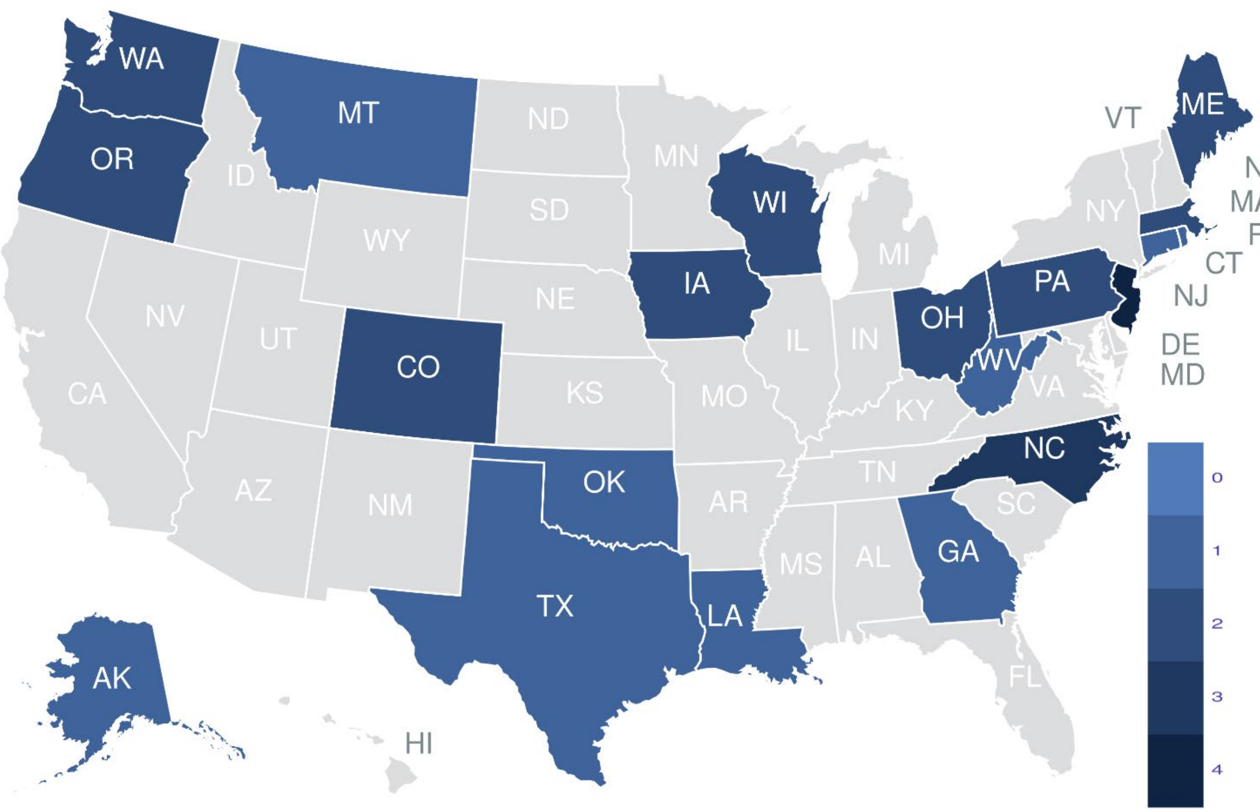
Zero-Based Budgeting Proposals

Executive Summary

Zero-base budgeting (ZBB) is a budgeting process that asks managers to build a budget from the ground up, starting from zero. Coming to prominence in the late 1970s, ZBB has seen renewed interest as state lawmakers pursue fiscal constraint, not least because the "zero" in zero-base budgeting sends a powerful message that taxes and spending will be held in check. However, ZBB won't fit every situation and may be a valuable tool, according to experts such as the Government Finance Officers Association.[1]

No state, as of 2026, operates entirely under a ZBB approach, but several use one or more of its components and have proposed implementing a full or phased ZBB system. Under ZBB, a program's prior appropriation is not presumed to continue. Agencies must explain statutory authority, objectives, service levels, costs, alternatives, performance, and the consequences of reductions or elimination; decision-makers then rank competing activities or funding packages. This research memo examines proposals to establish zero-based budgeting in states.

Figure 1. Proposed Zero-Based Budget Legislation (2025-2026)



Research Methods

Review of state statutes and legislation using Quorum.

[1] "Budgeting and Forecasting," Government Finance Officers Association (2026).

Findings and Analysis

Georgia

In 2026, lawmakers proposed Senate Bill 392 to reinstate a recurring ZBB approach to the entire state budget. Ultimately, the bill passed the Senate but failed to pass the House. The 'Waste Reduction Act of 2026' and the 'Zero-Base Budgeting Act would have amended the Georgia Budget Act to require the implementation of ZBB in the state's budget process. Beginning with the budget report presented to the General Assembly in January 2027 and continuing annually, the Governor and state budget units would be required to utilize ZBB for agencies and programs identified by the House Budget and Research Office and the Senate Budget and Evaluation Office, in consultation with the Governor's Office of Planning and Budget.

Each agency would be required to undergo ZBB at least once every ten years, but not more frequently than once every eight years, with the selection and scheduling of agencies balanced against available staff resources. The ZBB process would require budget units to provide detailed analyses of departmental and program objectives, effectiveness, efficiency, and equity measures, as well as alternative funding levels and priority rankings for all programs. The Governor's budget report would include relevant ZBB materials for each applicable agency or program.

The legislative proposal specifically included the Board of Regents of the University System of Georgia and its programs as subject to periodic ZBB and would require the Department of Education to submit a zero-based budget in the 2027 budget cycle. The judicial branch would be encouraged, but not required, to participate. Fiscal Affairs Subcommittees in both legislative houses would be authorized to review and hold hearings on submissions, and oversight bodies are tasked with maintaining performance measures related to ZBB.

North Carolina

Senate Bill 800 (2026) would mandate the implementation of zero-based budgeting (ZBB) for state agencies within the executive branch on a rotating, eight-year schedule. Beginning with the fiscal year starting July 1, 2026, designated agencies would prepare and submit a zero-based budget plan for the upcoming biennium, with technical assistance provided by the Office of State Budget and Management (OSBM). Zero-based budgeting, as defined in the bill, requires agencies to justify all expenditures from a zero-dollar baseline rather than building on previous appropriations and to provide detailed narratives, justifications, impact assessments, program outcomes, and ranked activities. Statutory appropriations are explicitly excluded from this requirement.

The bill outlined a staggered schedule for different agencies and divisions, ensuring that all major state agencies participate in the ZBB process every eight years. To support the administration of this new budgeting process, the bill appropriates $10,000 in recurring General Fund funds to OSBM for the 2026-2027 fiscal year. The appropriations section becomes effective July 1, 2026, while the remainder of the act takes effect upon becoming law. The measure was introduced in April 2026, but has yet to receive a committee hearing.

Ohio

A similar measure in Ohio, House Bill 645 (2026), failed to gain traction in the Senate after passing the House. It would have amended several existing and created new provisions to require the use of zero-based budgeting (ZBB) in the development of the state budget. The proposal defined zero-based budgeting as a method in which each budget cycle starts from zero, and all expenditures must be justified by their purposes, rather than relying on prior-year appropriations.

Beginning with the General Assembly convening in 2029 and for each subsequent session, the governor's budget submissions for selected state agencies would be required to be based on ZBB principles. The bill proposed a process whereby, by June 30 of each even-numbered year, the chairperson of the relevant finance committee (alternating between the House and Senate each session) selects at least one-third of state agencies to submit their budget estimates using ZBB. This selection process would exclude elected officials, the General Assembly and its agencies, and the Supreme Court and its agencies. The director of budget and management would be tasked with preparing and distributing ZBB-based budget request forms to the selected agencies and submitting their estimates to the governor.

If enacted, the bill would also update the requirements for budget submissions, performance reviews, and reporting, ensuring that agencies provide detailed justifications for their expenditures and that noncompliance can result in disapproval of budget requests for specific programs.

Oklahoma

The proposed Senate Bill 810 (2025), known as the Zero-Based Budgeting Implementation Act, aimed to overhaul the budgeting process for state agencies in Oklahoma by introducing a zero-based budgeting system. This system would require the Legislative Office of Fiscal Transparency (LOFT) to categorize state agencies into a tiered structure based on factors such as budget size, number of employees, statutory obligations, and administrative rules. The categorization would guide a staggered review plan, ensuring that higher-tier agencies undergo review every four to six years, while lower-tier agencies are reviewed every two to four years.

The staggered plan was designed to distribute the workload evenly across years and to align with agencies' sunset review schedules. Starting July 1, 2026, LOFT would begin these reviews, collaborating with agencies, the Governor's office, and the Legislature to conduct thorough analyses. The process involves identifying key activities, evaluating performance measures, and analyzing program budgets and expenditures. The goal is to ensure that each program's performance is accurately assessed and that recommendations are made to improve efficiency and effectiveness. The legislation would mandate that LOFT develop the necessary forms for agencies to provide required information and set a December 1 deadline each year for LOFT to submit its recommendations to the Legislature. The proposed legislation was introduced but received no further action during the 2025 or 2026 legislative sessions.

Rhode Island

In Rhode Island, Senate Bill 2103 (2026) proposed a phased requirement for zero-based budgeting (ZBB) across state departments. Beginning with the fiscal year starting July 1, 2027, department heads would justify their budget requests from a zero base, providing detailed explanations and data for each item as if the department's budget were being initiated for the first time. The implementation of ZBB would be gradual: in the first year (FY 2028), 20 percent of departments with the lowest budget requests will submit zero-based budgets, with an additional 20 percent added each subsequent year, culminating in all departments using ZBB by FY 2032.

The budget officer would be tasked with distributing these ZBB submissions to legislative fiscal advisors. The governor's annual budget submission to the General Assembly must reflect this phased ZBB approach, with full zero-based budgeting by FY 2032. The act also proposed a new review process in the House of Representatives, requiring the formation of a three-person budget panel with finance or accounting expertise to review the governor's budget plan and make recommendations within 30 days. The House committee will then consider the panel's recommendations before proceeding with the budget bill. The measure was introduced, but has yet to receive a committee assignment or hearing.

Wisconsin

Assembly Bill 556 (2025) would have significantly changed the biennial budget request process for executive branch agencies. Beginning with the 2027-29 fiscal biennium, the Department of Administration (DOA) is required to have 20 percent of executive branch agencies submit their budget requests using zero-based budgeting principles, which require that each budget component be justified by cost, need, and statutory responsibilities. This requirement will rotate among different agencies in each subsequent biennium, ensuring that every agency uses zero-based budgeting at least once every five biennia. The bill amends existing statutes to incorporate these requirements and defines zero-based budgeting within the law.

Additionally, the bill would enhance transparency and accountability by requiring agency budget base reports to specify the intended goal of each appropriation and to analyze whether the appropriation fully achieved its goal, providing explanations for any shortcomings. These reports must be made publicly available on agency websites, and the DOA must include hyperlinks to these reports in its summary information. No specific funding allocations or appropriations are detailed in the bill, and the primary timeline established is the phased implementation beginning in the 2027-29 biennium. The legislation was referred to a House committee, but failed to get a hearing before sine die.