

## CHAPTER 174

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**GOVERNMENT - STATE**


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**HOUSE BILL 11-1212**

BY REPRESENTATIVE(S) Tyler and Hullinghorst, Casso, Court, Duran, Ferrandino, Fields, Fischer, Gardner D., Hamner, Kefalas, Kerr J., Labuda, Lee, Looper, Miklosi, Pabon, Pace, Peniston, Riesberg, Schafer S., Todd, Vaad, Vigil, Williams A., Wilson;  
also SENATOR(S) Spence, Aguilar, Boyd, Heath, Hudak, Jahn, King S., Newell, Steadman.

**AN ACT**

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

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

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

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

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

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

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

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

(e) LEAN GOVERNMENT PRINCIPLES CAN LEAD TO IMPORTANT AND BENEFICIAL

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*Capital letters indicate new material added to existing statutes; dashes through words indicate deletions from existing statutes and such material not part of act.*

RESULTS AND MAY BE APPLIED IN THE PROCESS OF PERFORMANCE-BASED BUDGETING;

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

~~(f)~~ (g) Performance-based goals, performance measures, and performance evaluation methodology should be developed with the input of the general assembly AND employees of departments; ~~and any certified employee organizations;~~

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

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

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

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

(3.5) "LEAN GOVERNMENT PRINCIPLES" MEANS A CONTINUOUS AND RAPID PROCESS IMPROVEMENT OF STATE GOVERNMENT BY ELIMINATING A DEPARTMENT'S NONVALUE-ADDED PROCESSES AND RESOURCES, PROVIDING FEEDBACK ON PROCESS IMPROVEMENTS THAT HAVE THE PURPOSE OF INCREASING A DEPARTMENT'S EFFICIENCY AND EFFECTIVENESS, AND MEASURING THE OUTCOMES OF SUCH IMPROVEMENTS. "LEAN GOVERNMENT PRINCIPLES" MAY INVOLVE SOME OR ALL OF THE FOLLOWING STRATEGIES:

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

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

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

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

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

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

(g) THE DEVELOPMENT OF A PROCESS TO UNDERSTAND BARRIERS TO APPLYING LEAN GOVERNMENT PRINCIPLES. BARRIERS MAY INCLUDE BUT ARE NOT LIMITED TO EXISTING CONTRACTS FOR GOODS AND SERVICES, LIMITATIONS TO WORKFORCE REDUCTION, AND GOVERNMENTAL REQUIREMENTS IN THE PROCUREMENT PROCESS.

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

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

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

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

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

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

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

Approved: May 13, 2011