

Date: ~~June 19, 2011~~ 2011 PM 5:17

Bill Number: SB 14

Bill Author: Senators Wolk, DeSaulnier, and Huff

**DEPARTMENT INFORMATION**

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**RECOMMENDED POSITION: SUPPORT**

**Summary of the Bill**

**SB 14** (Wold, DeSaulnier, and Huff) creates a performance-based budget process and a program evaluation legislative process for the state budget. This bill specifically:

- 1) Requires, by 2014-15, the Governor to include the following information in the January budget:
  - a) The mission and goals of each agency;
  - b) The activities and programs of the agency;
  - c) Performance measures that reflect the desired outcomes of the agency and a targeted performance level of the following year;
  - d) Prior-year performance data; and,
  - e) A description of the impacts to current beneficiaries of a program proposed for modification or elimination.
- 2) Implements the new performance-based budgeting requirements subject to appropriation in the budget, but requires the Department of Finance to prepare a plan that expects one-third of all state expenditures will use performance-based budgeting in the 2012-13 budget process.
- 3) Requires the Department of Finance to develop an implementation plan, guidelines for developing performance measures used in performance-based budgeting, and training programs for state employees. A task force, consisting of the Director of Finance, the

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Controller, and the chairs and vice chairs of budget committees in both houses would review and comment on the Department of Finance's plan, guidelines, and training program.

- 4) Requires the Legislature to designate a committee to adopt a process and timeline for a performance review of all state programs at least once every ten years. Stipulates that one-third of all General Fund expenditures must be reviewed by July 1, 2015 and two-thirds of all General Fund expenditures must be reviewed by January 1, 2018.

**Positive Factors for Oakland**

California's current budget process focuses on spending levels rather than choices that can help achieve public goals. SB 14 would require that performance measures be integrated into the Governor's budget and review the legislative process for developing the budget to include a focus on program results. Specifically programs would be assessed and determined if their program's accomplishments are progressing toward those goals.

This legislation is likely to impact Oakland and ensure that funding is granted to programs that are meeting programmatic expectations.

**Negative Factors for Oakland**

There is no known negative impact for the City of Oakland.

**PLEASE RATE THE EFFECT OF THIS MEASURE ON THE CITY OF OAKLAND:**

- Critical (top priority for City lobbyist, city position required ASAP)
- Very Important** (priority for City lobbyist, city position necessary)
- Somewhat Important (City position desirable if time and resources are available)
- Minimal or  None (do not review with City Council, position not required)

**Known support:**

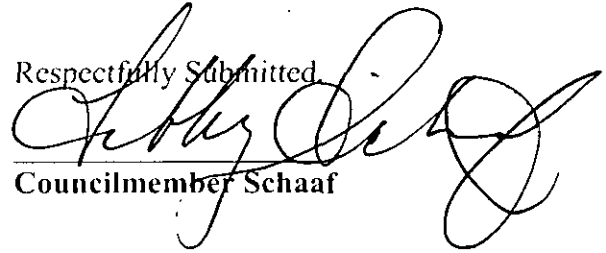
State Controller John Chiang (co-source)  
California Forward (co-source)  
AARP  
American Association of University Women  
American Council of Engineering Companies of California  
American Federation of State, County and Municipal Employees  
Bay Area Council  
Business Council of San Joaquin County  
Brocade Communications Systems, Inc.

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California Alliance of Child and Family Services  
California Association of Bed & Breakfast Inns  
California Chamber of Commerce  
California Chapter of the American Fence Association  
California Church IMPACT  
California Construction and Industrial Materials Association  
California Fence Contractors' Association  
California Grocers Association  
California Hotel & Lodging Association  
California Independent Oil Makers Association  
California Manufactures & technology Association  
California Partnership for the San Joaquin Valley  
California Retailers Association  
California Senior Advocates League  
California State Student Association  
California Taxpayers Association  
Consumer Specialty Products Association  
Contra Costa Council  
Engineering Contractors' Association  
Flasher Barricade Association  
Fresno Business Council  
Greater Fresno Area Chamber of Commerce  
Greenlining Institute  
Half Moon Bay Coastside Chamber of Commerce  
Herbalife International of America, Inc.  
Huntington Beach Chamber of Commerce  
Kern County Taxpayers Association  
Los Angeles Area Chamber of Commerce  
Marin Builders' Association  
MoSys Inc.  
Proofpoint Systems Inc.  
San Francisco Chamber of Commerce  
San Gabriel Valley Economic Partnership  
San Mateo County Economic Development Association  
Santa Clara and San Benito Counties Building and Construction Trades Council  
Santa Cruz County Medical Society  
Saving California Communities  
Service Employees International Union  
State Building and Construction Trades Council of California  
Silicon Valley Leadership Group  
TechAmerica  
USANA Health Sciences, Inc.  
Valley Industry and Commerce Association  
WELL Network

**Known Opposition:**  
None on file

Respectfully Submitted,

  
Councilmember Schaaf

Prepared by Shereda Nosakhare

Approved for Forwarding to  
Rules Committee

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Office of City Administrator

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AMENDED IN SENATE MAY 19, 2011  
AMENDED IN SENATE MARCH 17, 2011

**SENATE BILL**

**No. 14**

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**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

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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~~ *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.

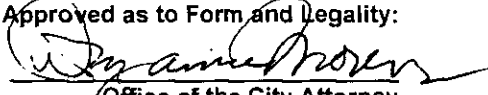
19 (3) Review and comment on a plan prepared by the department  
20 for systematically phasing in the requirements of Sections 13320  
21 and 13335.3. The plan should ensure that, by the 2012–13 fiscal  
22 year, performance-based budgeting methods are used in preparing,  
23 reviewing, and enacting 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.*

11 JUL 21 PM 4: 52

  
Office of the City Attorney

## Oakland City Council

RESOLUTION No. \_\_\_\_\_ C.M.S.

**Introduced by Councilmember Libby Schaaf**

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**RESOLUTION IN SUPPORT OF SENATE BILL 14 (WOLK, DESAULNIER, AND HUFF) WHICH CREATES A PERFORMANCE-BASED BUDGET PROCESS AND PROGRAM EVALUATION LEGISLATIVE PROCESS FOR THE STATE OF CALIFORNIA**

**WHEREAS**, existing law, Article IV, Section 12 of California's Constitution requires the Governor to submit a balanced budget to the Legislature by January 10<sup>th</sup> of each year ; and

**WHEREAS**, Government Code Section 13308 requires the submission of the budget trailer bill language by February 1<sup>st</sup> of each year; and

**WHEREAS**, SB 14 would require the Governor by 2014-15 to use performance-based budgeting methods to inform fiscal decisions; and

**WHEREAS**, SB 14 would require the following information included in the January budget:

- (1) The mission and goals of the agency; and
- (2) The activities and programs focused on achieving those goals; and
- (3) Performance metrics that reflect desired outcomes and a targeted performance level for the following year; and
- (4) Prior-year performance data and an explanation of deviation from previous-year targets; and
- (5) Proposed changes in statute that could improve outcomes or hold down costs; and

**WHEREAS**, SB 14 would implement the new performance-based budgeting requirements subject to appropriations in the budget, but require the Department of Finance to prepare a plan that expects one-third of all state expenditures will use performance-based budgeting in the 2012-13 budget process ;and

**WHEREAS**, SB 14 would require the Department of Finance to develop an implementation plan, guidelines for developing performance measures used in the performance-based budgeting, and training programs for state employees; and

**WHEREAS**, SB 14 would require the Legislature to designate a committee to adopt a process and timeline for a performance review of all state programs at least once every ten year; and

**WHEREAS**, SB 14 would stipulate that one-third of all General Fund expenditures must be reviewed by July 1, 2015 and two-thirds of all General Fund expenditures must be reviewed by July 1, 2018; and

**WHEREAS**, SB 14 would require a joint house committee of the Legislature implement an oversight program that includes monitoring, evaluating and measuring the performance of state programs and programs undertaken on behalf of the state; and

**WHEREAS**, SB 14 would streamline our state budget process, the way the state manages our money and plans for the future; now therefore, be it

**RESOLVED**: That the Oakland City Council hereby provides that it supports Senate Bill 14 and authorizes the City Administrator to communicate to the California State Legislature the City Council's support of the Bill.

IN COUNCIL, OAKLAND, CALIFORNIA,

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, BRUNNER, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL,  
SCHAAF, AND PRESIDENT REID

NOES -

ABSENT -

ABSTENTION -

ATTEST:

\_\_\_\_\_  
LATONDA SIMMONS  
City Clerk and Clerk of the Council of  
the City of Oakland, California