	Number of JLBC Analyst Positions on 1/1	Number of JLBC Staff Departures during Year	JLBC Annual Turnover Rate¹
1997	22	5	23%
1998	22	5	23%
1999	22	5	23%

Some of the staff no longer with JLBC were of high visibility—the former director, the former assistant director, and the long-term senior economist—which has drawn attention to turnover in the office. The staff remains well-balanced in terms of tenure. Approximately 50 percent of the present staff has more than five years' tenure with the JLBC.

Conventional wisdom suggests that four to five years' tenure is a long tenure for a staff person in a legislative environment. In addition, Arizona's strong economy and growth may make the current rate of turnover inevitable for the JLBC staff. In interviews, JLBC staff tended to indicate that the turnover is a result of attractive job offers from outside the agency, not from staff discontent with their work or working conditions in the agency. As interviews for this study with JLBC staff and executive branch staff indicated, JLBC staff are selected carefully and trained well. Their familiarity with the state budget, fiscal analysis, state agencies and legislative operations provides them with an unusual range of skills that have potential applicability in the private sector as well as state and local government.

Although the strong economy in Arizona makes it difficult for the JLBC to recruit staff, the quality of new staff is high, according to senior JLBC staff and executive branch staff. Moreover, the JLBC offers a progressive salary structure that puts the JLBC staff among the best paid fiscal staff in the West and Southwest, and allows the staff director to recruit new staff on a national scale. Even so, the number of applicants for vacant positions at the JLBC in 1999 is lower than in previous years.

The on-the-job training that JLBC staff receive, their familiarity with the legislative institution and legislators and their connections with the state agencies for which they analyze budgets make them particularly attractive candidates for openings in state agencies and in the private sector. Agency personnel interviewed in the course of this review uniformly praised the quality of JLBC staff, and staff themselves remarked that the lack of potential advancement within JLBC is balanced by opportunities outside the agency.

Retention Issues

The flat structure of the JLBC staff makes it difficult for new staff to look forward to career development. There are relatively few opportunities for promotion, from staff's perspective, although some staff noted that responsibilities can increase with time. This is a characteristic difficulty with legislative fiscal staffs, for which no entirely satisfactory solution exists. The Arizona Legislature has commendably gone far in addressing the issue with the JLBC's salary structure, which, as noted earlier, is among the best in the West and Southwest. Other potential forms of recognition include greater autonomy, office-wide administrative responsibilities, and special responsibilities for mentoring newer staff. As appropriate in specific circumstances, the staff director should consider expanding such forms of recognition for staff.

Recommendation 5. The staff director should consider other appropriate means of recognizing staff achievement and ability to compensate for the limited opportunities for advancement in title and management responsibilities.

Annual Performance Evaluations

Formal evaluations and supervisory feedback are essential mechanisms to communicate expectations and standards for performance in an office such as the JLBC that devolves a substantial amount of autonomy and responsibility to each analyst.

The JLBC staff director conducts a formal annual performance evaluation of each staff member. The process begins with the staff member's completion of a written self-appraisal that includes the measurement of accuracy, skill in oral and written communication, judgment, knowledge, reliability and timeliness, professionalism and teamwork. Staff also are instructed to evaluate their accomplishments during the past year in light of their objectives for the year and to set objectives for the coming year. The staff director's written response to this self-appraisal most often completes the evaluation of staff performance.

Staff generally did not express dissatisfaction with the annual performance review process, but do recommend more feedback from the staff director between performance reviews. Some would prefer greater personal interaction during the evaluation process.

•	JLBC revenue analysis is satisfactory.	5	4	3	2	1	0
•	JLBC fiscal notes are satisfactory.	5	4	3	2	1	0
•	Overall, the work of the JLBC is satisfactory.	5	4	3	2	1	0

3. Are there any other duties not now performed by the JLBC staff that should be performed?

_____ Yes

_____ No

If yes, please describe:

Thank you for your time and assistance. Please use the back of the page for additional comments.

Appendix B. Agency Response



STATE OF ARIZONA

Joint Legislative Budget Committee

STATE
SENATE

RANDALL GNANT
CHAIRMAN 2000
GUS ARZBERGER
RUSSELL W. "RUSTY" BOWERS
SCOTT BUNDGAARD
EDWARD J. CIRILLO
JACK C. JACKSON
JOE EDDIE LOPEZ
JOHN WETTAW

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

HOUSE OF
REPRESENTATIVES

BOB BURNS
CHAIRMAN 1999
BARBARA BLEWSTER
LORI S. DANIELS
SALLY ANN GONZALES
BILL MCGIBBON
JEAN HOUGH MCGRATH
BOB MCLENDON
CHRISTINE WEASON

September 21, 1999

Mr. Brian J. Weberg, Director
Legislative Management Program
National Conference of State Legislatures
1560 Broadway, Suite 700
Denver, CO 80202

Dear Mr. Weberg:

Thank you for the opportunity to comment on the findings and recommendations of the National Conference of State Legislatures' (NCSL) sunset report on the Joint Legislative Budget Committee staff. We appreciate the NCSL staff's time and effort in reviewing our office operations. Clearly much thought and consideration went into your findings and recommendations.

With regard to your specific findings, we concur that biennial budgeting will affect the operations of our office. A biennial budget will provide us with additional opportunities to review state agency performance. As you recommend, it would be useful to conduct a strategic planning exercise on the best allocation of the staff's time during the second year of the biennium. We have been giving that subject much consideration, but a more formal review would be valuable.

We will probably conduct this strategic planning review after the next regular session. At that time, we will have a better sense as to the actual time savings involved with a biennial budget. In addition, we will need further input from legislators and legislative staff regarding the use of both the Auditor General's performance audits and the Strategic Program Area Reviews. This feedback will be vital to determining the best allocation of staff resources.

We also agree with your findings on the importance of staff retention. As you note, the relatively flat management structure of legislative staff offices is an efficient means of organization, but it provides limited formal promotion opportunities. At the same time, our staff is frequently contacted about openings for upper management positions in state agencies. Given their training and knowledge of state government, our analysts and economists are ideal candidates for these types of jobs.

(Continued)

As a result, we welcome your suggestions for limiting turnover. We believe that they are consistent with several of our current approaches for retaining key staff. First, we have distributed significant supervisory and coordination responsibilities to a number of senior staff. Second, we have developed a "buddy" system where senior staff have the opportunity to serve as a mentor to our new analysts. Third, we encourage a high level of professional responsibility. Rather than rely on management, the analysts and economists represent our agency to the public as frequently as possible on their individual assignments. Fourth, we have attempted to remain competitive in salary as state agencies and others have offered our staff higher pay.

As you know, NCSL reviewed our office a decade ago during the prior sunset review. Having been here at the time, I know that your study was beneficial in improving our operation. I believe that this most recent audit will be as useful.

Again, we would like to thank you for the opportunity to comment on your findings. Please let us know if we can be of further assistance.

Sincerely,



Richard Stavneak
Director

RS:lm