

AMENDED IN SENATE MAY 26, 2009

**SENATE BILL**

**No. 777**

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**Introduced by Senator ~~Wolk~~ *Senators Wolk and Huff***  
(Principal coauthor: Assembly Member Niello)  
**(Coauthor: Senator Ashburn)**  
(Coauthor: Assembly Member Buchanan)

February 27, 2009

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An act to amend Section 13320 of, and to add Section 13335.5 to, the Government Code, relating to the state budget.

LEGISLATIVE COUNSEL'S DIGEST

SB 777, 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 ~~2011-12~~ *2014-15* fiscal year and each fiscal year thereafter be developed pursuant to performance-based budgeting methods, as defined, for each state agency *and court*.

(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 the state agency submitted to the department *and the Joint Legislative Budget Committee* to utilize a performance-based budgeting method, as defined. The bill also would establish a task force comprised of the Director of Finance, the Controller, *a minority party member of the Joint Legislative Budget*

*Committee*, and the Chairperson of the Joint Legislative Budget Committee to develop performance-based budgeting guidelines and procedures and ~~to develop a training and education program~~ *a process for phasing in requirements of performance-based budgeting and to develop a training and education program* for state agency personnel involved in the budget process.

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. Section 13320 of the Government Code is
- 2 amended to read:
- 3 13320. (a) Every state agency and court for which an
- 4 appropriation has been made shall submit to the department for
- 5 approval a complete and detailed budget at the time and in the
- 6 form prescribed by the department, setting forth all proposed
- 7 expenditures and estimated revenues for the ensuing fiscal year.
- 8 (b) The budget submitted to the department for approval shall
- 9 utilize performance-based budgeting methods.
- 10 (c) A performance-based budget shall identify or update all of
- 11 the following:
- 12 (1) The mission of the agency or judicial branch.
- 13 (2) The goals established to accomplish the mission.
- 14 (3) The activities developed to achieve state goals.
- 15 (4) A performance goal and an outcome-oriented performance
- 16 measure for each ~~activity~~ *program* for which an appropriation is
- 17 made or requested.
- 18 (5) *An identification of other federal, state, or local programs*
- 19 *that relate to the program for which an appropriation is made or*
- 20 *requested.*
- 21 ~~(5)~~
- 22 (6) Legislatively approved output and performance standards
- 23 to measure progress toward program objectives. Each performance
- 24 measure must identify the associated activity contributing to it.
- 25 ~~(6)~~
- 26 (7) Prior-year performance data on approved performance
- 27 measures and an explanation of deviation from expected
- 28 performance.
- 29 ~~(7)~~

1 (8) Proposed performance incentives and disincentives.

2 (d) As used in this article, “performance-based budgeting  
3 method” means establishing clear accountability by achieving  
4 measurable performance results from the expenditure of state  
5 resources.

6 (e) *The purpose of the performance-based budgeting method is  
7 to provide information to policymakers to assist them in making  
8 decisions relating to appropriations by the Legislature and the  
9 management of programs by the executive branch.*

10 SEC. 2. Section 13335.5 is added to the Government Code, to  
11 read:

12 13335.5. (a) ~~For the 2011–12~~ *Not later than the 2014–15* fiscal  
13 year, and each fiscal year thereafter, the budget that the Governor  
14 submits to the Legislature, as required by Section 12 of Article IV  
15 of the California Constitution, shall be developed by utilizing  
16 performance-based budgeting methods.

17 (b) The amount of each appropriation made in the Budget Act  
18 for the ~~2011–12~~ *2014–15* fiscal year, and each fiscal year thereafter,  
19 for expenditure by any state agency shall be determined ~~by each~~  
20 ~~budgetary unit for each program~~ utilizing performance-based  
21 budgeting methods. The Budget Act introduced by the Governor  
22 also shall include performance standards, which shall be proposed  
23 by the Governor and may be amended by the Legislature in the  
24 same manner as amendments to appropriations in the Budget Bill.  
25 These standards shall be applied to each state agency, including a  
26 method for evaluating whether those standards are met in order to  
27 ascertain the effectiveness and efficiency of the state agency.

28 (c) *An annual report prepared by the Legislative Analyst’s*  
29 *Office, documenting the measurements of each state agency under*  
30 *its respective performance-based budgeting standards, shall be*  
31 *submitted to the Joint Legislative Budget Committee and the*  
32 *Department of Finance for use in making proposed adjustments*  
33 *to the budget for the succeeding fiscal year.*

34 (e)

35 (d) A task force consisting of the Director of Finance, the  
36 Controller, ~~and~~ the Chairperson of the Joint Legislative Budget  
37 Committee, ~~and a member of the joint committee who represents~~  
38 *the minority party, chosen by the chairperson of the joint*  
39 *committee, shall do both all of the following:*

1 (1) Develop guidelines and procedures to be used by state  
 2 agencies in developing performance-based budgets for the ~~2011–12~~  
 3 ~~fiscal year and following fiscal years, including procedures for~~  
 4 ~~implementing activity-based costing or other managerial cost~~  
 5 ~~accounting systems in each state agency.~~ *implementation of the*  
 6 *requirements identified in Section 13320.*

7 (2) Develop a training and education program for appropriate  
 8 budget personnel to facilitate the development of  
 9 performance-based budgeting methods by state agencies ~~for the~~  
 10 ~~2011–12 fiscal year and following fiscal years.~~

11 (3) *Establish a process for phasing in the requirements of*  
 12 *Section 13320. Beginning with the 2012–13 fiscal year and in each*  
 13 *fiscal year thereafter, the task force shall select departments that*  
 14 *have demonstrated the capacity to produce a budget based on*  
 15 *performance measures. By the 2012–13 fiscal year, the task force*  
 16 *shall have selected at least a sufficient number of state agencies*  
 17 *and their respective component departments for performance-based*  
 18 *budgeting implementation to account for approximately one-third*  
 19 *of total General Fund expenditures as proposed in the Governor’s*  
 20 *Budget for that fiscal year.*

21 (e) For purposes of this article, ~~the following terms have the~~  
 22 ~~following meanings:~~

23 (1) ~~“Budgetary unit” means the smallest significant operational~~  
 24 ~~unit within a state agency that has programmatic responsibilities,~~  
 25 ~~including local assistance programs, and authority distinct from~~  
 26 ~~other units at the same level in the entity’s organizational structure,~~  
 27 ~~and that does not have subdivisions or other units under it that~~  
 28 ~~have policy or administrative authority with respect to~~  
 29 ~~programmatic responsibilities.~~

30 (2) ~~“State “state agency” means any agency, department, or~~  
 31 ~~other entity of the state, including a court, that is required to submit~~  
 32 ~~a budget pursuant to Article 2 (commencing with Section 13320).~~