

**ASSEMBLY BILL**

**No. 2456**

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**Introduced by Assembly Member Melendez**

February 21, 2014

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An act to add Section 13335.1 to the Government Code, relating to the state budget.

LEGISLATIVE COUNSEL'S DIGEST

AB 2456, as introduced, Melendez. Health care.

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. 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.

Under the federal Patient Protection and Affordable Care Act (PPACA), each state is required to, by January 1, 2014, establish an American Health Benefit Exchange that makes available qualified health plans to qualified individuals and small employers. Existing state law establishes the California Health Benefit Exchange (Exchange) within state government, specifies the powers and duties of the board governing the Exchange, and requires the board to facilitate the purchase of qualified health plans through the Exchange by qualified individuals and small employers by January 1, 2014.

The bill would require the Exchange to submit to the department and the Legislative Analyst's Office a complete and detailed budget utilizing performance-based budgeting, as defined, that sets forth all proposed

expenditures and estimated revenues for the ensuing fiscal year. The bill would require the Exchange to, if necessary, develop a process for consulting with 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 for the Exchange in the Governor’s Budget and to post that information on the department’s Internet Web site. The bill would also require the Legislative Analyst’s Office to review the adequacy of performance metrics and progress toward targeted outcomes in preparing its review of the Governor’s Budget as it relates to the Exchange.

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. The Legislature finds and declares all of the
- 2 following:
- 3 (a) State government must focus on the outcomes of public
- 4 policy decisions and public programs to ensure opportunities are
- 5 available for all Californians to achieve a high quality of life.
- 6 (b) The Legislature must ensure that policymakers, public
- 7 program administrators, and rank-and-file state workers have access
- 8 to relevant and timely information so that they can make informed
- 9 decisions in the design and delivery of public programs.
- 10 (c) The focus of that information must be on the goals of those
- 11 public programs and the performance of the public agencies in
- 12 administering those programs.
- 13 (d) Goal and performance information should be widely
- 14 available, relevant, and timely for informing budget, policy, and
- 15 oversight decisions.
- 16 (e) In order to identify performance measurements relevant to
- 17 budget, policy, and oversight decisionmaking, public agencies
- 18 must consult with the public, rank-and-file state workers,
- 19 supervisors, and other officials responsible for the delivery of
- 20 public programs.
- 21 (f) Performance measurements, including information on
- 22 outcomes and other metrics relevant to improving those outcomes,
- 23 should be designed to ensure that limited public resources are well
- 24 spent.

1 (g) Establishing goal, performance, and outcome information  
2 for public programs should be part of a systematic review of the  
3 effectiveness and efficiency of those programs.

4 (h) Goal, performance, and outcome information should be  
5 made widely available to the public.

6 (i) Goal, performance, and outcome information should be used  
7 in the annual budget and policymaking process to inform fiscal  
8 and policy decisions and by the Legislature to enhance oversight  
9 of public programs and to ensure results-based accountability.

10 (j) As a component of legislative oversight, goal, performance,  
11 and outcome information should be used to identify programs that  
12 require fundamental reforms to improve outcomes and programs  
13 subject to elimination because they are ineffective.

14 SEC. 2. Section 13335.1 is added to the Government Code, to  
15 read:

16 13335.1. (a) As used in this article, the following definitions  
17 shall apply:

18 (1) “Exchange” means the California Health Benefit Exchange  
19 established pursuant to Title 22 (commencing with Section 100500)  
20 of the Government Code.

21 (2) “Performance-based budgeting” means a system of budgeting  
22 that uses information on performance to inform resource allocation  
23 decisions, thereby establishing clear accountability.

24 (b) The purpose of performance-based budgeting is to inform  
25 policy, fiscal, and oversight decisions by the Governor and  
26 Members of the Legislature; to focus managers, supervisors, and  
27 rank-and-file workers on achieving desired goals; and to  
28 communicate to the public the value of public programs, progress  
29 toward desired results, and the choices available to improve the  
30 expenditure of public funds.

31 (c) The Exchange shall submit to the department and the  
32 Legislative Analyst’s Office a complete and detailed budget at the  
33 time and in the form prescribed by the department that sets forth  
34 all proposed expenditures and estimated revenues for the ensuing  
35 fiscal year.

36 (d) The budget submitted pursuant to subdivision (c) shall use  
37 performance-based budgeting to make clear to policymakers and  
38 the public the value and results of existing operations and proposed  
39 changes.

1 (e) The budget submitted pursuant to subdivision (c) using  
2 performance-based budgeting shall identify and update all of the  
3 following:

4 (1) The mission and goals of the Exchange.

5 (2) The activities and programs focused on achieving those  
6 goals.

7 (3) Performance metrics that reflect desired outcomes for  
8 existing and proposed activities and a targeted performance level  
9 for the following year.

10 (4) Prior year performance data and an explanation of deviation  
11 from previous year targets.

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

15 (6) A description of the impacts and consequences to parties  
16 affected by an activity or program proposed for modification or  
17 elimination.

18 (7) A five-year projection of estimated assessment levels on  
19 health plans to pay for Exchange expenditures.

20 (f) Performance-based budgeting shall be used by the Exchange  
21 and shall allow the public and policymakers to understand the  
22 effectiveness and efficiency of the Exchange. The Exchange shall,  
23 if necessary, develop a process for consulting with contractors or  
24 other responsible entities, and stakeholders to develop information  
25 related to performance standards and program performance.

26 (g) The department shall include performance-based budgeting  
27 information for the Exchange in the Governor's Budget in both  
28 printed and electronic formats if prepared, and post the information  
29 on its Internet Web site where the department routinely posts  
30 budget information. That information shall include, but not be  
31 limited to, information on all of the following:

32 (1) The mission and goals of the Exchange's provided spending  
33 authority in the Governor's Budget.

34 (2) The activities and programs focused on achieving those  
35 goals.

36 (3) Performance metrics that reflect desired outcomes for  
37 existing and proposed activities and a targeted performance level  
38 for the following year.

39 (4) Prior year performance data and an explanation of deviation  
40 from previous year targets.

1 (5) A description of the impacts and consequences to parties  
2 affected by an activity or program proposed for modification or  
3 elimination.

4 (h) The Legislative Analyst's Office shall review the adequacy  
5 of performance metrics and progress toward targeted outcomes in  
6 preparing its review of the Governor's Budget as it relates to the  
7 Exchange.

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