

SUMMARY ANALYSIS OF AMENDED BILL

Author: Feuer and Perez Analyst: Janet Jennings Bill Number: AB 2591
 Related Bills: See Prior Analysis Telephone: 845-3495 Amended Date: April 8, 2010
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: State Budget/Performance Based Budget

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENTS CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED

March 17, 2010, STILL APPLIES.

OTHER – See comments below.

SUMMARY

This bill would require that the Governor’s annual budget be developed using performance-based budgeting methods, as specified.

SUMMARY OF AMENDMENTS

The April 8, 2010, amendments changed the review function of the Legislative Analyst, resolved the department’s “Technical Considerations,” and added a coauthor. The amendments state the bill’s provisions would become operative only if Assembly Constitutional Amendment (ACA) 4 is approved by the voters, and would become operative upon the operative date of ACA 4. Except for the revised “This Bill” and “Technical Considerations” that are no longer applicable, the department’s analysis of the bill as amended March 17, 2010, still applies. The following “Implementation Considerations” and “Fiscal Impact” still apply and are included below for convenience.

POSITION

Pending.

Board Position:	Asst. Legislative Director	Date
<input type="checkbox"/> S		
<input type="checkbox"/> SA		
<input type="checkbox"/> N		
<input type="checkbox"/> NA		
<input type="checkbox"/> O		
<input type="checkbox"/> OUA		
<input type="checkbox"/> NP		
<input type="checkbox"/> NAR		
<input checked="" type="checkbox"/> PENDING	Patrice Gau-Johnson	05/03/10

ANALYSIS

THIS BILL

This bill would require the Franchise Tax Board (FTB) to submit to the Department of Finance (DOF) for approval a complete and detailed budget, at the time and in the form prescribed, utilizing performance-based budgeting methods that identify or update the following:

1. The mission and goals of the FTB.
2. The activities and programs focused on achieving those goals.
3. Performance metrics that reflect desired outcomes for existing and proposed activities and a targeted performance level for the following year.
4. Prior year performance data and an explanation of deviation from previous-year targets.
5. Proposed changes in statute, including the creation of incentives or elimination of disincentives that could improve outcomes or hold down costs.

The Governors' Internet Web site would provide a summary of each state agency's mission, goals, prior-year performance, and future-year objectives.

IMPLEMENTATION CONSIDERATIONS

The department has identified the following implementation concerns. Department staff is available to work with the author's office to resolve these and other concerns that may be identified.

Implementing this bill would have a significant impact to the department. The FTB currently uses the California State Accounting and Reporting System (CALSTARS) for external state level reporting. In addition, the department currently uses Activity Based Costing (ABC) as an internal management tool. ABC is a method of deriving the costs of products and services by calculating the cost of each component activity in the processes that produce and deliver these products and services. However, neither CALSTARS nor ABC currently have the capacity to establish and maintain a performance-based budget that includes the development and evaluation of performance measures and standards. As a result, this bill would require changes in the department's existing budget and revenue reporting methodology and would require retraining of existing budget staff.

In addition, implementation of performance-based budgeting by the department would be contingent on information that would be supplied to the department by the DOF. The department normally begins its budget process for the following fiscal year in the fall of the current year (fall 2010 for the 2011/2012 fiscal year budget). To prepare an effective performance based budget for the 2012/2013 fiscal year, the DOF would need to provide the guidelines, procedures, and training outlined in this bill by fall of 2010.

FISCAL IMPACT

Formulating a performance-based budget would require significant changes to the existing internal and external reports. The department would be required to capture additional information and would require a format not currently used by the department. Therefore, the existing systems would need modification, or a new program or all-inclusive system may need to be acquired. In addition, resources would be needed for training staff.

The impact of this bill on the department is unknown at this time, but could be costly for the department to implement due to possible systems and reporting changes. Ultimately, the potential departmental impact for the implementation of performance-based budgeting would depend on the outcome of the proposed guidelines and procedures to be developed by the DOF. Implementation could divert resources from core revenue-generating functions.

LEGISLATIVE STAFF CONTACT

Legislative Analyst

Janet Jennings

(916) 845-3495

janet.jennings@ftb.ca.gov

Revenue Manager

Monica Trefz

(916) 845-4002

monica.trefz@ftb.ca.gov

Asst. Legislative Director

Patrice Gau-Johnson

(916) 845-5521

patrice.Gau-Johnson@ftb.ca.gov