

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 410 Session of 2017

INTRODUCED BY WARNER, SAYLOR, DUNBAR, CUTLER, TOEPEL, GROVE, STEPHENS, D. COSTA, WARD, KAUFFMAN, BLOOM, MILLARD, ORTITAY, ZIMMERMAN, SANKEY, SIMMONS, RADER, GABLER, GILLEN AND DUSH, FEBRUARY 8, 2017

AS REPORTED FROM COMMITTEE ON STATE GOVERNMENT, HOUSE OF REPRESENTATIVES, AS AMENDED, MARCH 21, 2017

AN ACT

1 Providing for performance-based budgeting; establishing the
2 Performance-Based Budget Board and providing for its powers
3 and duties; and conferring powers and imposing duties on the <--
4 Independent Fiscal Office-; AND PROVIDING FOR PERFORMANCE <--
5 HEARINGS AND PERFORMANCE REVIEWS.

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

8 Section 1. Short title.

9 This act shall be known and may be cited as the Performance-
10 Based Budgeting Act.

11 Section 2. Findings.

12 The General Assembly finds and declares as follows:

13 (1) The traditional method of budget development, which
14 relies upon incremental adjustments to expenditures made in
15 the previous financial period, insulates governmental
16 activities from the thorough fiscal review expected by
17 taxpaying citizens.

18 (2) New and changing demands for public services are met

1 through excessive budget growth rather than by systematic and  
2 thorough analysis based on performance measurement and  
3 established performance benchmarks and the reallocation of  
4 existing fiscal resources. Traditional budgeting processes  
5 often result in the continuation of obsolete or ineffective  
6 programs and increased reliance on taxpayer support. Some  
7 programs were established so long ago that the original  
8 statutory basis has either been forgotten or is out of date.  
9 In time, the budget is driven by inertia rather than by clear  
10 and defensible purposes.

11 (3) Performance-based budgeting is an effective method  
12 to counter the tendency toward perpetuation of outmoded State  
13 programs.

#### 14 Section 3. Definitions.

15 The following words and phrases when used in this act shall  
16 have the meanings given to them in this section unless the  
17 context clearly indicates otherwise:

18 "Agency." An agency, board or commission under the  
19 Governor's jurisdiction.

20 "Board." The Performance-Based Budget Board established  
21 under this act.

22 "IFO." The Independent Fiscal Office established under  
23 Article VI-B of the act of April 9, 1929 (P.L.177, No.175),  
24 known as The Administrative Code of 1929.

25 "Secretary." The Secretary of the Budget of the  
26 Commonwealth.

#### 27 Section 4. Performance-based budgets.

28 (a) Initiation of program.--Notwithstanding the provisions  
29 of sections 610 and 611 of the act of April 9, 1929 (P.L.177,  
30 No.175), known as The Administrative Code of 1929, to the

1 contrary, the ~~secretary~~ BOARD shall for fiscal year 2018-2019 <--  
2 initiate a program of performance-based budget reviews as part  
3 of the annual budget preparation and program evaluation  
4 processes.

5 (b) Schedule.--The ~~secretary, in conjunction with the~~ <--  
6 ~~director of the IFO,~~ BOARD shall, within 30 days of the <--  
7 effective date of this act, establish a schedule of performance-  
8 based budget reviews for all agencies. The schedule shall ensure  
9 that the agencies are subject to a performance-based budget  
10 review at least once every five years.

11 (c) Notice.--Each time an agency is subject to a  
12 performance-based budget review, the ~~secretary~~ BOARD shall <--  
13 notify the agency and require the agency to prepare and submit  
14 such information to the IFO as may be required for the  
15 preparation of a performance-based budget plan. The information  
16 shall include, but not be limited to:

17 (1) Detailed descriptions of all agency line item  
18 appropriations and programs, including information on  
19 populations served, grants awarded and subsidies provided for  
20 grant and subsidy appropriations.

21 (2) Descriptive information and data related to existing  
22 performance measures for agency appropriations and programs.

23 (3) An agency mission statement and agency goals and  
24 objectives for the budget year and successive planning years,  
25 including specific goals and objectives, where they exist,  
26 for agency programs.

27 (4) Any other information as the IFO may require.

28 (d) Submission of information.--Agencies shall submit  
29 performance-based budget information ~~contemporaneously~~ to the <--  
30 ~~secretary, the IFO, the chairperson and minority chairperson of~~ <--

1 ~~the Appropriations Committee of the Senate and the chairperson~~  
2 ~~and minority chairperson of the Appropriations Committee of the~~  
3 ~~House of Representatives~~ BOARD. <--

4 (e) Concurrent resolutions.--The General Assembly may direct  
5 a performance-based budget review for an agency by adoption of a  
6 concurrent resolution. Upon adoption of a concurrent resolution  
7 under this subsection, the ~~secretary~~ BOARD shall make <--  
8 notification to the agency under subsection (c).

9 Section 5. Independent Fiscal Office.

10 (a) Development of agency performance-based budget plan.--

11 (1) The IFO, pursuant to its mandate under section 604-  
12 B(a)(3) of the act of April 9, 1929 (P.L.177, No.175), known  
13 as The Administrative Code of 1929, and this act, shall  
14 review agency performance-based budget information and  
15 develop an agency performance-based budget plan for agencies  
16 subject to a performance-based budget review under section 4.

17 (2) In developing performance-based budget plans the IFO  
18 shall evaluate each agency program or line-item appropriation  
19 and develop performance measures for each agency program or  
20 line-item appropriation.

21 (3) Performance measurements shall include outcome-based  
22 measures along with efficiency measures, activity cost  
23 analysis, ratio measures, measures of status improvement of  
24 recipient populations, economic outcomes and performance  
25 benchmarks against similar State programs or similar programs  
26 of other states or jurisdictions.

27 (b) Completion and submission of evaluations.--The  
28 evaluations under subsection (a) shall be completed in a timely  
29 manner and submitted by the IFO to the board for review and  
30 approval.

1 (c) Interagency cooperation.--The ~~secretary~~ BOARD and the <--  
2 heads of agencies shall cooperate with the IFO and provide any  
3 information or data that the IFO may require to carry out its  
4 duties under this act.

5 Section 6. Performance-Based Budget Board.

6 (a) Establishment.--The Performance-Based Budget Board is  
7 established as an independent board to review and approve the  
8 performance-based budget plans developed by the IFO for agencies  
9 and to make recommendations on how each agency's operations and  
10 programs may be made more transparent, effective and efficient.

11 (b) Members.--The board shall consist of the following  
12 members:

13 (1) The ~~secretary~~ DIRECTOR OF IFO. <--

14 (2) The chairperson of the Appropriations Committee of  
15 the Senate.

16 (3) The minority chairperson of the Appropriations  
17 Committee of the Senate.

18 (4) The chairperson of the Appropriations Committee of  
19 the House of Representatives.

20 (5) The minority chairperson of the Appropriations  
21 Committee of the House of Representatives.

22 (c) Review and approval.--

23 (1) The board shall review and approve or disapprove  
24 each performance-based budget plan submitted by the IFO in a  
25 timely manner.

26 (2) Plans shall be approved by a majority vote of the  
27 board taken at a public meeting.

28 (3) Meetings of the board shall be subject to the act of  
29 February 14, 2008 (P.L.6, No.3), known as the Right-to-Know  
30 Law, and 65 Pa.C.S. Ch. 7 (relating to open meetings).

1 (4) Plans not approved or disapproved by the board  
2 within 45 days of submission by the IFO shall be deemed  
3 approved. If the board disapproves a plan, it shall be  
4 returned to the IFO with recommendations for revision and  
5 resubmission to the board.

6 (d) Publication.--Approved performance-based budget plans  
7 shall be published on the IFO's publicly accessible Internet  
8 website AND DISTRIBUTED TO THE GENERAL ASSEMBLY AND BOARD BY <--  
9 JANUARY 31.

10 (e) Agency representation during board review.--The head of  
11 the agency, or a deputy secretary-level position, shall:

12 (1) Attend the performance-based budget board meeting  
13 when the IFO presents the agency's performance-based budget  
14 plan.

15 (2) Be available to offer additional explanation for  
16 information contained in the plan.

17 Section 7. Governor.

18 The Governor shall consider approved agency performance-based  
19 budgeting plans and performance measurements related thereto in  
20 the annual budget development and implementation processes.

21 Section 8. General Assembly.

22 The General Assembly shall consider approved agency  
23 performance-based budgeting plans and performance measurements  
24 related thereto in the annual budget development and  
25 implementation processes.

26 SECTION 9. PERFORMANCE HEARING. <--

27 (A) APPLICABILITY.--THIS SECTION APPLIES TO A PERFORMANCE  
28 HEARING BY A STANDING COMMITTEE OF THE GENERAL ASSEMBLY TO  
29 REVIEW AN AGENCY'S PROPOSED APPROPRIATION FOR THE NEXT FISCAL  
30 YEAR.

1 (B) FREQUENCY.--EACH STANDING COMMITTEE SHALL CONDUCT AT  
2 LEAST ONE PERFORMANCE HEARING BETWEEN FEBRUARY 1 AND MAY 30.

3 (C) PURPOSE.--EACH STANDING COMMITTEE SHALL HEAR A  
4 PRESENTATION FROM EACH AGENCY THAT IS ASSIGNED TO THAT STANDING  
5 COMMITTEE. THE PRESENTATION SHALL INCLUDE, BUT NOT BE LIMITED  
6 TO, THE AGENCY'S PERFORMANCE-BASED BUDGET PLAN AND REGULATORY  
7 AGENDA FOR THE NEXT FISCAL YEAR.

8 SECTION 10. PERFORMANCE AUDITS.

9 (A) FREQUENCY.--THE DEPARTMENT OF THE AUDITOR GENERAL SHALL,  
10 WITHIN EXISTING RESOURCES, CONDUCT OR CAUSE TO BE CONDUCTED  
11 PERFORMANCE AUDITS OF ONE OR MORE SPECIFIC PROGRAMS OR SERVICES  
12 IN AT LEAST TWO AGENCIES ON AN ANNUAL BASIS.

13 (B) SELECTION CONSIDERATIONS.--IN SELECTING AN AGENCY AND A  
14 SPECIFIC PROGRAM OR SERVICE FOR A PERFORMANCE AUDIT, THE  
15 DEPARTMENT OF THE AUDITOR GENERAL SHALL CONSIDER RISK, AUDIT  
16 COVERAGE, RESOURCES REQUIRED TO CONDUCT THE PERFORMANCE AUDIT  
17 AND THE IMPACT OF THE AUDITED PROGRAM OR SERVICE ON THE AGENCY'S  
18 PERFORMANCE-BASED GOALS.

19 (C) REVIEW.--A PERFORMANCE AUDIT OF A PROGRAM OR SERVICE  
20 SELECTED FOR AUDIT MAY INCLUDE, BUT IS NOT LIMITED TO, A REVIEW  
21 OF ALL OF THE FOLLOWING:

22 (1) THE INTEGRITY OF THE PERFORMANCE MEASURES AUDITED.

23 (2) THE ACCURACY AND VALIDITY OF REPORTED RESULTS.

24 (3) THE OVERALL COST AND EFFECTIVENESS OF THE AUDITED  
25 PROGRAM OR SERVICE IN ACHIEVING LEGISLATIVE INTENT AND THE  
26 PERFORMANCE GOALS.

27 (D) TRANSMITTAL.--THE DEPARTMENT OF THE AUDITOR GENERAL  
28 SHALL TRANSMIT EACH PERFORMANCE AUDIT REPORT FOR THE IMMEDIATELY  
29 PRIOR FISCAL YEAR TO THE CHAIRPERSON AND MINORITY CHAIRPERSON OF  
30 THE STANDING COMMITTEES WITH JURISDICTION OVER THE AGENCY.

1 (E) OTHER REPORTS.--THE DEPARTMENT OF THE AUDITOR GENERAL  
2 SHALL TRANSMIT ANY OTHER AUDIT REPORT REGARDING AN AGENCY THAT  
3 IS DEEMED RELEVANT FOR REVIEW BY A STANDING COMMITTEE WITH  
4 JURISDICTION OVER THE AGENCY.

5 Section 9 11. Effective date.

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6 This act shall take effect in 60 days.