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## **SB 777 (Wolk) & AB 1382 (Niello) Performance Based Budget**

*By Senators Wolk and Ashburn; Assemblymembers Niello and Buchanan*

### **Bill Summary**

SB 777/AB 1382 establishes a performance based budget process for California, beginning in the 2011-12 fiscal year. Specifically, the bill requires the Governor's proposed budget, as well as departmental program budgets submitted to the Department of Finance, to use a performance based framework and include:

- (1) The mission of the agency or judicial branch.
- (2) The goals established to accomplish the mission.
- (3) The activities developed to achieve state goals.
- (4) A performance goal and an outcome-oriented performance measure for each activity for which an appropriation is made or requested.
- (5) Legislatively approved output and performance standards to measure progress toward program objectives. Each performance measure must identify the associated activity contributing to it.
- (6) Prior-year performance data on approved performance measures and an explanation of deviation from expected performance.
- (7) Proposed performance incentives and disincentives.

SB 777/AB 1384 also establishes a task force, beginning in 2010, to prepare for implementing a performance based budget. The Task Force, consisting of the Director of Finance, the Controller, and the Chairperson of the Joint Legislative Budget Committee, would do the following:

- A. Develop guidelines and procedures to be used by state agencies in developing performance based budgets for the 2011-12 fiscal year and following fiscal years, including procedures for implementing activity-based costing or other managerial cost accounting systems in each state agency.
- B. Develop a training and education program for appropriate budget personnel to facilitate the development of performance based budgeting methods by state agencies for the 2011-12 fiscal year and following fiscal years.

## **Background: Improving the California Budget Process. Why Measuring Results Matter**

California's budget making process relies on a decades old model: Next year's budget is based on this year's budget. *You get what you got in the prior year — plus growth.*

This model does not facilitate discussion or agreement on priorities, goals, desired results and the inevitable tradeoffs. When officials have more money to invest or must make cuts, they do not have needed information on which strategies or programs are working. The old "program-based" budget does not provide the information that helps policymakers provide needed oversight – on the costs of providing services and what should change to improve the impact of public programs.

To improve essential outcomes, the Governor and Legislature should adopt clear and compelling goals for California's public programs. The public and policymakers should understand what the state is trying accomplish in education and workforce development, health and human services, public safety, resource management and environmental protection programs, infrastructure planning and development, consumer protection and other public programs. The Governor and the Legislature should define targets that allow members of the budget committees and the public to recognize the progress that is being made and what additional progress can be expected with the amount of money spent.

State program goals and targets must be supported with information on results – or performance measures – that allows public managers to report their progress and future targets.

Governors and the legislatures in other states, including Washington, Virginia and Florida, are current models for performance budgeting. California local governments, including San Mateo County, have also been leaders in integrating performance metrics into the local budgeting process.

### **Sponsor**

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