

# House Bill 3575

Sponsored by Representative J SMITH; Representatives CLEM, JENSON, MATTHEWS

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Directs Oregon Department of Administrative Services and Governor to submit continuous improvement level state budget based on performance management and performance measurement techniques. Specifies contents of budget.

Allows Joint Committee on Ways and Means, Emergency Board and Legislative Fiscal Office to review performance management and performance measurement processes for services contracted by state agencies and school districts.

Directs Governor and Chief Justice to report to Legislative Assembly on plan to implement continuous improvement strategies.

Declares emergency, effective on passage.

## A BILL FOR AN ACT

1  
2 Relating to state budget policy; creating new provisions; amending ORS 291.200 and 291.216; and  
3 declaring an emergency.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1. Sections 2 to 4 of this 2011 Act are added to and made a part of ORS 291.201**  
6 **to 291.222.**

7 **SECTION 2. As used in sections 2 to 4 of this 2011 Act:**

8 (1) "Continuous improvement" means a set of actions designed to permanently improve  
9 state agency performance, either in a specific targeted area or across all levels of an agency,  
10 through the use of structured process analysis and problem solving.

11 (2) "Performance management" means a formal, comprehensive set of business pro-  
12 cesses, including strategic planning, performance measurement, leadership, process man-  
13 agement and human resources that help ensure more efficient and effective management  
14 operations and practices and reduce costs.

15 (3) "Performance measurement" means a process of assessing progress toward achieving  
16 predetermined program objectives, including information on the efficiency with which re-  
17 sources are transformed into goods and services, the quality of those goods and services, the  
18 results of a program activity compared to its intended purpose and the effectiveness of state  
19 agency operations in terms of their specific contributions to program objectives.

20 (4) "State agency" means every state officer, board, commission, department, institution,  
21 branch or agency of the state government whose costs are paid wholly or in part from funds  
22 held in the State Treasury.

23 (5) "State government" has the meaning given that term in ORS 174.111.

24 **SECTION 3. (1) As part of the tentative budget plan and the budget report required under**  
25 **ORS 291.210 and 291.216, the Oregon Department of Administrative Services and the Gover-**  
26 **nor shall submit a continuous improvement level budget. The continuous improvement level**  
27 **budget shall be based on the results of state agency performance management and per-**

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 **formance measurement, shall describe and measure state agency efforts to implement pro-**  
 2 **cess improvements and shall reflect state agency efforts to achieve, through process**  
 3 **improvements, quality service delivery at a lower cost.**

4 **(2) The budget for each state agency shall:**

5 **(a) Identify how the agency is addressing performance management and performance**  
 6 **measurement;**

7 **(b) For each agency program, state the number of persons served by the program and**  
 8 **the amount expended for each person served by the program; and**

9 **(c) In the case of different agency programs that serve the same persons, aggregate and**  
 10 **state the total cost per capita of the multiple programs.**

11 **SECTION 4. The Joint Committee on Ways and Means, the Emergency Board and the**  
 12 **Legislative Fiscal Office may review performance management and performance measure-**  
 13 **ment processes for services provided by contract by state agencies or by school districts.**

14 **SECTION 5. (1) Not later than December 31, 2011, the Governor, for the executive de-**  
 15 **partment as defined in ORS 174.112, and the Chief Justice, for the judicial department as**  
 16 **defined in ORS 174.113, shall each report to the Legislative Assembly a comprehensive plan**  
 17 **that describes continuous improvement strategies for the respective departments, including**  
 18 **descriptions of performance management and performance measurement strategies.**

19 **(2) As used in this section:**

20 **(a) "Continuous improvement" means a set of actions designed to permanently improve**  
 21 **state agency performance, either in a specific targeted area or across all levels of an agency,**  
 22 **through the use of structured process analysis and problem solving.**

23 **(b) "Performance management" means a formal, comprehensive set of business pro-**  
 24 **cesses, including strategic planning, performance measurement, leadership, process man-**  
 25 **agement and human resources that help ensure more efficient and effective management**  
 26 **operations and practices and reduce costs.**

27 **(c) "Performance measurement" means a process of assessing progress toward achieving**  
 28 **predetermined program objectives, including information on the efficiency with which re-**  
 29 **sources are transformed into goods and services, the quality of those goods and services, the**  
 30 **results of a program activity compared to its intended purpose and the effectiveness of state**  
 31 **agency operations in terms of their specific contributions to program objectives.**

32 **SECTION 6. ORS 291.200 is amended to read:**

33 **291.200. (1) It is the intent of the Legislative Assembly to require the Governor, in the prepa-**  
 34 **ration of the biennial budget, to state as precisely as possible what programs the Governor recom-**  
 35 **mends be approved for funding under estimated revenues under ORS 291.342. If estimated revenues**  
 36 **are inadequate, the Legislative Assembly intends that it be advised by the Governor as precisely**  
 37 **as possible how the Legislative Assembly might proceed to raise the additional funds. It is also the**  
 38 **intent of the Legislative Assembly, in the event that the additional funding is not possible, to be**  
 39 **informed by the Governor precisely what programs or portions thereof the Governor recommends**  
 40 **be reduced accordingly. Finally, if the Governor chooses to recommend additional new programs or**  
 41 **program enhancements, the Legislative Assembly intends that the Governor specify how the addi-**  
 42 **tional funding might be achieved. The Legislative Assembly believes that the state government must**  
 43 **allocate its resources for effective and efficient delivery of public services by:**

44 **(a) Clearly identifying desired results;**

45 **(b) Setting priorities;**

1 (c) Assigning accountability; and

2 (d) Measuring, reporting and evaluating outcomes to determine future allocation.

3 **(2) In addition to the intentions of subsection (1) of this section, in preparing the biennial**  
 4 **budget, the Governor and the Legislative Assembly shall use a continuous improvement level**  
 5 **budgeting process described in section 3 of this 2011 Act.**

6 [(2)] (3) To achieve the intentions of [subsection (1)] **subsections (1) and (2)** of this section, it  
 7 is the budget policy of this state to create and administer programs and services designed to attain  
 8 societal outcomes such as the Oregon benchmarks and to promote the efficient and measured use  
 9 of resources.

10 [(3)] (4) To effect the policy stated in subsection [(2)] (3) of this section, state government shall:

11 (a) Allocate resources to achieve desired outcomes;

12 (b) Express program outcomes in measurable terms;

13 (c) Measure progress toward desired outcomes;

14 (d) Encourage savings;

15 (e) Promote investments that reduce or avoid future costs;

16 (f) Plan for the short term and long term using consistent assumptions for major demographic  
 17 and other trends; and

18 (g) Require accountability at all levels for meeting program outcomes.

19 **SECTION 7.** ORS 291.216 is amended to read:

20 291.216. (1) Not later than November 10 of each even-numbered year the Governor shall cause  
 21 the budget report to be compiled and prepared for printing.

22 (2) The budget report shall include a budget message prepared by the Governor, including rec-  
 23 ommendations of the Governor with reference to the fiscal policy of the state government for the  
 24 coming biennium, describing the important features of the budget plan, embracing a general budget  
 25 summary setting forth the aggregate figures of the budget report so as to show a balanced relation  
 26 between the total proposed expenditures and the total anticipated income, with the basis and factors  
 27 on which the estimates are made, the amount to be borrowed, and other means of financing the es-  
 28 timated expenditures for the ensuing biennium, compared with the corresponding figures for at least  
 29 the last completed biennium and the current biennium.

30 (3) The budget plan shall be supported by explanatory schedules or statements, classifying the  
 31 expenditures reported therein, both past and proposed, by organization units, objects and funds, and  
 32 the income by organization units, sources and funds, and the proposed amount of new borrowing as  
 33 well as proposed new tax or revenue sources, including a single comprehensive list of all proposed  
 34 increases in fees, licenses and assessments assumed in the budget plan.

35 (4) The budget plan shall be submitted for all dedicated funds, as well as the state General Fund,  
 36 and shall include the estimated amounts of federal and other aids or grants to state agencies or  
 37 activities provided for any purpose whatever, together with estimated expenditures therefrom.

38 (5) The budget report shall embrace the detailed estimates of expenditures and revenues. It shall  
 39 include statements of the bonded indebtedness of the state government, showing the actual amount  
 40 of the debt service for at least the past biennium, and the estimated amount for the current  
 41 biennium and the ensuing biennium, the debt authorized and unissued, the condition of the sinking  
 42 funds and the borrowing capacity. It shall contain the Governor's recommendations concerning tax  
 43 expenditures identified under ORS 291.214. It shall also contain any statements relative to the fi-  
 44 nancial plan which the Governor may deem desirable or which may be required by the legislature.

45 (6) The budget plan shall use the estimated revenues under ORS 291.342 for the fiscal year in

1 which the plan is submitted as the basis for total anticipated income under subsection (2) of this  
 2 section, subject to such adjustment as may be necessary to reflect accurately projections for the  
 3 next biennium.

4 (7) As supplemental information to the budget report, the Governor shall publish an existing  
 5 level tentative budget plan for the two fiscal years for which the budget report is required. This  
 6 summary budget shall reflect only existing revenues estimated under subsection (6) of this section;  
 7 subject to such adjustment as may be necessary to reflect accurately projections for the next  
 8 biennium. The supplemental information to the budget report shall be submitted at the same time  
 9 as the budget report.

10 (8)(a) The budget report shall present information regarding the expenses of the state in the  
 11 following categories:

12 (A) Personnel expenses, including compensation and benefits for state employees, but excluding  
 13 costs of services contracted out and temporary service costs.

14 (B) Supplies, equipment and the costs of services contracted out.

15 (C) Capital construction.

16 (D) Capital outlay.

17 (E) Debt service.

18 (b) For each category described in paragraph (a) of this subsection, the report shall show actual  
 19 expenditures to date.

20 (c) For each category described in paragraph (a) of this subsection, the report shall show:

21 (A) The amount of merit increases for the existing workforce.

22 (B) Increases for the cost of replacement and repair of supplies and equipment.

23 (C) Increases for the costs of new construction or major remodeling.

24 (D) Increases for the cost of inflation.

25 (d) The report shall show the total increase in the cost of salaries and benefits for all state  
 26 positions.

27 (9) The budget report shall include:

28 (a) The total number of positions included in the budget.

29 (b) The average vacancy rate in the present biennium.

30 (c) The number of permanent, full-time equivalent vacancies, excluding academics, as of July 1  
 31 of even-numbered years.

32 (10) The budget report shall include computations showing budget figures as a percentage of the  
 33 total General Fund, federal fund, fee or other source category, as may be appropriate.

34 (11) The budget report shall include, in a format that provides side-by-side comparison with the  
 35 State Debt Policy Advisory Commission report of net debt capacity, a six-year forecast, by debt type  
 36 and repayment source, of:

37 (a) That portion of the capital construction program required to be reported by ORS 291.224 that  
 38 will be financed by debt issuance.

39 (b) The acquisition of equipment or technology in excess of \$500,000 that will be financed by  
 40 debt issuance.

41 (c) Other state agency debt issuance for grant or loan purposes.

42 **(12) The budget report shall include the continuous improvement level budgeting infor-**  
 43 **mation required by section 3 of this 2011 Act.**

44 ~~[(12)]~~ (13) As supplemental information to the budget report, the Governor shall prepare an al-  
 45 ternative budget plan for the two fiscal years for which the budget report is required and shall

1 provide the alternative budget plan to the President of the Senate, the Speaker of the House of  
2 Representatives and the majority and minority leaders in the Senate and the House of Represen-  
3 tatives. The alternative budget plan shall establish funding for each state agency's programs and  
4 activities at 90 percent of the appropriations requested for the state agency in the budget report,  
5 excluding appropriations that are not made to fund recurring activities. For each state agency, the  
6 Governor shall describe the 10 percent reduction in appropriated moneys in terms of the activities  
7 or programs that the agency will not undertake. The activities or programs that are not undertaken  
8 as a result of the reductions in appropriated moneys made in the alternative budget plan shall be  
9 ranked in order of importance and priority on the basis of lowest cost for benefit obtained.

10 **SECTION 8. Sections 1 to 4 of this 2011 Act and the amendments to ORS 291.200 and**  
11 **291.216 by sections 6 and 7 of this 2011 Act apply to tentative budget plans and budget reports**  
12 **prepared for biennia beginning on or after July 1, 2013.**

13 **SECTION 9. This 2011 Act being necessary for the immediate preservation of the public**  
14 **peace, health and safety, an emergency is declared to exist, and this 2011 Act takes effect**  
15 **on its passage.**