

**First Regular Session
Sixty-eighth General Assembly
STATE OF COLORADO**

PREAMENDED

*This Unofficial Version Includes Committee
Amendments Not Yet Adopted on Second Reading*

LLS NO. 11-0309.01 Esther van Mourik

HOUSE BILL 11-1212

HOUSE SPONSORSHIP

Tyler and Hullinghorst,

SENATE SPONSORSHIP

(None),

House Committees

State, Veterans, & Military Affairs
Appropriations

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING THE INCLUSION OF LEAN GOVERNMENT PRINCIPLES IN**
102 **THE PERFORMANCE-BASED BUDGETING PROCESS.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billsummaries>.)

Sections 1 to 3 of the bill allow a department to apply lean government principles in establishing performance-based goals for purposes of performance-based budgeting. The bill defines lean government principles as a continuous and rapid process improvement of state government that involves eliminating a department's nonvalue-added

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
*Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.*

processes, providing feedback on process improvements that have the purpose of increasing a department's efficiency and effectiveness, and measuring the outcomes of such improvements. The bill also states that if applied, a strategic plan must include a report regarding the application of lean government principles.

Section 4 of the bill requires that no later than January 1, 2012, the department of personnel must collaborate with the office of information technology to create and make available to all departments common templates and tools for the implementation of lean government principles.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** 2-7-201, Colorado Revised Statutes, is amended to
3 read:

4 **2-7-201. Legislative declaration.** (1) The general assembly
5 hereby finds and declares that:

6 (a) It is important that state government be accountable and
7 transparent in such a way that the general public can understand the value
8 received for the tax dollars spent by the state;

9 (b) The ability to assess departments in their progress in achieving
10 performance-based goals will lead to improvements in services rendered
11 AND increased efficiency in program administration, as well as
12 transparency;

13 (c) Departments should be held accountable for the programs and
14 services they deliver in accordance with clearly defined
15 performance-based goals;

16 (d) In the process of performance-based budgeting, the head of
17 each principal department should include in the department's strategic
18 plan a thoughtful consideration of all major functions of state government
19 managed by each principal department in an effort to properly prioritize
20 such major functions;

1 (e) LEAN GOVERNMENT PRINCIPLES CAN LEAD TO IMPORTANT AND
2 BENEFICIAL RESULTS AND MAY BE APPLIED IN THE PROCESS OF
3 PERFORMANCE-BASED BUDGETING;

4 ~~(e)~~ (f) Performance measures for evaluating performance-based
5 goals should be integrated into the state planning and budgeting process;

6 ~~(f)~~ (g) Performance-based goals, performance measures, and
7 performance evaluation methodology should be developed with the input
8 of the general assembly and employees of departments;

9 ~~(g)~~ (h) Performance-based budgeting will be more useful and
10 reliable for the general assembly and the public if performance audits of
11 the departments are completed; and

12 ~~(h)~~ (i) Departments need statutory authority and flexibility to use
13 their resources in the best possible way to better serve the people of
14 Colorado through the effective administration and delivery of
15 governmental programs and services.

16 **SECTION 2.** 2-7-202 (9), Colorado Revised Statutes, is
17 amended, and the said 2-7-202 is further amended BY THE ADDITION
18 OF THE FOLLOWING NEW SUBSECTIONS, to read:

19 **2-7-202. Definitions.** As used in this part 2, unless the context
20 otherwise requires:

21 (3.5) "LEAN GOVERNMENT PRINCIPLES" MEANS A CONTINUOUS
22 AND RAPID PROCESS IMPROVEMENT OF STATE GOVERNMENT BY
23 ELIMINATING A DEPARTMENT'S NONVALUE-ADDED PROCESSES AND
24 RESOURCES, PROVIDING FEEDBACK ON PROCESS IMPROVEMENTS THAT
25 HAVE THE PURPOSE OF INCREASING A DEPARTMENT'S EFFICIENCY AND
26 EFFECTIVENESS, AND MEASURING THE OUTCOMES OF SUCH
27 IMPROVEMENTS. "LEAN GOVERNMENT PRINCIPLES" MAY INVOLVE SOME

1 OR ALL OF THE FOLLOWING STRATEGIES:

2 (a) THE DEVELOPMENT OF A PROCESS MAP OR VALUE STREAM MAP
3 THAT DESCRIBES THE PROCEDURES BY WHICH THE DEPARTMENT PRODUCES
4 VALUE;

5 (b) THE IMPLEMENTATION OF PLANNED RAPID IMPROVEMENTS IN
6 THE DEPARTMENT'S PROCESSES THAT WILL INCREASE VALUE OR DECREASE
7 STAFF TIME, INVENTORY, DEFECTS, OVERPRODUCTION, COMPLEXITY,
8 DELAYS, OR EXCESSIVE MOVEMENT;

9 (c) THE DEVELOPMENT OF TIMELINES FOR MAKING RAPID PROCESS
10 IMPROVEMENTS AS WELL AS PLANS FOR THE REALLOCATION OR REMOVAL
11 OF RESOURCES, REDUCTION OF EXPENDITURES, OR THE PRODUCTION OF
12 GREATER VALUE;

13 (d) THE INVOLVEMENT OF DEPARTMENT EMPLOYEES AT ALL
14 LEVELS IN MAPPING THE DEPARTMENT'S PROCESSES AND IN MAKING
15 RECOMMENDATIONS FOR IMPROVEMENTS, INCLUDING THE
16 DOCUMENTATION OF ALL RECOMMENDATIONS MADE BY DEPARTMENT
17 EMPLOYEES. THE INVOLVEMENT OF DEPARTMENT EMPLOYEES CLOSEST TO
18 THE CUSTOMER OR END USER OF THE STATE GOVERNMENT PRODUCT OR
19 SERVICE SHOULD BE OF PRIMARY IMPORTANCE.

20 (e) PROVIDING THE MEANS TO MEASURE EACH PROCESS IN ORDER
21 TO DEMONSTRATE THE EFFECTIVENESS OF EACH PROCESS OR PROCESS
22 IMPROVEMENT; ■

23 (f) THE TRAINING OF DEPARTMENT EMPLOYEES AS EXPERTS IN
24 LEAN GOVERNMENT PRINCIPLES FOR PURPOSES OF MENTORING AND
25 TRAINING OTHER DEPARTMENT EMPLOYEES; AND

26 (g) THE DEVELOPMENT OF A PROCESS TO UNDERSTAND BARRIERS
27 TO APPLYING LEAN GOVERNMENT PRINCIPLES. BARRIERS MAY INCLUDE

1 BUT ARE NOT LIMITED TO EXISTING CONTRACTS FOR GOODS AND SERVICES,
2 LIMITATIONS TO WORKFORCE REDUCTION, AND GOVERNMENTAL
3 REQUIREMENTS IN THE PROCUREMENT PROCESS.

4 (9) "Performance-based goal" means a broad policy-oriented goal
5 that indicates to the public and members of the general assembly the
6 intended purpose of a department and its programs and services, with
7 secondary goals of realizing cost savings to the state and saving taxpayers'
8 money. A "PERFORMANCE-BASED GOAL" MAY INCLUDE THE APPLICATION
9 OF LEAN GOVERNMENT PRINCIPLES. A "performance-based goal" should
10 lead to increased efficiency and sustainability and should allow for
11 long-range planning, including collaboration among the various
12 departments. A "performance-based goal" should recognize preventive
13 efforts that result in long-term cost-effectiveness and should encourage
14 investment in effective strategies that lead to positive and measurable
15 outcomes.

16 (11.5) "PROCESS MAP OR VALUE STREAM MAP" MEANS A GRAPH OR
17 OTHER VISUAL PRESENTATION THAT DESCRIBES THE STEPS INVOLVED IN
18 PRODUCING VALUE FROM BEGINNING TO END.

19 (14) "VALUE" MEANS A PRODUCT OR SERVICE THAT IS DELIVERED
20 DIRECTLY TO THE PUBLIC OR IN SUPPORT OF A PRODUCT OR SERVICE THAT
21 IS DELIVERED DIRECTLY TO THE PUBLIC AND MAY INCLUDE BUT IS NOT
22 LIMITED TO FORMS, LETTERS, REPORTS, INFORMATION, PAYMENTS,
23 COLLECTIONS, OR VALIDATIONS. "VALUE" ALSO INCLUDES SAVING THE
24 PUBLIC'S TIME OR MONEY, IMPROVED PROCESS EFFICIENCIES, AND THE
25 REMOVAL OR REALLOCATION OF RESOURCES.

26 **SECTION 3.** 2-7-202 (13), Colorado Revised Statutes, is
27 amended BY THE ADDITION OF A NEW PARAGRAPH to read:

1 **2-7-202. Definitions.** As used in this part 2, unless the context
2 otherwise requires:

3 (13) (c) IF APPLIED, A STRATEGIC PLAN SHALL INCLUDE A REPORT
4 REGARDING THE APPLICATION OF LEAN GOVERNMENT PRINCIPLES.

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6 **SECTION 4. Safety clause.** The general assembly hereby finds,
7 determines, and declares that this act is necessary for the immediate
8 preservation of the public peace, health, and safety.