

AMENDED IN SENATE MARCH 17, 2011

SENATE BILL

No. 14

**Introduced by Senators Wolk, DeSaulnier, and Huff
(Principal coauthor: Senator Alquist)**

(Principal coauthors: Assembly Members *Bonilla*, Buchanan and
Fletcher, *Gordon*, and *Olsen*)

(Coauthor: Senator Harman)

(Coauthors: Assembly Members *Block*, *Harkey*, and *Wagner*)

December 6, 2010

An act to add Sections ~~9143.5~~ 9147.8, 13335.3, and 13335.5 to the Government Code, relating to the State Budget.

LEGISLATIVE COUNSEL'S DIGEST

SB 14, as amended, Wolk. State Budget.

(1) The California Constitution requires the Governor to submit annually to the Legislature a budget itemizing state expenditures and estimating state revenues and requires the Legislature to pass the Budget Bill by midnight on June 15.

This bill would require that the budget submitted by the Governor to the Legislature for the 2014–15 fiscal year and each fiscal year thereafter be developed pursuant to performance-based budgeting, as defined, for each state agency.

(2) Under existing law, a state agency for which an appropriation is made is generally required to submit to the Department of Finance for approval a complete and detailed budget setting forth all proposed expenditures and estimated revenues for the ensuing fiscal year.

The bill would require the budget of a state agency, as defined, submitted to the department to utilize performance-based budgeting; for all programs, as defined *to include those performed not only by state*

agencies, but by local agencies, contractors, or others that have a material relationship with the state, or its authorities and activities. For those programs not administered by the state, but which confer a benefit that would not otherwise occur but for the action of state government, state departments would be required to develop a process for consulting with responsible local agencies, contractors or other responsible entities, and stakeholders to develop information related to performance standards and program performance. The bill would authorize ~~a joint committee~~ the Joint Sunset Review Committee, utilizing the recommendations of specified entities, to propose changes to those programs. ~~The~~

The bill also would establish a task force comprised of the Director of Finance, the Controller, and the chairpersons and vice chairpersons of the Senate Committee on Budget and Fiscal Review and Assembly Committee on Budget to ~~develop~~ review and comment on performance-based budgeting guidelines and procedures, ~~including a process for phasing in requirements of performance-based budgeting, and to be used by state agencies in developing performance-based budgets,~~ to review and comment on a training ~~and education~~ program for state agency personnel involved in the ~~budget performance-based budgeting~~ process developed by the Department of Finance, and to review and comment on a plan developed by the department for phasing in performance-based budgeting, which plan would be required to ensure that such budgeting would be in use by the 2012–13 fiscal years, giving priority to those programs that were a part of the 2011–12 realignment project.

Vote: majority. Appropriation: no. Fiscal committee: yes.
 State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. It is the intent of the Legislature in enacting this
 2 measure during the 2011–12 Regular Session to provide a system
 3 of analysis that supports a results-oriented framework for the
 4 delivery of public services. That framework should prioritize
 5 understanding the results of programs and funding that are subject
 6 to a transfer of authority and responsibility from state government
 7 to county governments.

8 SECTION 1. ~~Section 9143.5 is added to the Government Code,~~
 9 to read:

1 ~~9143.5. (a) Within one year of the effective date of the act that~~
2 ~~added this section, the Legislature shall establish a process,~~
3 ~~including the creation of a new or use of an existing joint~~
4 ~~committee, and shall include a schedule and a deadline for~~
5 ~~reviewing the performance of all programs at least once every 10~~
6 ~~years in a bill implementing the Budget Act. The process~~
7 ~~established by the Legislature shall include the participation of the~~
8 ~~budget committee of each house of the Legislature. The schedule~~

9 *SEC. 2. Section 9147.8 is added to the Government Code, to*
10 *read:*

11 *9147.8. (a) Within one year of the effective date of the act*
12 *that added this section, the Joint Sunset Review Committee shall*
13 *adopt a process, schedule, and deadline for reviewing the*
14 *performance of all programs at least once every 10 years. The*
15 *schedule shall provide for reviewing programs with expenditures*
16 *that total one-third or more of total expenditures by July 1, 2015,*
17 *and that total two-thirds of total expenditures by January 1, 2018.*
18 *For purposes of this section, “expenditures” include all funds as*
19 *reflected in the Budget Bill submitted by the Governor, and*
20 *statutory exemptions, deductions, credits, or exclusions from taxes*
21 *or fees that would otherwise apply. For purposes of this act,*
22 *“expenditures” also shall include the revenue and expenditures*
23 *of state departments that are not reflected in the Budget Bill. The*
24 *process established by the committee to review the performance*
25 *of public programs shall reflect the principles of*
26 *performance-based budgeting and shall include the participation*
27 *of the Senate Committee on Budget and Fiscal Review and the*
28 *Assembly Committee on Budget.*

29 (b) Six months prior to the deadline for review of each program,
30 the joint committee shall refer the *information on an* initial program
31 review to the appropriate policy committees of each house of the
32 Legislature. For programs with common objectives, the reviews
33 may be combined. Within 90 days prior to the deadline, the policy
34 committees shall make recommendations regarding a program to
35 the joint committee. The joint committee’s review may be based
36 on the recommendations of the policy committees, as well as
37 recommendations that may be made by the Milton Marks “Little
38 Hoover” Commission on California State Government Organization
39 and Economy, the Legislative Analyst, the Bureau of State Audits,
40 or the public. As part of its recommendations to the joint

1 committee, the Bureau of State Audits shall identify those programs
 2 that pose the greatest financial risks to the state. If following the
 3 review of one or more programs the joint committee determines
 4 that statutory changes are necessary, the joint committee may
 5 propose legislation that includes, but is not limited to, one or more
 6 of the following:

7 (1) Modifications to the program that will reduce costs.

8 (2) Modifications to the program that will improve outcomes.

9 (3) Reorganization of the program by consolidating it with
 10 programs that have similar objectives.

11 (4) Termination of the program, *provided that if a program is*
 12 *recommended for termination, an analysis shall include the*
 13 *potential benefits if performance is improved, the relationship*
 14 *between the program and desired public outcomes, and the impact*
 15 *of eliminating that program. The analysis of impacts of elimination*
 16 *shall include ramifications on related outcomes, the potential to*
 17 *increase the burden and fiscal impact on other public programs,*
 18 *and the potential impact on future budgets.*

19 (c) Proposed legislation shall be submitted to the Committee
 20 on Rules of each house of the Legislature for referral to the
 21 appropriate policy committee for public hearing and further action.

22 (d) The joint committee shall post on an Internet Web site its
 23 recommendations and the results of the Legislature's action.

24 (e) "Performance-based budgeting" has the same meaning as
 25 set forth in subdivision (d) of Section 13335.3.

26 (f) For the purposes of this section, "program" includes statutory
 27 or constitutional provisions that authorize services, regulate
 28 activities, *evaluate services and programs*, provide preferences in
 29 the tax system, or otherwise confer a benefit that would not
 30 otherwise occur were it not for the action of the state government,
 31 including the procedures used to administer those programs, ~~and~~
 32 *whether performed by state agencies, local agencies, contractors,*
 33 *or others that have a material relationship with the state or its*
 34 *authorities and activities, or that have a fiscal effect on the state.*

35 ~~SEC. 2.~~

36 SEC. 3. Section 13335.3 is added to the Government Code, to
 37 read:

38 13335.3. (a) The purpose of performance-based budgeting is
 39 to inform policy, fiscal, and oversight decisions by the Governor
 40 and Members of the Legislature; to focus managers, supervisors,

1 and rank-and-file workers on achieving desired goals; and to
2 communicate to the public the value of public programs, progress
3 toward desired results, and the choices available to improve the
4 expenditure of public funds.

5 (b) Every state agency for which an appropriation has been
6 made shall submit to the department for approval a complete and
7 detailed budget at the time and in the form prescribed by the
8 department, setting forth all proposed expenditures and estimated
9 revenues for the ensuing fiscal year.

10 (c) The budget submitted to the department and proposed by
11 the Governor shall use performance-based budgeting methods that
12 make it clear to policymakers and the public the value and results
13 of existing operations and proposed changes.

14 (d) As used in this article, “performance-based budgeting”
15 means *a system of budgeting that uses information on performance*
16 *to inform resource allocation decisions, thereby* establishing clear
17 accountability by achieving measurable performance results from
18 ~~the expenditure of state resources.~~

19 (e) A performance-based budget shall identify and update all
20 of the following:

21 (1) The mission and goals of the agency.

22 (2) The activities and programs focused on achieving those
23 goals.

24 (3) Performance metrics that reflect desired outcomes for
25 existing and proposed activities and a targeted performance level
26 for the following year.

27 (4) Prior-year performance data and an explanation of deviation
28 from previous-year targets.

29 (5) Proposed changes in statute, including the creation of
30 incentives or elimination of disincentives that could improve
31 outcomes or hold down costs.

32 (6) *A description of the impacts and consequences to the current*
33 *recipients or beneficiaries of a program proposed for modification*
34 *or elimination.*

35 (f) The Governor’s Internet Web site shall provide a summary
36 of each state agency’s mission, goals, prior-year performance, and
37 future-year objectives.

38 ~~SEC. 3.~~

39 *SEC. 4.* Section 13335.5 is added to the Government Code, to
40 read:

1 13335.5. (a) Not later than the 2014–15 fiscal year, and each
2 fiscal year thereafter, the budget submitted by the Governor to the
3 Legislature, as required by Section 12 of Article IV of the
4 California Constitution, shall be developed by utilizing
5 performance-based budgeting methods.

6 (b) The amount of each appropriation made in the Budget Act
7 for the 2014–15 fiscal year, and each fiscal year thereafter, for
8 expenditure by any state agency shall be determined after
9 considering performance-related data. The Budget Bill submitted
10 by the Governor also shall include performance standards, which
11 may be amended by the Legislature in the same manner as
12 amendments to appropriations in the Budget Bill. These standards
13 shall be applied to each state agency, and should allow the public
14 and policymakers to understand the effectiveness and efficiency
15 of each program. *For those programs that are not administered*
16 *by the state, but which confer a benefit that would not otherwise*
17 *occur were it not for the action of the state government,*
18 *departments shall develop a process for consulting with the*
19 *responsible local agencies, contractors or other responsible*
20 *entities, and stakeholders to develop information related to*
21 *performance standards and program performance.*

22 (c) The Legislative Analyst’s Office shall review the adequacy
23 of performance metrics and progress toward targeted outcomes in
24 preparing its review of the Governor’s Budget proposal.

25 (d) A task force consisting of the director, the Controller, and
26 the chairpersons and vice chairpersons of the Senate Committee
27 on Budget and Fiscal Review and the Assembly Committee on
28 Budget shall do all of the following:

29 (1) Review and comment on guidelines and procedures drafted
30 by the department to be used by state agencies in developing
31 performance-based budgets pursuant to Sections 13320 and
32 13335.3. The guidelines shall describe how state employees will
33 be involved in establishing and implementing performance
34 standards.

35 (2) Review and comment on a training program developed by
36 the department for appropriate executive branch personnel to ensure
37 the successful implementation of performance-based budgeting
38 and management by state agencies.

39 (3) Review and comment on a plan prepared by the department
40 for systematically phasing in the requirements of Sections 13320

1 and 13335.3. The plan should ensure that, by the 2012–13 fiscal
2 year, performance-based budgeting methods are used in preparing,
3 reviewing, and enacting one-third or more of the total General
4 Fund expenditures as proposed in the Governor’s Budget for that
5 fiscal year. *Priority shall be given to those programs that were*
6 *part of the 2011–12 realignment project as enacted.*

7 (e) For purposes of this article, “state agency” means any
8 agency, department, or other entity of the executive branch of the
9 state that is required to submit a budget pursuant to Article 2
10 (commencing with Section 13320).

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