



THE SMART GOVERNMENT ACT

by Cathy Eslinger

The Colorado General Assembly has considered and made changes to the state budget process during the past three years. Specifically, House Bill 10-1119 established a performance-based budgeting program through the State Measurement 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. In 2013, House Bill 13-1299 repealed and reenacted the original provisions of the act in order to update the process. This issue brief provides an overview of the requirements and responsibilities in the new act, specifically addressing those pertaining to state departments, legislative committees, and the Office of the State Auditor.

Principal Departments

Performance-based budgeting program. The 2013 SMART Government Act establishes a performance management system 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, the Public Employees' Retirement Association, the Colorado Energy Office, and the Office of Economic Development and International Trade ("departments"). While budget submission instructions from the Governor's Office of State Planning and Budgeting (OSPB) had previously specified requirements for department objectives and performance measures, the 2010 legislation enacted a statutory process. Under the 2013

legislation, the focus is on components of a performance management system for each department, which will be published by August 1 each year. For the principal departments, OSPB holds responsibility for issuing instructions regarding the performance management system, while the other covered entities retain an internal process. A performance management system must:

- include strategies for enhancing productivity, improving efficiency, reducing costs, and eliminating waste;
- establish parameters for the development of a performance plan;
- incorporate a continuous process improvement system; and
- include procedures to ensure that a department's employees are appropriately trained to implement the system.

The process includes requirements for the presentation and transparency of performance plans, beginning July 1, 2014. Departments must submit performance plans to the Joint Budget Committee and the appropriate joint committee of reference. Additionally, each performance plan is posted on the official website of the department and the OSPB. Performance plans include:

- mission statement or vision;
- a description of a department's major functions;
- performance measures for its major functions;
- long-term performance goals;

- a narrative description of strategies necessary to meet its performance goals; and
- a summary of the department's most recent performance evaluation.

Committees of Reference

Legislative review. The original act retooled committee of reference responsibilities pertaining to oversight hearings with principal departments, and the 2013 legislation further revised these requirements. Each joint committee of reference must hold hearings with its assigned departments, which include a presentation of the department's:

- budget request and associated legislative agenda.
- regulatory agenda; and
- performance plan (beginning in 2014).

The hearings now must be held during the interim between legislative sessions. Specifically, joint committees of reference must meet between November 1 and the beginning of the next legislative session, at least once in even-numbered years, and at least twice in odd-numbered years. Committee meetings must 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 performance management system and performance plan.

Chairs of each joint committee of reference appoint two members from the joint committee, one from each political party, to serve as liaisons to the committee's assigned departments. The liaisons facilitate communication regarding the department's performance management system and performance plan. 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.

Joint Budget Committee

Under the new legislation, the JBC's responsibilities include holding hearings to review departments' performance plans and evaluations. The JBC may subsequently prioritize departments' requests for new funding that are expressly intended to: enhance productivity; improve efficiency; reduce costs; and eliminate waste in processes and operations that deliver goods and services.

Office of the State Auditor

Performance audits. Prior to the beginning of each legislative session, the State Auditor must conduct performance audits of one or more specific programs or services in at least two departments, with the selections approved by the Legislative Audit Committee (LAC). In selecting programs for a performance audit, the State Auditor must consider: risk; audit coverage; required resources; and the impact of the audited program on the department's performance goals. 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.

After an audit is released by the LAC, the State Auditor must also present the performance audit to the appropriate joint committee of reference. Additionally, the law now requires the State Auditor to notify the appropriate committee of reference when a department has not completed recommendations made by the auditor within the time provided.