

AMENDED IN SENATE MAY 19, 2011

AMENDED IN SENATE MARCH 17, 2011

SENATE BILL

No. 14

Introduced by Senators Wolk, DeSaulnier, and Huff

(Principal coauthor: Senator *coauthors: Senators Alquist and Rubio*)

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

(Coauthor: Senator Harman)

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

December 6, 2010

An act to add Sections 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 require the department to include specified performance-based budgeting information in the Governor's budget proposal and to post that information on the department's Internet Web site.* The bill would authorize ~~the Joint Sunset Review Committee~~ *a committee designated by the Legislature*, utilizing the recommendations of specified entities, to propose *legislative* changes to those programs.

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 review and comment on performance-based budgeting guidelines and procedures, to be used by state agencies in developing performance-based budgets, to review and comment on a training program for state agency personnel involved in the 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.

Implementation of the bill's provisions would be contingent on an appropriation of funding for its purposes in the annual Budget Act.

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

1 to a transfer of authority and responsibility from state government
2 to county governments.

3 SEC. 2. Section 9147.8 is added to the Government Code, to
4 read:

5 9147.8. (a) ~~Within one year of~~ *Not later than one year after*
6 the effective date of the act that added this section, the ~~Joint Sunset~~
7 ~~Review Committee shall~~ *Legislature shall designate a committee*
8 *of the Legislature, which may be a new joint committee created*
9 *for this purpose or an existing joint committee, to adopt a process,*
10 *schedule, and deadline for reviewing the performance of all*
11 *programs at least once every 10 years, and the designated*
12 *committee shall undertake that review.* The schedule shall provide
13 for reviewing programs with expenditures that total one-third or
14 more of total expenditures by July 1, 2015, and that total two-thirds
15 of total expenditures by January 1, 2018. For purposes of this
16 section, “expenditures” include ~~all appropriations from all varieties~~
17 *of funds as reflected in the Budget Bill submitted by the Governor,*
18 *and statutory exemptions, deductions, credits, or exclusions from*
19 *taxes or fees that would otherwise apply. For purposes of this act,*
20 *“expenditures” also shall include the revenue and expenditures of*
21 *state departments that are not reflected in the Budget Bill. The*
22 *process established by the designated committee to review the*
23 *performance of public programs shall reflect the principles of*
24 *performance-based budgeting and shall include the participation*
25 *of the Senate Committee on Budget and Fiscal Review and the*
26 *Assembly Committee on Budget.*

27 (b) ~~Six~~ *Not later than six months prior to the deadline for review*
28 *of each program, the joint committee designated pursuant to*
29 *subdivision (a) shall refer the information on an initial program*
30 *review to the appropriate policy committees of each house of the*
31 *Legislature. For programs with common objectives, the reviews*
32 *may be combined.* ~~Within~~ *Not later than 90 days prior to the*
33 *deadline, the policy committees shall make recommendations*
34 *regarding a program to the joint designated committee. The joint*
35 *committee’s review by the designated committee may be based on*
36 *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 committee*

1 *Legislature*, the Bureau of State Audits shall identify those
2 programs that pose the greatest financial risks to the state. If
3 following the review of one or more programs the ~~joint~~ *designated*
4 committee determines that statutory changes are necessary, the
5 ~~joint~~ *designated* committee may propose legislation that includes,
6 but is not limited to, one or more 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~~ *designated* committee shall post on an Internet
23 Web site its recommendations and the results of the Legislature's
24 action.

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

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

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.

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

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

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

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

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

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

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

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

37 SEC. 4. Section 13335.5 is added to the Government Code, to
38 read:

39 13335.5. (a) Not later than the 2014–15 fiscal year, and each
40 fiscal year thereafter, the budget submitted by the Governor to the

1 Legislature, as required by Section 12 of Article IV of the
2 California Constitution, shall be developed by utilizing
3 performance-based budgeting methods.

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

21 (c) *The department shall include performance-based budgeting*
22 *information in the Governor’s budget proposal, in both printed*
23 *and electronic formats if prepared, and post the information on*
24 *its Internet Web site where it routinely posts budget information.*
25 *That information shall include, but not be limited to, information*
26 *on all of the following:*

27 (1) *The mission and goals of each agency provided spending*
28 *authority in the budget proposal.*

29 (2) *The activities and programs focused on achieving those*
30 *goals.*

31 (3) *Performance metrics that reflect desired outcomes for*
32 *existing and proposed activities and a targeted performance level*
33 *for the following year.*

34 (4) *Prior-year performance data and an explanation of deviation*
35 *from previous-year targets.*

36 (5) *A description of the impacts and consequences to the current*
37 *recipients or beneficiaries of a program proposed for modification*
38 *or elimination.*

1 (d) The Legislative Analyst’s Office shall review the adequacy
2 of performance metrics and progress toward targeted outcomes in
3 preparing its review of the Governor’s Budget proposal.

4 ~~(d)~~

5 (e) A task force consisting of the director, the Controller, and
6 the chairpersons and vice chairpersons of the Senate Committee
7 on Budget and Fiscal Review and the Assembly Committee on
8 Budget shall do all of the following:

9 (1) Review and comment on guidelines and procedures drafted
10 by the department to be used by state agencies in developing
11 performance-based budgets pursuant to Sections 13320 and
12 13335.3. The guidelines shall describe how state employees will
13 be involved in establishing and implementing performance
14 standards.

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

19 (3) Review and comment on a plan prepared by the department
20 for systematically phasing in the requirements of Sections 13320
21 and 13335.3. The plan should ensure that, by the 2012–13 fiscal
22 year, performance-based budgeting methods are used in preparing,
23 reviewing, and enacting one-third or more of the total General
24 Fund expenditures as proposed in the Governor’s Budget for that
25 fiscal year. Priority shall be given to those programs that were part
26 of the 2011–12 realignment project as enacted.

27 ~~(e)~~

28 (f) For purposes of this article, “state agency” means any agency,
29 department, or other entity of the executive branch of the state that
30 is required to submit a budget pursuant to Article 2 (commencing
31 with Section 13320).

32 *SEC. 5. Implementation of this act is contingent on an*
33 *appropriation of funding for its purposes in the annual Budget*
34 *Act.*