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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 1438 Session of  
2023

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INTRODUCED BY GROVE, GREINER, STAMBAUGH, STAATS, ZIMMERMAN,  
KEEFER, MOUL, ROWE, STRUZZI AND WARNER, JUNE 20, 2023

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REFERRED TO COMMITTEE ON APPROPRIATIONS, JUNE 20, 2023

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AN ACT

1 Amending Title 72 (Taxation and Fiscal Affairs) of the  
2 Pennsylvania Consolidated Statutes, providing for preliminary  
3 provisions, for taxation, for fiscal affairs and for  
4 Commonwealth budget procedures; establishing the Joint  
5 Revenue Estimation Committee and the Performance-based  
6 Incentive Account; and making repeals.

7 The General Assembly of the Commonwealth of Pennsylvania  
8 hereby enacts as follows:

9 Section 1. Title 72 of the Pennsylvania Consolidated  
10 Statutes is amended by adding a part to read:

11 PART I

12 PRELIMINARY PROVISIONS

13 (Reserved)

14 Section 2. Title 72 is amended by adding a part heading to  
15 read:

16 PART II

17 TAXATION

18 Section 3. Part III of Title 72 is amended by adding a  
19 chapter to read:

20 CHAPTER 17

1 (Reserved)

2 Section 4. Title 72 is amended by adding a part to read:

3 PART III

4 FISCAL AFFAIRS

5 Chapter

6 100. Commonwealth Budget Procedures

7 CHAPTER 100

8 COMMONWEALTH BUDGET PROCEDURES

9 Subchapter

10 A. General Provisions

11 B. Office of the Budget

12 C. Budget Procedures

13 D. Performance, Transparency and Accountability-based  
14 Budgeting

15 E. Expenditures and Lapsed Funds

16 F. Cost Savings and Performance-based Incentive Account

17 G. Implementation

18 SUBCHAPTER A

19 GENERAL PROVISIONS

20 Sec.

21 10001. Scope of chapter.

22 10002. Definitions.

23 10003. Applicability of chapter.

24 § 10001. Scope of chapter.

25 The chapter relates to State measurement for accountable,  
26 responsive and transparent (SMART) budgeting for the  
27 Commonwealth.

28 § 10002. Definitions.

29 The following words and phrases when used in this chapter  
30 shall have the meanings given to them in this section unless the

1 context clearly indicates otherwise:

2 "Committee." The Joint Revenue Estimation Committee  
3 established in section 10026 (relating to revenue estimates).

4 "Continuous improvement process system." A system that may  
5 involve any of the following strategies:

6 (1) Developing a process map that describes the lean  
7 government principles or another widely accepted business  
8 process improvement system by which an executive agency  
9 engages in specific activities that have the purpose of  
10 increasing efficiency and eliminating waste in the processes  
11 used to deliver goods and services to taxpayers and customers  
12 of the Commonwealth. The term includes the measurement of the  
13 outcomes regarding increased efficiency and the elimination  
14 of waste and procedures by which the executive agency  
15 produces goods or serves its customers.

16 (2) Engaging in specific activities to rapidly improve  
17 the executive agency's processes that will increase value or  
18 decrease staff time, inventory, defects, overproduction,  
19 complexity, delays or excessive movement.

20 (3) Involving executive agency employees at all levels  
21 to map the executive agency's processes and recommend  
22 improvements, with specific importance placed on the  
23 involvement of executive agency employees closest to the  
24 customer or end user of the State government product or  
25 service.

26 (4) Providing the means to measure each process in order  
27 to demonstrate the effectiveness of each process or process  
28 improvement.

29 (5) Training executive agency employees to mentor and  
30 train other executive agency employees in continuous

1 improvement process system methodologies.

2 "Executive agency." Any of the following:

3 (1) The Governor's Office.

4 (2) A department, board, commission, authority or other  
5 agency of the Commonwealth that is subject to the policy  
6 supervision and control of the Governor.

7 (3) The Office of Lieutenant Governor.

8 (4) An independent department.

9 (5) An independent agency.

10 "Fiscal year." The period beginning on July 1 of each  
11 calendar year and ending on June 30 of the next calendar year.

12 "Independent agency." A board, commission, authority or  
13 other agency of the Commonwealth that is not subject to the  
14 policy supervision and control of the Governor. The term does  
15 not include:

16 (1) a court or agency of the unified judicial system; or

17 (2) the General Assembly or an agency of the General  
18 Assembly.

19 "Independent department." Any of the following:

20 (1) The Department of the Auditor General.

21 (2) The Treasury Department.

22 (3) The Office of Attorney General.

23 (4) A board or commission of an entity under paragraph  
24 (1), (2) or (3).

25 "Performance evaluation." A regular review of an executive  
26 agency's outcomes compared to its published performance goals. A  
27 performance evaluation shall be based on actual historical  
28 information.

29 "Performance goal." A specific, quantifiable goal related to  
30 a performance measure adopted by an executive agency.

1 "Performance management system." A formal system of managing  
2 the processes and operations of executive agencies.

3 "Performance measure." A quantitative indicator used to  
4 assess the operational performance of an executive agency under  
5 a published performance plan. A performance measure must:

6 (1) Apply to activities directly under the influence of  
7 the executive agency.

8 (2) Demonstrate the executive agency's efficiency and  
9 effectiveness in delivering goods or services to customers  
10 and taxpayers.

11 (3) Be reasonably understandable to the public.

12 "Performance plan." A document prepared by an executive  
13 agency as part of a performance management system. A performance  
14 plan must incorporate the impact of management strategies and  
15 continuous improvement process system activities on the costs  
16 and efficiency of delivering goods and services to taxpayers and  
17 customers of the State government. An executive agency shall  
18 coordinate performance plans to ensure a continuity of programs  
19 affecting similar constituencies.

20 "Process map." A written or visual presentation that  
21 describes the steps involved in producing a product or service  
22 from beginning to end.

23 "Secretary." The Secretary of the Budget.

24 "Strategic plan." A systemic process of envisioning a  
25 desired future and translating the vision into broadly defined  
26 goals or objectives and a sequence of steps to achieve them.

27 § 10003. Applicability of chapter.

28 This chapter shall not apply to any of the following:

29 (1) A court or agency of the unified judicial system.

30 (2) The General Assembly or an agency of the General

1 Assembly.

2 (3) A political subdivision.

3 (4) A municipal authority or other local authority.

4 (5) An agency of an entity under paragraph (3) or (4).

5 SUBCHAPTER B

6 OFFICE OF THE BUDGET

7 Sec.

8 10011. Administration of office.

9 10012. Duties of office generally.

10 10013. Appointment of secretary.

11 10014. Salary of secretary.

12 10015. Program evaluation.

13 10016. Audit functions.

14 10017. Fiscal note.

15 § 10011. Administration of office.

16 The Office of the Budget shall be an administrative agency  
17 within the Governor's Office.

18 § 10012. Duties of office generally.

19 The Office of the Budget shall:

20 (1) Continue to exercise the powers and perform the  
21 duties vested in and imposed upon the secretary.

22 (2) Be centrally concerned with the development of the  
23 budget request of the Governor and with the decisions  
24 necessary to allocate revenues among the various Commonwealth  
25 programs.

26 § 10013. Appointment of secretary.

27 The Governor shall appoint a Secretary of the Budget to serve  
28 at the pleasure of the Governor.

29 § 10014. Salary of secretary.

30 (a) Amount.--The annual salary of the secretary shall be

1 \$160,000 or at such higher level as is established by the  
2 Governor with the approval of the Executive Board.

3 (b) Definition.--As used in this section, the term  
4 "Executive Board" is as described in section 204 of the act of  
5 April 9, 1929 (P.L.177, No.175), known as The Administrative  
6 Code of 1929.

7 § 10015. Program evaluation.

8 The secretary shall have the power and duty to initiate and  
9 conduct, under the direction of the Governor, evaluations of the  
10 effectiveness and management efficiency of programs supported by  
11 an agency subject to the policy supervision and control of the  
12 Governor, including federally funded programs and State-funded  
13 programs, and to direct, coordinate, assist or advise the agency  
14 in the conduct of evaluations of the agency's programs or  
15 programs which the agency supports. The secretary shall also  
16 prepare reports detailing the results of program evaluations  
17 conducted by the secretary for distribution to the Governor, the  
18 Independent Fiscal Office, the General Assembly, interested  
19 agencies and the general public.

20 § 10016. Audit functions.

21 The secretary shall initiate and conduct, under the direction  
22 of the Governor, audits of the programs supported by an agency  
23 subject to the policy supervision and control of the Governor,  
24 including federally funded programs and State-funded programs.  
25 The audits shall comply with 31 U.S.C. Ch. 75 (relating to  
26 requirements for single audits) and the Office of Management and  
27 Budget Circular A-133 and any other Federal requirements for a  
28 Statewide single audit. The secretary shall also prepare reports  
29 detailing the results of audits conducted by the secretary for  
30 distribution to the Governor, the Independent Fiscal Office, the

1 members of the General Assembly, interested agencies and the  
2 general public.

3 § 10017. Fiscal note.

4 (a) Preparation.--The Office of the Budget shall prepare a  
5 fiscal note for regulatory actions and administrative procedures  
6 of each executive agency receiving money from the State  
7 Treasury. The fiscal note shall state whether the proposed  
8 action or procedure causes a loss of revenue or an increase in  
9 the cost of programs to the Commonwealth or its political  
10 subdivisions.

11 (b) Publication.--Any regulatory action or administrative  
12 procedure that requires a fiscal note shall be transmitted to  
13 the Legislative Reference Bureau for publication in the next  
14 available issue of the Pennsylvania Bulletin at the same time  
15 that the proposed change is advertised.

16 (c) Contents.--A fiscal note shall provide the following  
17 information:

18 (1) The designation of the fund out of which the  
19 appropriation providing for expenditures for the action or  
20 procedure shall be made.

21 (2) The projected cost of the action or procedure during  
22 the fiscal year in which it is implemented and for each of  
23 the five succeeding fiscal years.

24 (3) The projected loss of revenue associated with the  
25 action or procedure during the fiscal year in which it is  
26 implemented and for each of the five succeeding fiscal years.

27 (4) The fiscal history of the action or procedure for  
28 which expenditures are to be made.

29 (5) The line item, if any, of the General Appropriation  
30 Act or other appropriation act out of which expenditures or

1 losses of Commonwealth funds shall occur as a result of the  
2 action or procedure.

3 (6) Any recommendation of the secretary and the reason  
4 for the recommendation.

5 SUBCHAPTER C

6 BUDGET PROCEDURES

7 Sec.

8 10021. Submission of budget information.

9 10022. Mid-year budget review.

10 10023. Balanced budget presentation.

11 10024. Performance hearing.

12 10025. Annual performance plans.

13 10026. Revenue estimates.

14 § 10021. Submission of budget information.

15 (a) Commencement.--On July 1 of each year, the secretary  
16 shall begin the process of obtaining and preparing the pertinent  
17 financial and program information regarding the next fiscal year  
18 for review by the Governor and the General Assembly.

19 (b) Request for information.--

20 (1) Not later than August 1 of each year, the secretary  
21 shall distribute the proper instructions and blanks necessary  
22 to the preparation of the budget requests.

23 (2) The request for information under paragraph (1)  
24 shall contain a notice that the blanks shall be returned with  
25 the information desired not later than October 1 of the same  
26 year.

27 (3) The request for information under paragraph (1)  
28 shall be distributed to the following:

29 (i) Each executive agency.

30 (ii) The Chief Clerk of the Senate.

1           (iii) The Chief Clerk of the House of  
2           Representatives.

3           (iv) The State court administrator.

4           (v) Each institution or other agency that desires  
5           State appropriations.

6           (c) Return of information.--

7           (1) The information requested by the secretary under  
8           subsection (b) shall be returned no later than October 1 of  
9           the same year that the request was made.

10          (2) An executive agency and the State court  
11          administrator shall designate a person to return the  
12          information.

13          (3) An executive agency and the State court  
14          administrator shall provide the same information submitted to  
15          the secretary to a member of the General Assembly.

16          (d) Additional information.--In addition to the other  
17          information submitted under this section, an executive agency  
18          shall also submit the following to the secretary, the  
19          Independent Fiscal Office and the General Assembly:

20           (1) A performance plan aligned with the executive  
21           agency's strategic plan.

22           (2) An update on its continuous improvement process  
23           system, including a detailed report on anticipated savings  
24           reflected by line item.

25           (3) A strategic plan.

26           (4) A written statement that describes the following:

27           (i) The purposes of each program to be funded.

28           (ii) The expected levels of activity of each program  
29           to be funded.

30           (iii) The expected levels of accomplishment

1 regarding each program to be funded.

2 (iv) The measures to be used to determine the extent  
3 that each program to be funded has achieved its stated  
4 purposes.

5 (v) Each executive agency's reduction of all program  
6 expenditures by 100% from the immediate prior fiscal year  
7 and the rebuilding of its budget by the following  
8 criteria:

9 (A) Justified mandated expenses.

10 (B) Performance criteria for executive agency  
11 programs.

12 (e) Publication of information.--Upon receipt of a  
13 performance plan of an executive agency, the secretary shall  
14 make the performance plan readily accessible on the Office of  
15 the Budget's publicly accessible Internet website.

16 (f) Further inquiry and investigation.--The secretary may  
17 make further inquiries and investigations regarding the  
18 financial needs, expenditures, revenues, expected levels of  
19 program activities and accomplishments or other relevant matters  
20 of any entity receiving money from the State Treasury.

21 (g) Determination by Governor.--After providing an entity  
22 the opportunity to be heard regarding the information submitted  
23 under this section, the Governor may approve, disapprove or  
24 alter a budget request.

25 (h) Basis for appropriations.--Before December 16 of each  
26 year, the secretary shall submit to the Governor in writing the  
27 information provided under this section, along with any  
28 additional information requested by the Governor, as the basis  
29 for the Governor's requests for appropriations for the next  
30 fiscal year.

1 § 10022. Mid-year budget review.

2 (a) Review.--No later than December 16 of each year, the  
3 Governor and secretary shall provide the members of the General  
4 Assembly with a review on the budget for the current fiscal  
5 year. This review shall include, but is not limited to, the  
6 following:

7 (1) Changes in current revenue projections from the  
8 enactment of the General Appropriation Act for the  
9 immediately prior fiscal year.

10 (2) State expenditures for the current fiscal year and  
11 anticipated overages and lapses from the enactment of the  
12 General Appropriation Act for the immediately prior fiscal  
13 year.

14 (3) Reviews under this subsection shall specifically  
15 include the following:

16 (i) Anticipated increases or decreases in programs,  
17 including the specific policy, statute, Federal law,  
18 Federal regulation, executive agency contract, executive  
19 agency contract amendment, executive agency guideline,  
20 executive agency approved entitlement, court case or  
21 executive order which is the basis of the anticipated  
22 increases or decreases.

23 (ii) The results or anticipated results of employee  
24 union negotiations for salaries, wages and other  
25 benefits.

26 (iii) The statistics involved in preliminary  
27 forecasts of the major programs mandated by statute,  
28 including, but not limited to, education subsidies,  
29 public assistance programs, debt service and forecasts of  
30 revenue.

1           (iv) The top five cost-drivers of the budget and any  
2           executive agency recommendations to mitigate these costs.

3           (v) Status on the cash flow of the General Fund.

4           (vi) Other appropriate budget information.

5           (b) Briefing by Governor.--

6           (1) In December of each year, the Governor shall meet  
7           with the following:

8           (i) The chairperson and minority chairperson of the  
9           Appropriations Committee of the Senate.

10          (ii) The chairperson and minority chairperson of the  
11          Appropriations Committee of the House of Representatives.

12          (iii) The officers of the General Assembly.

13          (2) During the meeting under this subsection, the  
14          Governor shall brief the individuals under paragraph (1) on  
15          the issues foreseen as being imminent in the budget for the  
16          next fiscal year. The Governor and individuals shall exchange  
17          views on the issues before the budget is formally presented  
18          to the General Assembly. The individuals shall also inform  
19          the Governor of financial matters which should be considered  
20          in the budget.

21          (c) Joint hearings.--The Appropriations Committee of the  
22          Senate and the Appropriations Committee of the House of  
23          Representatives shall form a joint committee to conduct a joint  
24          hearing to review the midyear status of the finances of the  
25          Commonwealth. The following shall be members of the joint  
26          committee:

27          (1) The chairperson and minority chairperson of the  
28          Appropriations Committee of the Senate.

29          (2) The chairperson and minority chairperson of the  
30          Appropriations Committee of the House of Representatives.

1       (3) Three members of the Appropriations Committee of the  
2 Senate appointed by the chairperson of the Appropriations  
3 Committee of the Senate.

4       (4) Two members of the Appropriations Committee of the  
5 Senate appointed by the minority chairperson of the  
6 Appropriations Committee of the Senate.

7       (5) Three members of the Appropriations Committee of the  
8 House of Representatives appointed by the chairperson of the  
9 Appropriations Committee of the House of Representatives.

10       (6) Two members of the Appropriations Committee of the  
11 House of Representatives appointed by the minority  
12 chairperson of the Appropriations Committee of the House of  
13 Representatives.

14 § 10023. Balanced budget presentation.

15       (a) Contents of submission.--Subject to subsection (h), the  
16 Governor shall submit to the Independent Fiscal Office and the  
17 General Assembly copies of original agency budget requests, all  
18 subsequent revised agency budget requests, a State budget and  
19 program, and financial plans that include the following:

20       (1) A balanced operating budget for the next fiscal year  
21 specifying the following in detail:

22               (i) The amounts recommended by the Governor to be  
23 appropriated to the General Assembly, the Judicial  
24 Department, each executive agency and institutions and  
25 other agencies within this Commonwealth, and for all  
26 public purposes, classified by department or agency and  
27 by program.

28               (ii) The estimated revenues or receipts from each  
29 source and an estimated amount to be raised by taxation  
30 or otherwise, including proposals for new revenues and

1           receipts.

2           (2) A capital budget for the next fiscal year specifying  
3 capital projects to be financed from the proceeds of  
4 obligations of the Commonwealth or its agencies or  
5 authorities or from operating funds.

6           (3) Program and financial plans for not less than the  
7 immediately prior fiscal year, the current fiscal year and  
8 the next four fiscal years, which shall include the following  
9 for each fiscal year:

10           (i) Actual or estimated operating expenditures  
11 classified by department or agency and by program, in  
12 reasonable detail, and actual or estimated revenue by  
13 major categories from existing and additional sources.

14           (ii) Clearly stated purposes of each program in  
15 terms of desired accomplishments.

16           (iii) Measures used to determine to what extent each  
17 program has achieved its stated purposes.

18           (iv) Actual and estimated levels of accomplishment  
19 for each program and actual and estimated levels of  
20 program activities and their associated costs.

21           (v) Clearly stated purposes for each recommended new  
22 or revised program, measures to be used to determine  
23 whether each new or revised program has achieved its  
24 purpose, estimated levels of additional or new  
25 accomplishment of each new or revised program, estimated  
26 levels of additional activities for each program and  
27 their associated costs.

28           (vi) Use of Federal funds, including requirements by  
29 the Federal Government attached to those funds, the cost  
30 in State dollars to meet those requirements and

1 recommendations to mitigate Federal mandates at a lower  
2 cost to the Commonwealth.

3 (vii) Cross references to performance measures used  
4 to determine funding levels.

5 (4) Specific reasons that program increases or decreases  
6 are occurring, including recommendations to eliminate or  
7 reduce program increases.

8 (b) Program evaluation.--The budget shall include the  
9 results of any program evaluation report or audit findings  
10 completed by the Office of the Budget, the Independent Fiscal  
11 Office or the Department of the Auditor General in the fiscal  
12 year preceding the year in which the budget request is made. The  
13 results of any evaluation report and its recommendations shall  
14 be concisely summarized and included in the budget  
15 documentation.

16 (c) New or expanded programs.--

17 (1) When the secretary identifies a new or expanded  
18 program by criteria used in the budget instructions, the new  
19 or expanded program shall be displayed and justified as a  
20 separate item in the Governor's budget request.

21 (2) A new program shall not be considered to be enacted  
22 by the General Assembly in its first year unless it is  
23 specifically referred to or displayed as a line item in an  
24 appropriation bill.

25 (3) A cost-benefit analysis shall be provided for each  
26 new or expanded program.

27 (d) Cost breakouts.--The budget shall include for each  
28 executive agency a single, separate line listing the separate  
29 cost for each program. The line item shall include:

30 (1) Employee salaries.

- 1           (2) Health care costs.
- 2           (3) Pension costs.
- 3           (4) Lease agreements.
- 4           (5) Vehicle, travel and transportation reimbursements.
- 5           (6) Consultants.
- 6           (7) Augmented employees and staff.
- 7           (8) Office supplies.
- 8           (9) Information technology.
- 9           (10) Telecommunications.
- 10          (11) Travel, meals, lodging and similar expenses.
- 11          (12) The cost of purchasing new equipment and supplies.
- 12          (13) The cost of purchasing material, including  
13          newspapers, magazines, movies, films and tapes.

14          (e) Performance goals.--The budget shall include a summary  
15 of programs by an executive agency which lists each program, if  
16 it exceeded, met or did not meet its performance goals of the  
17 previous fiscal year and by what percentage the program did or  
18 did not meet its performance goals.

19          (f) Cash flow.--The budget shall include an analysis of the  
20 cash flow of the General Fund and detail how the budget will  
21 impact the cash flow of the General Fund in the ensuing fiscal  
22 year.

23          (g) Documentation.--Upon the request of the Independent  
24 Fiscal Office, the chairperson of the Appropriations Committee  
25 of the Senate or the chairperson of the Appropriations Committee  
26 of the House of Representatives, an executive agency shall  
27 provide documentation of any budget request, including revenue  
28 estimates upon which the budget estimate is based.

29          (h) Timeliness of submission.--The submission under  
30 subsection (a) shall occur:

1       (1) Subject to paragraph (2), as soon as possible after  
2 the organization of the General Assembly, but not later than  
3 the first full week in February of each year.

4       (2) Not later than the first full week in March of the  
5 first year of the first term of the Governor after the  
6 gubernatorial election.

7 § 10024. Performance hearing.

8       (a) Applicability.--This section relates to a performance  
9 hearing by a standing committee to review an executive agency's  
10 proposed performance measures for the next fiscal year.

11       (b) Frequency.--Each standing committee shall conduct at  
12 least one hearing between October 1 and May 15.

13       (c) Purpose.--Each standing committee shall hear a  
14 presentation from each executive agency that is assigned to that  
15 standing committee that includes, but is not limited to, the  
16 executive agency's strategic plan and performance plan for the  
17 next fiscal year.

18       (d) Public testimony.--Each standing committee shall allow  
19 for written public testimony regarding the presentation by an  
20 executive agency.

21       (e) Liaison.--The head of an executive agency shall serve as  
22 liaison or designate an individual within the executive agency  
23 to serve as liaison with a standing committee. The liaison shall  
24 inform the committee of the executive agency's performance  
25 management system and performance plan.

26       (f) Recommendations.--After a standing committee holds its  
27 performance hearings, the standing committee may make  
28 recommendations to the members of the General Assembly on  
29 changes to performance data and recommendations for any  
30 incentives or disincentives based on program performance

1 measures to use in determining the level of appropriations in  
2 the final performance-based budget. By May 30, recommendations  
3 shall be submitted to the Appropriations Committee of the house  
4 in which the standing committee is making the recommendations  
5 under this subsection.

6 § 10025. Annual performance plans.

7 (a) Transmittal.--Following the presentation of the budget  
8 under section 10023 (relating to balanced budget presentation),  
9 each executive agency shall transmit its annual performance  
10 report for the current fiscal year to all of the following:

11 (1) The Independent Fiscal Office.

12 (2) The General Assembly.

13 (b) Posting.--After transmitting the annual performance  
14 report under subsection (a), each executive agency shall post  
15 the annual performance report on the executive agency's publicly  
16 accessible Internet website.

17 (c) Contents.--An annual performance report must include all  
18 of the following:

19 (1) A summary of the executive agency's submitted  
20 performance plan aligned to the executive agency's strategic  
21 plan.

22 (2) A brief summary of the executive agency's budget  
23 request.

24 (3) Performance measurements on how the executive agency  
25 has moved toward meeting performance goals for the current  
26 fiscal year.

27 (4) How performance plans have been coordinated across  
28 executive agencies to ensure a continuity of services to  
29 residents of this Commonwealth.

30 (5) Continuous improvement process system efforts from

1 the current fiscal year and a detailed analysis of cost  
2 savings and service improvement.

3 \$ 10026. Revenue estimates.

4 (a) Committee established.--The Joint Revenue Estimation  
5 Committee is established and shall be convened by the Secretary  
6 of Revenue no later than the first week of February following  
7 the beginning of each legislative session of the General  
8 Assembly.

9 (b) Membership.--The committee shall be comprised of the  
10 following members:

11 (1) The secretary.

12 (2) The Secretary of Revenue.

13 (3) The chairperson and minority chairperson of the  
14 Appropriations Committee of the Senate.

15 (4) The chairperson and minority chairperson of the  
16 Appropriations Committee of the House of Representatives.

17 (5) One resident appointed by the Governor.

18 (6) One resident appointed by the President pro tempore  
19 of the Senate.

20 (7) One resident appointed by the Speaker of the House  
21 of Representatives.

22 (8) One resident appointed by the Minority Leader of the  
23 Senate.

24 (9) One resident appointed by the Minority Leader of the  
25 House of Representatives.

26 (10) The Director of the Independent Fiscal Office as an  
27 ex officio member.

28 (c) Staff.--The committee shall be staffed by employees of  
29 the Department of Revenue who shall prepare any documents  
30 requested by a member of the committee.

1 (d) Meetings.--The committee shall meet at least once a  
2 month to discuss changes in revenue collected by the  
3 Commonwealth during the current month and fiscal year compared  
4 to the most recently released estimate made by the committee.

5 (e) Revenue estimates.--Twice each fiscal year, by December  
6 16 and May 15, the committee shall prepare a joint estimate of  
7 revenue for the General Fund. The estimate shall include revenue  
8 the Commonwealth can anticipate collecting for the current  
9 fiscal year and the ensuing fiscal year.

10 (f) Approval of revenue estimates.--No revenue estimate  
11 shall be approved without being approved by 11 members of the  
12 committee. The following shall apply:

13 (1) If, prior to final adjournment of any regular  
14 legislative session of the General Assembly, a law is enacted  
15 providing for additional or less money to be deposited into  
16 the General Fund, the committee shall prepare a joint  
17 estimate of those revenues.

18 (2) The committee may release a revised revenue estimate  
19 90 days following the release of an approved revenue estimate  
20 only if the estimate is approved by 11 members of the  
21 committee.

22 (g) Submission.--The committee shall submit the revenue  
23 estimates to the Governor, General Assembly, State Treasurer and  
24 Independent Fiscal Office.

25 (h) Failure to approve estimate.--If the committee fails to  
26 approve a revenue estimate under this section, the Governor and  
27 the General Assembly shall utilize the revenue estimates of the  
28 Independent Fiscal Office for approving General Fund  
29 expenditures.

30 (i) Initial revenue estimate.--The secretary shall convene

1 the committee, which shall release a revenue estimate for the  
2 current fiscal year and ensuing fiscal year within 30 days of  
3 the effective date of this section. If the committee is unable  
4 to agree on a revenue estimate, the Governor and the General  
5 Assembly shall use a revenue estimate from the Independent  
6 Fiscal Office to enact General Fund expenditures for the ensuing  
7 fiscal year.

8 (j) Report on error rates.--The committee shall provide a  
9 public report on the error rates of the previous fiscal year  
10 revenue estimates no later than October 1 of the following  
11 fiscal year. Revenue error rates for each tax must not be  
12 greater than 3%. If an error rate is greater than 3%, the  
13 committee shall develop a new model to ensure error rates remain  
14 under 3%.

15 (k) Duty of Governor.--

16 (1) Prior to signing an appropriation bill or allowing  
17 an appropriation bill to become law without the signature of  
18 the Governor:

19 (i) the revenue estimates must be completed; and

20 (ii) the Governor shall line item veto any part of  
21 an appropriations bill that causes total appropriations  
22 to exceed the official estimates plus any unappropriated  
23 surplus.

24 (2) No subsequent changes in the revenue estimates shall  
25 be made unless changes in statutes affecting revenues and  
26 receipts are enacted.

27 (l) Duty of General Assembly.--The General Assembly shall  
28 not send a general appropriation bill to the Governor unless the  
29 General Assembly has sent legislation to the Governor providing  
30 for the revenues and augmentations needed to fund the

1 expenditures in the general appropriation bill.

2 SUBCHAPTER D  
3 PERFORMANCE, TRANSPARENCY AND  
4 ACCOUNTABILITY-BASED BUDGETING

5 Sec.

6 10031. Performance management systems.

7 10032. Performance plans.

8 10033. Performance evaluations.

9 10034. Performance and forensic audits.

10 10035. Electronic access of information and Commonwealth  
11 checkbook.

12 10036. Estimates of current expenditures by certain executive  
13 agencies.

14 10037. Estimates of current expenditures by independent  
15 departments.

16 10038. Books and accounts.

17 10039. Audit of Auditor General records.

18 § 10031. Performance management systems.

19 (a) Development.--

20 (1) The Governor shall develop components of a  
21 performance management system for managing executive agencies  
22 through instructions issued by the secretary.

23 (2) The Judicial Department shall develop components of  
24 a performance management system for managing the judicial  
25 branch through instructions issued by the Administrative  
26 Office of Pennsylvania Courts.

27 (b) Contents.--A performance management system under this  
28 section must address all of the following:

29 (1) Strategic plans and priorities that are consistent  
30 with the charge of the respective executive agency or entity

1 within the Judicial Department.

2 (2) Strategies for enhancing productivity, improving  
3 efficiency, reducing costs and eliminating waste in the  
4 processes and operations that deliver goods and services to  
5 taxpayers and customers of State government.

6 (3) Parameters for the development of performance plans.

7 (4) A continuous improvement process system.

8 (5) Elements to ensure that employees are appropriately  
9 trained to implement the components under this subsection.

10 (6) Suggested incentives for exceeding performance goals  
11 and disincentives for not exceeding performance goals.

12 (c) Publication.--By July 1, 2022, and by each subsequent  
13 July 1:

14 (1) The Governor shall publish the components under  
15 subsection (a)(1).

16 (2) The Judicial Department shall publish the components  
17 under subsection (a)(2).

18 (d) Posting.--The secretary and the Administrative Office of  
19 Pennsylvania Courts shall post the instructions under subsection  
20 (a) on its publicly accessible Internet website.

21 § 10032. Performance plans.

22 (a) Development.--By August 1, 2022, and by each subsequent  
23 August 1, each executive agency and the Administrative Office of  
24 Pennsylvania Courts shall develop a performance plan in  
25 accordance with the developed performance management system.

26 (b) Purpose.--A performance plan shall serve as a guide to  
27 the major functions of an executive agency or the Judicial  
28 Department and as a tool to evaluate performance goals over  
29 time.

30 (c) Contents.--At a minimum, a performance plan must include

1 the following components regarding the executive agency or  
2 entity within the Judicial Department:

3 (1) A statement of its mission or vision.

4 (2) A description of its major functions.

5 (3) A strategic plan.

6 (4) Performance measures for its major functions aligned  
7 to the executive agency's strategic plan. If reasonable and  
8 appropriate, performance measures shall be developed with the  
9 input of its employees.

10 (5) Performance goals that correspond to its performance  
11 measures and extend to at least three years into the future.

12 (6) A narrative description of the strategies necessary  
13 to meet the performance goals.

14 (7) A summary of its most recent performance evaluation.

15 (d) Revisions.--

16 (1) An executive agency or the Administrative Office of  
17 Pennsylvania Courts may further refine a performance plan in  
18 the performance management system published under section  
19 10031 (relating to performance management systems).

20 (2) The secretary or another individual within the  
21 Office of the Budget may not edit a transmitted performance  
22 plan or any information related to the performance plan.

23 (e) Transmittal.--By August 1, 2022, and by each subsequent  
24 August 1, each completed performance plan shall be transmitted  
25 to the following:

26 (1) The Governor's Office.

27 (2) The secretary.

28 (3) The Independent Fiscal Office.

29 (4) The General Assembly.

30 (f) Posting.--By August 1, 2022, and by each subsequent

1 August 1, each executive agency and the Administrative Office of  
2 Pennsylvania Courts shall post the completed performance plan on  
3 its publicly accessible Internet website and on the publicly  
4 accessible Internet website of the Office of the Budget.

5 (g) Retirement systems.--The Public School Employees'  
6 Retirement System and the State Employees' Retirement System  
7 shall comply with the requirements of this section.

8 § 10033. Performance evaluations.

9 (a) Distribution.--An executive agency shall conduct a  
10 performance evaluation and distribute it to the Independent  
11 Fiscal Office and each member of the General Assembly.

12 (b) Frequency.--A performance evaluation shall be  
13 distributed at least twice each calendar year as defined in the  
14 published performance management system.

15 (c) Performance checks.--The Independent Fiscal Office shall  
16 conduct a performance check on each executive agency's  
17 performance evaluations on a rolling five-year cycle.

18 § 10034. Performance and forensic audits.

19 (a) Frequency.--The Department of the Auditor General shall,  
20 within existing resources, conduct or cause to be conducted  
21 performance audits of one or more specific programs or services  
22 in at least two executive agencies on an annual basis during the  
23 regular audit of the executive agency.

24 (b) Selection considerations.--In selecting an executive  
25 agency and a specific program or service for a performance  
26 audit, the Department of the Auditor General shall consider  
27 risk, audit coverage, resources required to conduct the  
28 performance audit and the impact of the audited program or  
29 service on the executive agency's performance-based goals.

30 (c) Review.--A performance audit of a program or service

1 selected for audit may include, but is not limited to, a review  
2 of all of the following:

3 (1) The integrity of the performance measures audited.

4 (2) The accuracy and validity of reported results.

5 (3) The overall cost and effectiveness of the audited  
6 program or service in achieving legislative intent and the  
7 performance goals.

8 (d) Transmittal.--The Department of the Auditor General  
9 shall transmit electronically each performance audit report for  
10 the immediately prior fiscal year to members of the General  
11 Assembly and the Independent Fiscal Office.

12 (e) Other reports.--The Department of the Auditor General  
13 shall transmit any other audit report regarding an executive  
14 agency that is deemed relevant for review by a standing  
15 committee with jurisdiction over the executive agency.

16 (f) Forensic audits.--The Department of the Auditor General  
17 may conduct forensic audits at the expense of the agency under  
18 forensic audit if a prior or current audit shows alleged  
19 criminal action, misappropriation of expenditures, misuse of  
20 expenditures, accounting discrepancies or passage of a  
21 concurrent resolution by the General Assembly.

22 § 10035. Electronic access of information and Commonwealth  
23 checkbook.

24 (a) Electronic access of information.--Except for  
25 confidential information, the Independent Fiscal Office and the  
26 General Assembly shall have access to all information available  
27 on inquiry-only screens through the Integrated Central System  
28 under section 620.1 of the act of April 9, 1929 (P.L.177,  
29 No.175), known as The Administrative Code of 1929.

30 (b) Commonwealth checkbook.--The Office of the Budget shall

1 maintain a public version of financial information and  
2 transactions under this chapter, which shall be known as the  
3 Commonwealth checkbook.

4 § 10036. Estimates of current expenditures by certain executive  
5 agencies.

6 (a) Preparation.--Each executive agency, other than an  
7 independent department, shall from time to time as requested by  
8 the Governor or a member of the General Assembly, prepare an  
9 estimate of the amount of money required and the levels of  
10 activity and accomplishment for each program carried on by the  
11 executive agency during the next month, quarter or other period  
12 as the Governor or member of the General Assembly shall  
13 prescribe.

14 (b) Inclusion of other funds.--All available Federal funds  
15 and funds from other sources shall be characterized as such and  
16 included in the estimate under subsection (a) before any  
17 expenditures shall be made.

18 (c) Submittal.--The estimate under this section shall be  
19 submitted to the secretary for approval or disapproval and the  
20 Appropriations Committee of the Senate and the Appropriations  
21 Committee of the House of Representatives.

22 (d) Revision.--If the secretary does not approve an estimate  
23 under this section, the estimate shall be revised as necessary  
24 and resubmitted for approval.

25 (e) Personnel complement level.--The secretary may establish  
26 an authorized personnel complement level in conjunction with the  
27 approved estimate under this section.

28 (f) Prohibited spending.--After the approval of the estimate  
29 under this section, the executive agency submitting the estimate  
30 may not expend all or part of any appropriation, Federal funds

1 or funds from other sources except in accordance with the  
2 estimate and any authorized complement level unless the estimate  
3 is revised with the approval of the secretary and within the  
4 limits appropriated by the General Assembly.

5 (g) Failure to comply.--

6 (1) If an executive agency to which this section applies  
7 fails or refuses to submit to the secretary an estimate under  
8 this section, the Governor may notify the State Treasurer in  
9 writing of the failure or refusal.

10 (2) After receipt of the notice under paragraph (1), the  
11 State Treasurer may not draw any warrant in favor of the  
12 executive agency until the Governor notifies the State  
13 Treasurer in writing that the delinquent executive agency has  
14 furnished the Governor with, and the Governor has approved,  
15 the required estimate.

16 (h) Disapproval or reduction of appropriated amounts.--

17 (1) The secretary may not, under the authority granted  
18 under this section, disapprove or reduce any amount  
19 appropriated by the General Assembly for grants or subsidies  
20 without the approval of the Appropriations Committee of the  
21 Senate and the Appropriations Committee of the House of  
22 Representatives.

23 (2) If the secretary favors the disapproval or reduction  
24 under paragraph (1), the secretary shall give at least 10  
25 days' prior notice to the Independent Fiscal Office, the  
26 chairperson and minority chairperson of the Appropriations  
27 Committee of the Senate and the chairperson and minority  
28 chairperson of the Appropriations Committee of the House of  
29 Representatives.

30 (3) The notice under paragraph (2) must include all of

1 the following:

2 (i) The amount of the appropriation to be  
3 disapproved or reduced.

4 (ii) The reasons that the appropriation should be  
5 disapproved or reduced.

6 (iii) The estimated impact of the disapproval or  
7 reduction on the programs, services or purposes for which  
8 the appropriation is provided.

9 § 10037. Estimates of current expenditures by independent  
10 departments.

11 (a) Preparation.--Each independent department shall from  
12 time to time as requested by the Governor, prepare an estimate  
13 of the amount of money required for each activity or function to  
14 be carried on by the independent department during the next  
15 month, quarter or other period as the Governor shall prescribe.

16 (b) Submittal.--The estimate under this section shall be  
17 submitted to the secretary for approval or disapproval and to  
18 the Appropriations Committee of the Senate, the Appropriations  
19 Committee of the House of Representatives and the Independent  
20 Fiscal Office.

21 § 10038. Books and accounts.

22 All books and accounts kept by each executive agency shall be  
23 kept on a fiscal-year basis utilizing the full accrual  
24 accounting method.

25 § 10039. Audit of Auditor General records.

26 The Auditor General and the Department of the Auditor General  
27 shall submit to any accountants appointed by the Governor for  
28 the purpose of making an audit of the affairs of the Auditor  
29 General and the Department of the Auditor General all books,  
30 papers and other records that in any way pertain to that

1 position and department.

2 SUBCHAPTER E

3 EXPENDITURES AND LAPSED FUNDS

4 Sec.

5 10041. Total actual revenues less than total estimated  
6 revenues.

7 10042. Unexpended appropriations.

8 10043. Encumbered appropriations.

9 10044. Budget implementation data.

10 10045. Revenue data.

11 10046. Lapsed funds.

12 10047. Financial reports due to General Assembly.

13 10048. Disposition of Commonwealth assets.

14 10049. Tax expenditures.

15 10050. Special and restricted funds analysis.

16 § 10041. Total actual revenues less than total estimated  
17 revenues.

18 (a) Budgetary reserve.--If the Commonwealth's total actual  
19 revenues are less than the Commonwealth's total estimated  
20 revenues in any given month, the Governor shall place the amount  
21 of appropriations under revenue estimates into budgetary  
22 reserve.

23 (b) Reduction of line item.--In depositing the amount of  
24 appropriations under revenue estimates under subsection (a), the  
25 Governor shall reduce in the General Appropriation Act each line  
26 item under the policy supervision and control of the Governor  
27 for that fiscal year by the same percentage, excluding debt,  
28 pension payments and court orders.

29 (c) Removal and allocation.--If the Commonwealth's total  
30 actual revenues exceed the Commonwealth's total estimated

1 revenues for two consecutive months, the Governor may remove  
2 appropriations in the budgetary reserve and allocate the  
3 appropriations of each line item in the General Appropriation  
4 Act under the policy supervision and control of the Governor for  
5 that fiscal year by the same percentage as long as total actual  
6 revenues continue to exceed the total estimated revenues. Any  
7 appropriations remaining in the budgetary reserve after October  
8 31 of the preceding fiscal year shall expire and lapse to the  
9 General Fund.

10 § 10042. Unexpended appropriations.

11 By May 15 of each year, the Governor shall provide the  
12 Independent Fiscal Office and the General Assembly with a  
13 detailed report on all potential unexpended appropriations for  
14 that fiscal year.

15 § 10043. Encumbered appropriations.

16 By May 15 of each year, the Governor shall provide the  
17 Independent Fiscal Office and the General Assembly with a  
18 detailed report of specific appropriations of the current fiscal  
19 year that may need to be carried over to the next fiscal year.

20 Each report shall also include the following:

21 (1) Each commitment for the next fiscal year by  
22 appropriation and line item.

23 (2) The name of the organization to which each  
24 commitment was made.

25 (3) The total amount expended during the fiscal year for  
26 each commitment.

27 (4) A description of each commitment or project.

28 (5) The location of each commitment or project,  
29 including the senatorial district and representative district  
30 in which the commitment or project is located.

1           (6) The five-year cash flow demonstrating how each  
2 department, board, commission, authority or other agency of  
3 the Commonwealth that is subject to the policy supervision  
4 and control of the Governor is planning to fund the agency's  
5 commitments.

6           (7) The date that each encumbrance was approved.

7           (8) The schedule that each encumbrance is set to be  
8 paid.

9           (9) The total amount of the encumbrances.

10          (10) A description of how each executive agency can fund  
11 the encumbrances of the executive agency through budgeted  
12 appropriations and statutory authority.

13          (11) A statement for each encumbrance as to whether or  
14 not the encumbrance is to be expended by October 31 of that  
15 calendar year and, if the encumbrance is not to be expended  
16 by October 31 of that calendar year, an in-depth explanation  
17 of the reason that the encumbrance will continue beyond  
18 October 31 of that calendar year.

19 § 10044. Budget implementation data.

20          (a) Duty.--The Governor, the Auditor General, the State  
21 Treasurer and the Attorney General shall make monthly  
22 expenditure data available to the Independent Fiscal Office and  
23 each member of the General Assembly.

24          (b) Timeliness.--Monthly data shall be provided within 15  
25 days after the end of each month.

26          (c) Presentation.--

27           (1) Monthly data shall be:

28           (i) prepared in such a way that the last monthly  
29 submission is a summary inclusive of the preceding months  
30 of the fiscal year; and

1           (ii) able to establish a history of expenditure  
2           file.

3           (2) At the discretion of the chairperson and minority  
4           chairperson of the Appropriations Committee of the Senate and  
5           the chairperson and minority chairperson of the  
6           Appropriations Committee of the House of Representatives,  
7           monthly data may be provided in a computer file.

8           (3) Monthly data shall be provided by fund,  
9           appropriation, department and organization within each  
10           department and include all of the following:

11           (i) The number and costs of filled personnel  
12           positions.

13           (ii) Itemized personnel vacancies and their costs.

14           (iii) New positions created and their costs.

15           (iv) Wage and overtime costs.

16           (v) Allotments and expenditures for itemized  
17           personnel expenses.

18           (vi) Allotments and expenditures for itemized  
19           operating expenses.

20           (vii) Allotments and expenditures for itemized fixed  
21           assets.

22           (viii) The rate of expenditures in appropriations  
23           for major subsidy and grant programs during the month.

24           (d) Other budgetary data.--Upon the request of the  
25           Independent Fiscal Office or a member of the General Assembly,  
26           the Governor, the Auditor General, the State Treasurer and the  
27           Attorney General shall make available to that office or member  
28           any other budgetary data as may be requested from time to time.  
29           § 10045. Revenue data.

30           (a) Duty.--The Governor shall make monthly revenue reports

1 to the Independent Fiscal Office and the General Assembly.

2 (b) Contents of report.--A revenue report shall show the  
3 actual collection of revenue itemized by source and a comparison  
4 of the actual collections with estimated collections for each  
5 month. The comparison shall be accompanied by an analysis  
6 indicating any change in collection patterns that will cause a  
7 shortfall or overrun on the annual estimates of more than one  
8 percent.

9 (c) Other revenue data.--Upon the request of the Independent  
10 Fiscal Office or a member of the General Assembly, the Governor  
11 shall make available to that office or member any other revenue  
12 data as may be requested from time to time.

13 § 10046. Lapsed funds.

14 (a) Report on lapsed funds.--By May 15 of each year, the  
15 Governor shall provide the Independent Fiscal Office and the  
16 members of the General Assembly with a detailed report of  
17 potential lapsed funds for the preceding fiscal year by line  
18 item.

19 (b) Encumbrances generally.--

20 (1) Each action regarding the encumbrance of funds shall  
21 be supported by complete documentation.

22 (2) Each procurement document must have a specified  
23 delivery date.

24 (3) Encumbrances shall be expended as provided under  
25 this section.

26 (c) Personnel services.--Payments for personnel services  
27 shall be charged to the fiscal year in which the expense was  
28 incurred or the liability accrued.

29 (d) Operational expenses.--Payments for operational expenses  
30 or grants and subsidies shall be charged as follows:

1       (1) Purchases of supplies shall be charged to the fiscal  
2 year in which the actual expenses or commitment to purchase  
3 was incurred.

4       (2) Contracted services and rentals, excluding rentals  
5 regarding the Department of General Services, shall be  
6 charged to the fiscal year in which the service was provided  
7 or rental occurred.

8       (3) Contracted repairs shall be charged to the fiscal  
9 year in which the encumbrance was created.

10       (4) Grants and subsidies shall be charged to the fiscal  
11 year in which funds were appropriated, encumbered or  
12 allocated for their designated purpose.

13       (5) Except as otherwise provided in this section, no  
14 encumbrance for operational expenses and grants or subsidies  
15 shall be made after May 31 in the fiscal year to which the  
16 encumbrance is charged.

17       (6) Encumbrances for operational expenses and grants and  
18 subsidies made because of purchase orders issued from  
19 purchase requisitions or because of an emergency may be  
20 created subsequent to May 31 but not later than June 30.

21       (7) Encumbrances for economic development grants or  
22 projects may be retained until the close of the second fiscal  
23 year following the fiscal year in which the original grants  
24 or projects were encumbered.

25       (e) Fixed assets.--Fixed assets shall be charged as follows:

26       (1) Purchase or cost of fixed assets shall be charged to  
27 the fiscal year in which the encumbrance was created.

28       (2) Except as otherwise provided in this section, no  
29 encumbrance for fixed assets shall be made after May 31 in  
30 the fiscal year to which the encumbrance is charged.

1           (3) Encumbrances for fixed assets made because of  
2           purchase orders issued from purchase requisitions or because  
3           of an emergency may be created subsequent to May 31 but not  
4           later than June 30.

5           (f) Prior year encumbrance.--Outstanding prior year  
6           encumbrances shall be canceled as of October 31, except for  
7           those involving construction, repairs and improvements or due to  
8           litigation.

9           (g) Available balance.--An available balance created by the  
10           liquidation or cancellation of an encumbrance from a prior  
11           fiscal year shall be lapsed. The balance may not be transferred  
12           between major categories of expenditures and may not be used to  
13           create any new obligation unless specifically authorized and  
14           directed by the General Assembly as an incentive for an  
15           executive agency that exceeds its performance goals.

16           (h) Limitation on holding encumbrance.--Except as a result  
17           of litigation, an encumbrance may not be held past October 31 of  
18           the next complete fiscal year.

19           (i) Limitation on transfer.--In no case shall there be a  
20           transfer of funds from an encumbrance in one major category of  
21           expenditure to an encumbrance in another major category of  
22           expenditure unless specifically authorized and directed by the  
23           General Assembly as an incentive for an executive agency that  
24           exceeds its performance goals.

25           (j) Deadline.--A deadline for creating an encumbrance shall  
26           be extended when the encumbrance applies to an appropriation  
27           received after the deadline under this section.

28           (k) Time limitation.--In no case shall an encumbrance be  
29           created after June 30 of the fiscal year in which the  
30           appropriation was made.

1 (l) Report on encumbered funds.--By November 30 of each  
2 year, the secretary shall provide the Governor, the Independent  
3 Fiscal Office and the General Assembly a detailed report on the  
4 disposition of encumbered funds of the previous fiscal year.

5 (m) Definitions.--The following words and phrases when used  
6 in this section shall have the meanings given to them in this  
7 subsection unless the context clearly indicates otherwise:

8 "Contracted repairs." All repairs, including costs that will  
9 restore an asset to the condition that will permit the effective  
10 use of the asset up to but not beyond its previously determined  
11 useful life, to buildings, grounds, roads, fixed and movable  
12 equipment and furniture, excluding maintenance and repair work  
13 performed by State employees.

14 "Economic development." A program to maximize employment  
15 opportunities, economic growth and development of communities  
16 and the overall economic development of this Commonwealth  
17 through industrial development, employability development,  
18 community development, resource development, labor-management  
19 relations and job training.

20 "Emergency." A situation or circumstance that threatens the  
21 continued operation of government or the health, safety or lives  
22 of the residents of this Commonwealth.

23 "Encumbrance." An obligation or commitment in the form of  
24 purchase orders, field purchase orders, contracts, grant  
25 agreements or other authorizing documents related to unperformed  
26 contracts for goods and services that are chargeable to an  
27 appropriation and for which a part of the appropriation is  
28 reserved.

29 "Fixed asset." Includes the following:

30 (1) With respect to machinery, equipment or furniture,

1 an item that can be:

2 (i) expected to have a useful life of more than one  
3 year;

4 (ii) used repeatedly without materially changing or  
5 impairing its physical condition; and

6 (iii) kept in serviceable condition by normal  
7 repair, maintenance or replacement of components.

8 (2) Livestock, game and poultry purchased primarily for  
9 farm stock, breeding or similar use.

10 (3) Land acquisitions, acquisitions of buildings or  
11 structures, capital improvements to buildings or structures  
12 and nonstructural improvements.

13 "Grants and subsidies." Includes any payment, award, bounty  
14 or indemnity made by the Commonwealth to a political  
15 subdivision, individual, institution or organization for which  
16 no direct services are rendered to the Commonwealth.

17 "Litigation." Any pending, proposed or current action or  
18 matter, including arbitration or audit, subject to appeal before  
19 a court of law or administrative adjudicative body, the decision  
20 of which body may be appealed to a court of law.

21 "Major categories of expenditure." Includes personnel  
22 services, operational expenses, fixed assets, grants and  
23 subsidies, debt service and fixed charges and nonexpense items.

24 "Operational expenses." Includes the following:

25 (1) The cost of commodities, substances or manufactured  
26 articles that are used or consumed in current operation or  
27 processed in the construction or manufacture of articles.

28 (2) Equipment, expendable tools and other articles not  
29 meeting the criteria for machinery and equipment as fixed  
30 assets.

1       (3) Services performed by an executive agency or another  
2 agency within or outside the Commonwealth, which may include  
3 the use of equipment or the furnishing of commodities in  
4 connection with these services under an express or implied  
5 contract.

6 "Personnel services." Includes the following:

7       (1) The cost of salaries and wages paid to or on behalf  
8 of State officials and employees for services rendered.

9       (2) The State share of payroll taxes, employee benefits,  
10 unemployment compensation, employee training and annual and  
11 sick leave payouts, paid to or on behalf of State officials  
12 and employees for services rendered.

13       (3) Benefits paid to State annuitants.

14 "Procurement document." A document authorizing delivery of  
15 specified items or the rendering of certain services and the  
16 incurrence of a charge for them. The term includes a purchase  
17 order, field purchase order, lease, contract or other  
18 authorizing document.

19 "Purchase requisition." A written or electronic request to  
20 the central purchasing agency for the purchase of specified  
21 items.

22 § 10047. Financial reports due to General Assembly.

23 (a) Agency reports on encumbrances.--The Governor shall  
24 ensure that each department, board, commission, authority or  
25 other agency of the Commonwealth that is subject to the policy  
26 supervision and control of the Governor shall submit to the  
27 General Assembly by November 30 of each year a report which  
28 shall include information regarding the disposition of all  
29 encumbrances identified in the annual report submitted under  
30 section 10043 (relating to encumbered appropriations).

1 (b) Agency reports on cost savings.--The Governor shall  
2 require each department, board, commission, authority or other  
3 agency of the Commonwealth that is subject to the policy  
4 supervision and control of the Governor to submit a report to  
5 the General Assembly about cost savings identified by the agency  
6 during the current fiscal year. The report shall include all of  
7 the following:

8 (1) The total amount saved by the agency, broken down by  
9 appropriation and line item.

10 (2) A description of the cost savings of the agency,  
11 including whether the savings are expected to be realized  
12 once or on an annual basis.

13 (3) The status on cost savings reported from prior  
14 fiscal years.

15 (4) Cost savings realized by the agency from prior  
16 fiscal years during the current fiscal year.

17 (5) A statement regarding whether the cost savings  
18 realized by the agency were returned to the General Fund or  
19 spent. If the cost savings were spent, the statement shall  
20 include the purpose for which the cost savings were spent and  
21 the line item representing where the cost savings were spent.

22 (c) Reports by secretary.--The Governor shall direct the  
23 secretary to provide the Independent Fiscal Office and members  
24 of the General Assembly with a report at the end of each quarter  
25 of the fiscal year regarding any changes in State encumbrances  
26 and appropriations which shall be updated through the Integrated  
27 Central System under section 620.1 of the act of April 9, 1929  
28 (P.L.177, No.175), known as The Administrative Code of 1929. The  
29 report shall also include all of the following:

30 (1) Appropriations which are being expended at a rate

1 which could exceed the authorized amount appropriated by the  
2 General Assembly.

3 (2) General Fund expenditures broken down by each  
4 department, board, commission, authority or other agency of  
5 the Commonwealth that is subject to the policy supervision  
6 and control of the Governor.

7 (3) Restricted and special fund expenditures broken down  
8 by each department, board, commission, authority or other  
9 agency of the Commonwealth that is subject to the policy  
10 supervision and control of the Governor.

11 (4) All revenue which has gone into the Commonwealth's  
12 restricted or special funds.

13 § 10048. Disposition of Commonwealth assets.

14 Money received from the disposition of assets of the  
15 Commonwealth shall be deposited into the Budget Stabilization  
16 Reserve Fund established under section 1701-A of the act of  
17 April 9, 1929 (P.L.343, No.176), known as The Fiscal Code.

18 § 10049. Tax expenditures.

19 (a) Applicability.--This section relates to a tax  
20 expenditure under any of the following:

21 (1) Sales and use tax imposed under Article II of the  
22 act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform  
23 Code of 1971.

24 (2) Personal income tax imposed under Article III of the  
25 Tax Reform Code of 1971.

26 (3) Corporate net income tax imposed under Article IV of  
27 the Tax Reform Code of 1971.

28 (4) Capital stock and franchise tax imposed under  
29 Article VI of the Tax Reform Code of 1971.

30 (5) Bank and trust company shares tax imposed under

1 Article VII of the Tax Reform Code of 1971.

2 (6) Title insurance companies shares tax imposed under  
3 Article VIII of the Tax Reform Code of 1971.

4 (7) Insurance premiums tax imposed under Article IX of  
5 the Tax Reform Code of 1971.

6 (8) Gross receipts tax imposed under Article XI of the  
7 Tax Reform Code of 1971.

8 (9) Public utility realty tax imposed under Article XI-A  
9 of the Tax Reform Code of 1971.

10 (10) Realty transfer tax imposed under Article XI-C of  
11 the Tax Reform Code of 1971.

12 (11) Cigarette tax imposed under Article XII of the Tax  
13 Reform Code of 1971.

14 (12) Mutual thrift institutions tax imposed under  
15 Article XV of the Tax Reform Code of 1971.

16 (13) Malt beverage tax imposed under Article XX of the  
17 Tax Reform Code of 1971.

18 (14) Inheritance tax imposed under Article XXI of the  
19 Tax Reform Code of 1971.

20 (15) Vehicle registration fees imposed under 75 Pa.C.S.  
21 (relating to vehicles).

22 (16) Liquid fuels and fuel use taxes imposed under 75  
23 Pa.C.S. Ch. 90 (relating to liquid fuels and fuels tax).

24 (17) Oil company franchise tax imposed under 75 Pa.C.S.  
25 Ch. 95 (relating to taxes for highway maintenance and  
26 construction).

27 (18) Motor carriers road tax imposed under 75 Pa.C.S.  
28 Ch. 96 (relating to motor carriers road tax).

29 (19) Motorbus road tax imposed under 75 Pa.C.S. Ch. 98  
30 (relating to motorbus road tax credit or refund).

1       (20) Marine insurance tax imposed under the act of May  
2 13, 1927 (P.L.998, No.486).

3       (21) Unemployment compensation contributions imposed  
4 under the act of December 5, 1936 (2nd Sp.Sess., 1937  
5 P.L.2897, No.1), known as the Unemployment Compensation Law.

6       (22) Co-operative agricultural association corporate net  
7 income tax imposed under the act of May 23, 1945 (P.L.893,  
8 No.360), known as the Co-operative Agricultural Association  
9 Corporate Net Income Tax Act.

10       (23) Exemptions granted under any of the following:

11           (i) 40 Pa.C.S. § 6307(b) (relating to exemptions  
12 applicable to certificated professional health service  
13 corporations).

14           (ii) 53 Pa.C.S. Ch. 55 (relating to parking  
15 authorities).

16           (iii) 53 Pa.C.S. Ch. 56 (relating to municipal  
17 authorities).

18           (iv) Section 23 of the act of May 28, 1937 (P.L.955,  
19 No.265), known as the Housing Authorities Law.

20           (v) Section 14 of the act of July 5, 1947 (P.L.1217,  
21 No.498), known as the State Public School Building  
22 Authority Act.

23           (vi) Section 15 of the act of March 31, 1949  
24 (P.L.372, No.34), known as The General State Authority  
25 Act of one thousand nine hundred forty-nine.

26       (24) Any statutory exemption, reduction, deduction,  
27 limitation, exclusion, tax deferral, discount, commission,  
28 credit, preferential rate or preferential treatment  
29 established after the effective date of this section.

30       (b) Duty to submit plan.--At the time of the presentation of

1 the budget under section 10023 (relating to balanced budget  
2 presentation), the Governor shall submit to the General Assembly  
3 a tax expenditure plan for not less than the immediately prior  
4 fiscal year, the current fiscal year and the next four fiscal  
5 years.

6 (c) General contents.--

7 (1) A tax expenditure plan shall include the following  
8 information:

9 (i) The actual or estimated revenue loss to the  
10 Commonwealth caused by each tax expenditure in each  
11 fiscal year covered by the plan.

12 (ii) The actual or estimated cost of administering  
13 and implementing each tax expenditure for each fiscal  
14 year covered by the plan.

15 (iii) The actual or estimated number and  
16 description, in reasonable detail, of taxpayers  
17 benefiting from each tax expenditure in each fiscal year  
18 covered by the plan.

19 (iv) The purpose of each tax expenditure in terms of  
20 desired accomplishments.

21 (2) The data in a tax expenditure plan shall be revised  
22 and updated yearly.

23 (d) Specific contents.--A tax expenditure plan shall include  
24 the following information according to the following annual  
25 schedule:

26 (1) For the first fiscal year in which a tax expenditure  
27 plan is required, the plan need only provide the required  
28 information for tax expenditures itemized in subsection (a)  
29 (1), (5), (6), (7), (12), (20) and (21).

30 (2) For the second year in which a tax expenditure plan

1 is required, the plan need only provide the required  
2 information:

3 (i) under paragraph (1); and

4 (ii) for the tax expenditures itemized in subsection

5 (a) (3), (4), (8), (9) and (22).

6 (3) For the third year in which a tax expenditure plan  
7 is required, the plan need only provide the required  
8 information:

9 (i) under paragraph (2); and

10 (ii) for the tax expenditures itemized in subsection

11 (a) (2), (15), (16), (17) and (18).

12 (4) For the fourth year in which a tax expenditure plan  
13 is required, the plan shall provide the required information  
14 for all the tax expenditures itemized in subsection (a).

15 (e) Tax expenditure assessment.--The Governor shall submit  
16 to the General Assembly and the Independent Fiscal Office an  
17 assessment of each tax expenditure based on whether or not each  
18 tax expenditure has been successful in meeting the purpose for  
19 which it was enacted and on whether each tax expenditure is the  
20 most fiscally effective means of achieving its purpose along  
21 with the impact the expenditure has on the overall cash flow of  
22 the General Fund.

23 (f) Obtaining information.--

24 (1) The secretary may obtain the necessary data and  
25 other information required to comply with this section from  
26 each executive agency in the same manner as provided for  
27 budget information under this chapter.

28 (2) The secretary is authorized to obtain the necessary  
29 data and other information required to comply with this  
30 section from the appropriate local government officials.

1 (g) Religious institutions.--The General Assembly recognizes  
2 that the exemption from taxation accorded religious institutions  
3 is founded on principles of church-state separation, and:

4 (1) Nothing in this section is intended to express or  
5 imply that tax exemption constitutes subsidization of the  
6 religious activities of these institutions.

7 (2) This section shall not be construed to authorize the  
8 imposition of any additional requirements on these  
9 institutions relating to tax exemption.

10 (h) Definitions.--The following words and phrases when used  
11 in this section shall have the meanings given to them in this  
12 subsection unless the context clearly indicates otherwise:

13 "Tax expenditure." A reduction in revenue that would  
14 otherwise be collected by the Commonwealth as the result of an  
15 exemption, reduction, deduction, limitation, exclusion, tax  
16 deferral, discount, commission, credit, preferential rate or  
17 preferential treatment, except for local tax purposes, under any  
18 of the provisions under subsection (a).

19 § 10050. Special and restricted funds analysis.

20 (a) Applicability.--This section relates to a special or  
21 restricted fund established by the Treasury Department outside  
22 the General Fund.

23 (b) Duty to submit analysis.--At the time of the  
24 presentation of the budget under section 10023 (relating to  
25 balanced budget presentation), the Governor shall submit to the  
26 Independent Fiscal Office and the members of the General  
27 Assembly an analysis for not less than the immediately prior  
28 fiscal year, the current fiscal year and the next four fiscal  
29 years.

30 (c) Contents.--

1           (1) The analysis shall include the following  
2 information:

3           (i) The actual or estimated revenue loss to the  
4 General Fund caused by each special or restricted fund  
5 for each fiscal year.

6           (ii) The actual or estimated cost of administering  
7 and implementing each special or restricted fund for each  
8 fiscal year covered by the analysis.

9           (iii) The actual or estimated commitments for each  
10 special or restricted fund delineated by the fiscal year  
11 the commitment was made and the fiscal year in which the  
12 commitment is to be expended.

13           (iv) Schedule of commitments for each special or  
14 restricted fund.

15           (v) Actual or estimated changes in expenditures and  
16 commitments for each special or restricted fund.

17           (vi) Actual and estimated changes in revenue sources  
18 for each special or restricted fund.

19           (2) The analysis shall be revised and updated yearly.

20           (d) Summary assessment.--The Governor shall submit to the  
21 Independent Fiscal Office and the members of the General  
22 Assembly an assessment of the impact of each special or  
23 restricted fund on the General Fund, including the cash flow of  
24 the General Fund. The assessment shall:

25           (1) Show changes in the cash flow of the General Fund if  
26 the revenues and expenditures of each special or restricted  
27 fund were to be moved within the General Fund.

28           (2) Include assessing whether moving each special or  
29 restricted fund into the General Fund will reduce the need  
30 for the Commonwealth to borrow money to pay for expenditures

1 within the General Fund.

2 SUBCHAPTER F

3 COST SAVINGS AND PERFORMANCE-BASED

4 INCENTIVE ACCOUNT

5 Sec.

6 10061. Notice of savings by executive agency.

7 10062. Notice of savings by secretary.

8 10063. Transfer by Treasury Department.

9 10064. Performance-based Incentive Account.

10 § 10061. Notice of savings by executive agency.

11 Following the enactment of the general appropriation bill for  
12 a given fiscal year and prior to the passage of the general  
13 appropriation bill for the fiscal year that immediately follows,  
14 an executive agency shall provide notice of any savings realized  
15 from its line items within the enacted appropriation bill to the  
16 secretary within 14 calendar days of determining the existence  
17 of the savings.

18 § 10062. Notice of savings by secretary.

19 Upon receiving notice under section 10061 (relating to notice  
20 of savings by executive agency), the secretary shall send  
21 written notification of the savings realized to the following:

22 (1) The Treasury Department.

23 (2) The Independent Fiscal Office.

24 (3) The General Assembly.

25 § 10063. Transfer by Treasury Department.

26 Upon receiving notice under section 10062 (relating to notice  
27 of savings by secretary), the Treasury Department shall transfer  
28 the reported savings realized into the account established under  
29 section 10064 (relating to Performance-based Incentive Account).

30 § 10064. Performance-based Incentive Account.

1 The Performance-based Incentive Account is established as a  
2 restricted account within the General Fund to which all cost  
3 savings realized under this subchapter shall be deposited for  
4 explicit use for providing incentives to executive agencies and  
5 their employees when performance goals are exceeded.

6 SUBCHAPTER G

7 IMPLEMENTATION

8 Sec.

9 10071. Budget implementation.

10 10072. List of employees.

11 § 10071. Budget implementation.

12 (a) General rule.--Except as provided in subsection (b),  
13 before the enactment of the General Appropriation Act for the  
14 current fiscal year, the State Treasurer may not release or  
15 approve the transfer of State funds to an executive agency or  
16 the General Assembly for any expense that would result in the  
17 disbursement of State funds beyond the amount that was enacted  
18 or funds not included in the General Appropriation Act for the  
19 prior fiscal year.

20 (b) Exception.--The following are not subject to subsection  
21 (a):

22 (1) Expenditures required under 29 U.S.C. Ch. 8  
23 (relating to fair labor standards).

24 (2) Expenditures required in compliance with Federal or  
25 State court decisions.

26 § 10072. List of employees.

27 (a) Recipients.--By July 15 of each year:

28 (1) Each executive agency, other than the Department of  
29 the Auditor General and the Treasury Department, shall  
30 transmit the complete list under subsection (b) to all of the

1 following:

2 (i) The secretary.

3 (ii) The Auditor General.

4 (iii) The State Treasurer.

5 (iv) The Legislative Data Processing Center, in the  
6 form of a computer file.

7 (2) The Auditor General and State Treasurer shall  
8 transmit the complete list under subsection (b) to both of  
9 the following:

10 (i) The secretary.

11 (ii) The Legislative Data Processing Center, in the  
12 form of a computer file.

13 (b) Contents.--The list to be transmitted under subsection  
14 (a) shall contain the names of all persons, as of the preceding  
15 July 1, except day-laborers, entitled to receive compensation  
16 from the Commonwealth for services rendered in or to the  
17 executive agency. The list shall show the following for each  
18 person:

19 (1) The person's:

20 (i) position occupied;

21 (ii) date of birth;

22 (iii) county of residence;

23 (iv) voting residence;

24 (v) salary at which or other basis upon which the  
25 person is entitled to be paid; and

26 (vi) date of entry into the service of the  
27 Commonwealth.

28 (2) Whether the person has been continuously employed by  
29 the Commonwealth since the person's date of entry into the  
30 service of the Commonwealth.

1       (3) All periods of service and positions held by the  
2 person as an employee of the Commonwealth or the part of the  
3 information related to previous service and positions as the  
4 Governor may prescribe.

5       (c) Certification of changes.--By the 15th day of each month  
6 after July of each year:

7       (1) Each executive agency, other than the Department of  
8 the Auditor General and the Treasury Department, shall  
9 certify any change to the list under subsection (b) that  
10 occurred during the preceding month to all of the following:

11           (i) The secretary.

12           (ii) The Auditor General.

13           (iii) The State Treasurer.

14       (2) The Auditor General and State Treasurer shall  
15 certify any change to the list under subsection (b) that  
16 occurred during the preceding month to the secretary.

17       (d) Transmittal of updated list.--Any change to the list  
18 under subsection (b) shall be transmitted to the Legislative  
19 Data Processing Center, in the form of a computer file.

20       (e) Public information.--

21       (1) Except as provided in paragraph (2), the information  
22 received by the secretary, Auditor General or State Treasurer  
23 under this section shall be public information.

24       (2) Information that identifies the voting residence of  
25 a person employed by the Commonwealth shall not be public  
26 information.

27       (f) Payment of employees.--An employee of an executive  
28 agency shall only be paid by the entity for which the employee  
29 works.

30       Section 5. Repeals are as follows:

1           (1) The General Assembly declares that the repeal under  
2 paragraph (2) is necessary to effectuate the addition of 72  
3 Pa.C.S. Ch. 100.

4           (2) Article VI of the act of April 9, 1929 (P.L.177,  
5 No.175), known as The Administrative Code of 1929, is  
6 repealed.

7           (3) All other acts or parts of acts are repealed insofar  
8 as they are inconsistent with this act.

9           Section 6. The addition of 72 Pa.C.S. Ch. 100 is a  
10 continuation of Article VI of the act of April 9, 1929 (P.L.177,  
11 No.175), known as The Administrative Code of 1929. The following  
12 apply:

13           (1) Except as otherwise provided in 72 Pa.C.S. Ch. 100,  
14 all activities initiated under Article VI of The  
15 Administrative Code of 1929 shall continue and remain in full  
16 force and effect and may be completed under 72 Pa.C.S. Ch.  
17 100. Orders, regulations, rules and decisions which were made  
18 under Article VI of The Administrative Code of 1929 and which  
19 are in effect on the effective date of 72 Pa.C.S. Ch. 100  
20 shall remain in full force and effect until revoked, vacated  
21 or modified under 72 Pa.C.S. Ch. 100. Contracts, obligations  
22 and collective bargaining agreements entered into under  
23 Article VI of The Administrative Code of 1929 are not  
24 affected nor impaired by the repeal of Article VI of The  
25 Administrative Code of 1929.

26           (2) Except as otherwise provided in 72 Pa.C.S. Ch. 100,  
27 any difference in language between 72 Pa.C.S. Ch. 100 and  
28 Article VI of The Administrative Code of 1929 is intended  
29 only to conform to the style of the Pennsylvania Consolidated  
30 Statutes and is not intended to change or affect the

1 legislative intent, judicial construction or administration  
2 and implementation of The Administrative Code of 1929.

3 (3) Any expenditures needed to implement this act shall  
4 be paid using unencumbered or encumbered funds of the  
5 respective executive agency.

6 Section 7. This act shall take effect July 1, 2023, or  
7 immediately, whichever is later.