



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

HOUSE BILL NO. 410

PRINTERS NO. 1046

PRIME SPONSOR: Warner

### COST / (SAVINGS)

FUND	FY 2016/17	FY 2017/18
General Fund	\$0	\$400,000

**SUMMARY:** House Bill 410, printer's number 1046, creates a freestanding act providing for performance-based budgeting, establishes the Performance-Based Budget Board and provides for its powers and duties, and imposes duties on the Independent Fiscal Office (IFO).

The effective date is 60 days after enactment.

**ANALYSIS:** This legislation shall be known and cited as the Performance-Based Budgeting Act. The act is intended to establish statutorily-authorized performance-based budget reviews to enhance and improve budget development and decision making associated with the annual budget process. The legislation establishes the Performance-Based Budget Board as an independent board to review and approve performance-based budget plans developed by the IFO for agencies and to make recommendations on how each agency's operations and programs can be made more transparent, effective and efficient. Members of the Board shall be the director of the IFO, the chairperson and minority chairperson of the Appropriations Committee of the Senate, and the chairperson and minority chairperson of the Appropriations Committee of the House of Representatives. The Board shall, within 30 days of the effective date of the act, establish a schedule of performance-based budget reviews for all agencies under the Governor's jurisdiction. The schedule must provide that all agencies are subject to review at least once every five years. The legislation specifies that the Board shall for fiscal year 2018-2019 initiate a program of performance-based budget reviews as part of the annual budget preparation and program evaluation processes.

Each time an agency is subject to a performance-based budget review, the Board shall notify and direct the agency to prepare and submit such information to the IFO as may be required for the preparation of a performance-based budget plan. The information shall include, but not be limited to, detailed descriptions of all agency line item appropriations and programs, including information on populations served, grants awarded and subsidies provided, descriptive information and data related to existing performance measures, and agency mission statements and goals and objectives for the budget year and successive years. Agencies shall submit performance-based budget information to the Board. The IFO shall evaluate the information and develop performance-based budget plans and performance measures for the agencies subject to a performance-based budget review. Performance measures must include outcome-based measures, efficiency measures, activity cost analysis, ratio measures, measures of status improvement of recipient populations, economic outcomes and performance benchmarks against similar state programs or similar programs of other states.

The IFO is required to complete reviews in a timely manner and to submit plans to the Performance-Based Budget Board for review and approval. Plans shall be approved by a majority vote of the Board at open meetings. The head of the subject agency, or a deputy secretary, shall attend the meeting to respond to

any questions regarding the proposed plan and performance measures. Any performance-based budget plan not approved or disapproved by the Board within 45 days of submission shall be deemed approved.

The Governor and the General Assembly shall consider approved plans during budget development, review and enactment. Approved performance-based budget plans shall be published on the IFO website and distributed to the General Assembly by January 31.

The General Assembly may also direct the conduct of a performance-based budget review by adoption of a concurrent resolution.

The legislation also directs each standing committee of the General Assembly to review agencies assigned to the standing committee and conduct at least one performance hearing between February 1 and May 30. The presentation shall include, but not be limited to, the agency's performance-based budget plan and regulatory agenda for the next fiscal year.

The Department of the Auditor General shall, within existing resources, conduct or cause to be conducted performance audits of one or more specific programs or services in at least two agencies on an annual basis. In selecting an agency for a performance audit, the Department of the Auditor General shall consider risk, audit coverage, resources required to conduct the performance audit and the impact of the audited program or service on the agency's performance-based goals. The performance audit report shall be transmitted to the chairperson and minority chairperson of the standing committees with jurisdiction over the agency.

**FISCAL IMPACT:** The enactment of this legislation will result in costs beginning in 2017-18 for the IFO to hire additional analytical staff to begin performing performance-based budget reviews and develop performance-based budget plans for the annual budget preparation and program evaluation process for fiscal year 2018-2019, which will begin in September and October 2017. Salary, benefits and operating costs for two analysts and an analyst manager are estimated at approximately \$400,000. It is anticipated that the IFO may require additional staff, beyond the initial three discussed above in subsequent years as the program matures.

It is not anticipated that the Appropriations Committees, standing committees, Department of the Auditor General, or agency fiscal offices would require additional personnel to comply with the act. Additionally, it is estimated that costs associated with the development of the performance-based budget review schedule will be minimal and can be absorbed within existing resources available to the IFO and the Appropriations Committees.

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**DATE:** June 5, 2017

*Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*