

House Bill 2371

Sponsored by Representative THATCHER; Representative WEIDNER, Senators GEORGE, JOHNSON (Presession filed.)

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 Governor and Legislative Assembly, in developing outcomes-based budget, to use process identifying priorities of government. Requires development of set of expected statewide results, identification of indicators of progress toward achievement of results, identification of proven strategies and valid performance measures and development of results-based prioritization of activities.

Declares emergency, effective on passage.

A BILL FOR AN ACT

1
2 Relating to state finance; creating new provisions; amending ORS 291.200, 291.216 and 291.217; and
3 declaring an emergency.

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

5 **SECTION 1.** ORS 291.217, as amended by section 8, chapter 107, Oregon Laws 2012, is amended
6 to read:

7 291.217. (1) As used in this section:

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

11 (b) "Outcomes-based budget" means a budget that allocates government resources to those uses
12 of taxpayer moneys and fee revenues that will best produce the outcomes most important to the
13 residents of this state, that generates options for funding, that uses service redesign, competition,
14 collaboration and prioritization to drive continuous improvement and innovations, and that can be
15 used to align government, nonprofit and private resources to help produce the desired outcomes.

16 (c) "Performance management" means a formal, comprehensive set of business processes, in-
17 cluding strategic planning, performance measurement, leadership, process management and human
18 resources that help ensure more efficient and effective management operations and practices and
19 reduce costs.

20 (d) "Performance measurement" means a process of assessing progress toward achieving prede-
21 termined program objectives, including information on the efficiency with which resources are
22 transformed into goods and services, the quality of those goods and services, the results of a pro-
23 gram activity compared to its intended purpose and the effectiveness of state agency operations in
24 terms of their specific contributions to program objectives.

25 (e) "State agency" means every state officer, board, commission, department, institution, branch
26 or agency of the state government whose costs are paid wholly or in part from funds held in the
27 State Treasury.

28 (f) "State government" has the meaning given that term in ORS 174.111.

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 (2) As part of the tentative budget plan and the budget report required under ORS 291.210 and
 2 291.216, the Oregon Department of Administrative Services and the Governor shall submit an
 3 outcomes-based budget. The outcomes-based budget shall:

4 (a) Be based on the results of state agency continuous improvement actions, performance man-
 5 agement and performance measurement[, *shall*];

6 (b) Describe and measure state agency efforts to implement process improvements [*and shall*];

7 (c) Reflect state agency efforts to achieve, through process improvements, quality service de-
 8 livery at a lower cost; **and**

9 (d) **Reflect the priorities of state government established using the process described in**
 10 **subsection (3) of this section.**

11 (3) **In developing an outcomes-based budget, to determine the outcomes most important**
 12 **to the residents of this state, the Governor and the Legislative Assembly shall use a**
 13 **performance-based process that establishes the priorities of state government. The process**
 14 **must include, at a minimum:**

15 (a) **Determination through a public, collaborative method of a set of statewide, priority**
 16 **results that every resident of this state should expect from state government, with provision**
 17 **for periodic review of those priorities;**

18 (b) **Identification of indicators of progress toward achievement of each of the statewide**
 19 **results;**

20 (c) **Identification of proven or promising strategies for achieving each of the statewide**
 21 **results;**

22 (d) **Valid performance measures for each of the indicators of progress;**

23 (e) **Identification and descriptions of each activity of each state agency, the estimated**
 24 **cost of maintaining each activity and the quantifiable results intended to be derived from**
 25 **each activity; and**

26 (f) **A results-based prioritization of state agency activities that most directly accomplish**
 27 **the desired statewide results and that connect to identified strategies.**

28 (4) **In determining a set of statewide, priority results under subsection (3) of this section,**
 29 **the Governor and the Legislative Assembly shall consider, but are not limited to considering:**

30 (a) **Protecting people and communities through law enforcement, courts and corrections;**

31 (b) **Providing for an educated citizenry by ensuring that all children receive an equal**
 32 **opportunity to achieve academic success;**

33 (c) **Promoting job creation and entrepreneurship and a healthy, efficient market;**

34 (d) **Providing a safety net of social services;**

35 (e) **Building and maintaining the infrastructure to accommodate transportation and**
 36 **utilities;**

37 (f) **Requiring state agencies to conduct business in an efficient, transparent and ac-**
 38 **countable manner;**

39 (g) **Managing public property and natural resources, including protections for air, water,**
 40 **soil and ecosystems, while protecting property rights of private property owners; and**

41 (h) **Oregon benchmarks.**

42 [(3)] (5) The budget for each state agency shall:

43 (a) Identify how the agency is addressing continuous improvement, **including the priorities and**
 44 **considerations described in subsections (3) and (4) of this section,** performance management and
 45 performance measurement; and

1 (b) For each agency program, state the number of persons served, or other units of service
 2 provided, by the program.

3 [(4)] (6) The Joint Committee on Ways and Means, the Emergency Board, the Joint Interim
 4 Committee on Ways and Means and the Legislative Fiscal Office may review performance manage-
 5 ment and performance measurement processes for services provided by contract by state agencies
 6 or by school districts.

7 **SECTION 2.** ORS 291.200 is amended to read:

8 291.200. (1) It is the intent of the Legislative Assembly to require the Governor, in the prepa-
 9 ration of the biennial budget, to state as precisely as possible what programs the Governor recom-
 10 mends be approved for funding under estimated revenues under ORS 291.342. If estimated revenues
 11 are inadequate, the Legislative Assembly intends that it be advised by the Governor as precisely
 12 as possible how the Legislative Assembly might proceed to raise the additional funds. It is also the
 13 intent of the Legislative Assembly, in the event that the additional funding is not possible, to be
 14 informed by the Governor precisely what programs or portions thereof the Governor recommends
 15 be reduced accordingly. Finally, if the Governor chooses to recommend additional new programs or
 16 program enhancements, the Legislative Assembly intends that the Governor specify how the addi-
 17 tional funding might be achieved. [*The Legislative Assembly believes that the state government must*
 18 *allocate its resources for effective and efficient delivery of public services by:*]

19 [(a) *Clearly identifying desired results;*]

20 [(b) *Setting priorities;*]

21 [(c) *Assigning accountability; and*]

22 [(d) *Measuring, reporting and evaluating outcomes to determine future allocation.*]

23 (2) In addition to the intentions of subsection (1) of this section, in preparing the biennial
 24 budget, the Governor and the Legislative Assembly shall use an outcomes-based budgeting process
 25 described in ORS 291.217 (2) [*and (3)*] **to (5)**.

26 (3) To achieve the intentions of subsections (1) and (2) of this section, it is the budget policy of
 27 this state to create and administer programs and services designed to attain societal outcomes such
 28 as the Oregon benchmarks and to promote the efficient and measured use of resources.

29 (4) To effect the policy stated in subsection (3) of this section, state government shall:

30 (a) Allocate resources to achieve desired outcomes;

31 (b) Express program outcomes in measurable terms;

32 (c) Measure progress toward desired outcomes;

33 (d) Encourage savings;

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

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

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

38 **SECTION 3.** ORS 291.216 is amended to read:

39 291.216. (1) Not later than November 10 of each even-numbered year the Governor shall cause
 40 the budget report to be compiled and prepared for printing.

41 (2) The budget report shall include a budget message prepared by the Governor, including rec-
 42 ommendations of the Governor with reference to the fiscal policy of the state government for the
 43 coming biennium, describing the important features of the budget plan, embracing a general budget
 44 summary setting forth the aggregate figures of the budget report so as to show a balanced relation
 45 between the total proposed expenditures and the total anticipated income, with the basis and factors

1 on which the estimates are made, the amount to be borrowed, and other means of financing the es-
2 timated expenditures for the ensuing biennium, compared with the corresponding figures for at least
3 the last completed biennium and the current biennium.

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

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

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

19 (6) The budget plan shall use the estimated revenues under ORS 291.342 for the fiscal year in
20 which the plan is submitted as the basis for total anticipated income under subsection (2) of this
21 section, subject to such adjustment as may be necessary to reflect accurately projections for the
22 next biennium.

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

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

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

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

34 (C) Capital construction.

35 (D) Capital outlay.

36 (E) Debt service.

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

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

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

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

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

43 (D) Increases for the cost of inflation.

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

1 (9) The budget report shall include:

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

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

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

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

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

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

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

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

16 (12) The budget report shall include the outcomes-based budgeting information required by ORS
17 291.217 (2) *[and (3)]* **to (5)**.

18 (13) As supplemental information to the budget report, the Governor shall prepare an alternative
19 budget plan for the two fiscal years for which the budget report is required and shall provide the
20 alternative budget plan to the President of the Senate, the Speaker of the House of Representatives
21 and the majority and minority leaders in the Senate and the House of Representatives. The alter-
22 native budget plan shall establish funding for each state agency's programs and activities at 90
23 percent of the appropriations requested for the state agency in the budget report, excluding appro-
24 priations that are not made to fund recurring activities. For each state agency, the Governor shall
25 describe the 10 percent reduction in appropriated moneys in terms of the activities or programs that
26 the agency will not undertake. The activities or programs that are not undertaken as a result of the
27 reductions in appropriated moneys made in the alternative budget plan shall be ranked in order of
28 importance and priority on the basis of lowest cost for benefit obtained.

29 **SECTION 4. The amendments to ORS 291.200, 291.216 and 291.217 by sections 1 to 3 of this**
30 **2013 Act apply to budget reports prepared for, and biennial budgets adopted for, biennia be-**
31 **ginning on or after July 1, 2015.**

32 **SECTION 5. This 2013 Act being necessary for the immediate preservation of the public**
33 **peace, health and safety, an emergency is declared to exist, and this 2013 Act takes effect**
34 **on its passage.**

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