

Introduced by Senator HuffDecember 1, 2008

An act relating to state finance, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 8, as introduced, Huff. State finance: performance budgeting.

Existing law requires the Department of Finance, in its role of assisting the Governor in preparing the annual state budget, to develop, issue, and implement consistent and adequate guidelines for agencies required to submit budgets.

This bill would additionally require the Department of Finance to develop a performance budgeting pilot project under which the budgets of at least 4 departments in specified fiscal years would be analyzed by specified criteria. The bill would require these pilot project budgets to be considered by the Senate Committee on Budget and Fiscal Review and the Assembly Committee on Budget. The bill would require the Department of Finance to evaluate this pilot project and report its findings to the Chairperson of the Joint Legislative Budget Committee on or before January 1, 2012.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

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

- 1 SECTION 1. This act may be cited as the Performance
- 2 Budgeting and Government Accountability Act of 2009.

1 SEC. 2. The Legislature finds and declares the following:

2 (a) The state's traditional budgeting process, based on an
3 incremental review of funding adjustments to the previous year's
4 level of spending, impairs the ability of the Governor and
5 Legislature to impose new budget priorities that are needed as the
6 state confronts the most severe fiscal crisis in recent state history.

7 (b) Inadequate review of baseline spending encourages the
8 continuation of funding for programs that may be duplicative,
9 wasteful, inefficient, or no longer as important as other competing
10 needs.

11 (c) The perception of waste and inefficiency in state government
12 undermines Californians' confidence in government and reduces
13 the state's ability to adequately address vital public needs.

14 (d) Performance budgeting provides a framework for reviewing
15 state expenditures based on program results rather than intentions.
16 It assists legislative policymaking, spending decisions, and program
17 oversight by evaluating the relative priority, performance, and
18 management efficiencies in programs. Performance budgeting can
19 provide a useful tool to help determine where to make targeted
20 spending reductions without sacrificing vital services.

21 SEC. 3. The Department of Finance shall develop a
22 performance budgeting pilot project involving at least four
23 departments. As part of the state budgets for the 2009–10, 2010–11,
24 and 2011–12 fiscal years that are to be submitted by the Governor
25 to the Legislature, the Department of Finance shall include an
26 analysis of pilot department expenditures based on all of the
27 following:

28 (a) The extent to which the pilot department's programs are
29 relevant with respect to all of the following:

30 (1) Whether the program addresses a specific interest, problem,
31 or need that is clearly identified and immediately necessary.

32 (2) Whether the program represents a critical, essential role for
33 state government.

34 (3) Whether the elimination of the program would result in other
35 parties mitigating the loss of the program wholly or in part.

36 (4) Whether the program is designed to make a unique
37 contribution that is not duplicative of other federal, state, or local
38 government programs or private and nonprofit programs.

1 (5) Whether the program's budget has grown over the past 10
2 years in a manner consistent with the growth in the need it is
3 designed to address.

4 (b) The extent to which the department's performance measures
5 demonstrate an impact, as described in all of the following:

6 (1) Whether the program has specific, long-term performance
7 measures focusing on outcomes.

8 (2) Whether the program has a limited number of annual
9 performance measures demonstrating progress toward long-term
10 goals.

11 (3) Whether the program actually meets the impacts described
12 in paragraphs (1) and (2).

13 (4) Whether the program delivers quality performance in
14 comparison to similar program activities in other governments,
15 the private sector, and nonprofits.

16 (5) Whether the program collects timely and credible
17 performance information that can be verified and validated.

18 (c) The extent to which the department avoids internal
19 inefficiencies and poor resource allocation, as specified in all of
20 the following:

21 (1) Whether the program can provide a compelling cost-per-unit
22 of service.

23 (2) Whether employees are held accountable for performance
24 standards and trained and managed to produce optimal results.

25 (3) Whether information technology and other processes have
26 improved performance and cost-efficiencies of the program.

27 (4) Whether the program uses partnerships, grants, and contracts
28 to improve efficiency of operations and service delivery.

29 (5) Whether the program has strong internal controls that reduce
30 waste, fraud, and errors in its payment and financial management
31 systems.

32 SEC. 4. The Senate Committee on Budget and Fiscal Review
33 and the Assembly Committee on Budget shall consider the
34 performance budget analysis presented by the Department of
35 Finance in accordance with Section 3.

36 SEC. 5. The Department of Finance shall evaluate the pilot
37 program and report to the Chairperson of the Joint Legislative
38 Budget Committee, on or before January 1, 2012, regarding the
39 extent to which performance budgeting results in a more
40 cost-effective and innovative provision of government services.

1 SEC. 6. This act is an urgency statute necessary for the
2 immediate preservation of the public peace, health, or safety within
3 the meaning of Article IV of the Constitution and shall go into
4 immediate effect. The facts constituting the necessity are:
5 In order to determine budget priorities for the 2009–10 fiscal
6 year, it is necessary that this act go into immediate effect.