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THE SMART GOVERNMENT ACT

by Cathy Eslinger

The Colorado General Assembly has considered and made changes to the state budget process during the past two years. Specifically, House Bill 10-1119 established a performance-based budgeting program through the State Measurements for Accountable, Responsive, and Transparent (SMART) Government Act. The bill set forth new requirements for budgeting by state departments and implemented 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, and the Office of the State Auditor.

Principal Departments

Performance-based budgeting program. The SMART Government Act established a performance-based budgeting program for all principal departments, the Judicial Branch, the Office of the State Public Defender, the Office of the Alternate Defense Counsel, the Office of the Child's Representative, and the Independent Ethics Commission ("departments"). While budget submission instructions from the Office of State Planning and Budgeting (OSPB) had previously specified requirements for department objectives and performance measures, the 2010 legislation enacted a statutory process. 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 process includes requirements for the presentation and transparency of strategic plans. Presentations to committees of reference must review the strategic plan, performance goals and measures, and a report on actual outcomes. Additionally, each strategic plan is posted on the official website of the department and the OSPB.

Legislation enacted during the 2012 legislative session added another component to the department's presentations. By November 1, 2012, and each subsequent November 1, each principal department must file its regulatory agenda with the Legislative Council Staff and include this agenda in the presentation to its assigned committee of reference in January of each year.

Committees of Reference

Legislative review. The act retooled the current committee of reference responsibilities pertaining to oversight hearings with principal departments. Discussion of strategic plans is now 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. Local governments are encouraged 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, the act outlined other roles for committees of reference. Prior to each legislative session, 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 each session, chairs of each committee of reference appoint two members from their committee, one from each political party, to serve as liaisons to the committee's assigned departments. The assigned liaisons 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) also assigns a member of that committee to serve as a liaison for each department and to work with the liaisons from the committees of reference.

Recommendations on strategic plans. Within 30 days after the presentation of strategic plans to committees of reference, each committee provides any written recommendations regarding the plans to each department or agency under its purview. Once a department has considered implementation of the committee recommendations, it 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. For recommendations made during the 2012 legislative session, departments are required to provide written responses to recommendations not implemented by January 14, 2013.

Recommendations on department budgets. As a function of the review by committees of reference, the committees must hold a hearing with the JBC, after which the JBC considers the committee's budget recommendations as they pertain to the Long Bill. A

committee's recommendation for a department may not exceed the department's budget request. The JBC must report back to committees through a presentation or a written report on its decisions about the committee of reference's recommendations.

Office of the State Auditor

Performance audits. Beginning prior to the 2013 legislative session, the State Auditor must conduct performance audits of one or more specific programs or services in at least two departments per year and present them 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;
- accuracy and validity of the department's reported results; and
- overall cost and effectiveness of the audited programs in achieving legislative intent and the department's performance goals.

The State Auditor must also 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.

Other Requirements

Publication of performance reports. 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. The performance reports are to be no longer than four pages in length, published on official state websites, and distributed to all members of the General Assembly.