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# ISSUE BRIEF

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## THE SMART GOVERNMENT ACT

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The Colorado General Assembly considered and made changes to the state budget process during the 2010 legislative session. Specifically, House Bill 10-1119 establishes a performance-based budgeting program through the State Measurements for Accountable, Responsive, and Transparent (SMART) Government Act. The bill sets forth new requirements for budgeting by state departments and implements a new role in state budgeting for legislative committees of reference. This *issue brief* provides an overview of the requirements and responsibilities in the act, specifically addressing those pertaining to state departments, legislative committees, the State Auditor, the Office of State Planning and Budgeting (OSPB), and the Office of Information Technology.

### Principal Departments

**Performance-based budgeting program.** House Bill 10-1119 establishes a new performance-based budgeting program for all principal departments and the Judicial Branch ("departments"). While budget submission instructions from the OSPB have previously specified requirements for department objectives and performance measures, the new legislation enacts a statutory process. Beginning in FY 2012-13, the departments are required to develop an annual strategic plan that includes:

- a five-year mission or vision;

- performance-based goals that correspond to its mission;
- performance measures for meeting its goals;
- strategies to meet its goals; and
- a performance evaluation.

The new process includes requirements for presentation and transparency of strategic plans. For the 2011 legislative session, the departments will make a presentation of their progress toward a strategic plan to a committee of reference, as assigned by the Senate President and Speaker of the House. Beginning with the 2012 legislative session, presentations to committees of reference will review the strategic plan, performance goals and measures, and a report on actual outcomes. Additionally, each strategic plan will be posted on the official website of the department and the OSPB.

### Committees of Reference

**Legislative review.** House Bill 10-1119 retools the current committee of reference responsibilities pertaining to oversight hearings with principal departments. As discussed above, beginning in 2011, discussion of strategic plans becomes a central focus of these hearings, which must be held during the first 15 days of the legislative session and include time for public testimony. The bill encourages local government entities to attend and provide testimony at the committee hearings or to submit a letter regarding any local impact of a department's strategic plan.

**Committee outreach.** In addition to the oversight hearings, House Bill 10-1119 outlines other roles for committees of reference. Prior to the 2012 legislative session, and in subsequent years, committees may hold meetings outside of the Denver metropolitan area to hear public testimony pertaining to legislative priorities and departmental strategic plans.

With the convening of the 2012 legislative session, chairs of each committee of reference will appoint two members from their committee, one from each political party, to serve as liaisons to the committee's assigned departments. The assigned liaisons will facilitate communication regarding the department's performance-based budgeting process for the purpose of tracking its performance-based goals, performance measures, and performance evaluations. The chair of the Joint Budget Committee (JBC) will also assign a member of that committee to serve as a liaison for each department, who will work with the liaisons from the committees of reference.

**Recommendations on strategic plans.** Within 30 days after the presentations of strategic plans to committees of reference, each committee will provide written recommendations regarding the plans to each department or agency under its purview. Once a department has considered implementation of the recommendations provided by the committee, the department is required to submit a written response regarding any recommendations *not* implemented in the following fiscal year by the fifth day of the legislative session in that fiscal year.

## Office of the State Auditor

**Performance audits.** Under House Bill 10-1119, the State Auditor must conduct performance audits of at least two departments per year, beginning prior to the 2013 legislative session, which will be presented

to the Legislative Audit Committee. In reviewing a department's programs or services, the performance audit may examine:

- the integrity of the performance measures audited;
- the accuracy and validity of the department's reported results; and
- the overall cost and effectiveness of the audited programs in achieving legislative intent and the department's performance goals.

The State Auditor must present performance audits to the appropriate committee of reference within the first 15 days of the legislative session, a presentation that can occur in conjunction with departments' annual presentations of strategic plans. As a function of the review by committees of reference, the committees must hold a joint hearing with the JBC, after which the JBC can consider the committee's recommendations as they pertain to the Long Bill. The JBC must report back to committees through a presentation or a written report on its decisions about the committee of reference's recommendations.

## Other Requirements

**Publication of performance report.** Beginning December 1, 2012, the act establishes requirements for publication of annual performance reports for each department, which include a summary of its strategic plan.

**Electronic budgeting system.** The new legislation requires the Governor's Office of Information Technology to complete, by November 1, 2010, a study on the feasibility and cost of building an electronic budgeting system for the state.