



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

SENATE BILL NO. 181

PRINTERS NO. 1086

PRIME SPONSOR: Mensch

COST / (SAVINGS)

FUND	FY 2017/18	FY 2018/19
General Fund	\$0	\$400,000

SUMMARY: Senate Bill 181, printer's number 1086, creates a freestanding act providing for performance-based budgeting and tax credit efficiency review, 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 Secretary of the Budget, 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 secretary, in conjunction with the director of the IFO 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 secretary 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 secretary 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 contemporaneously to the secretary, the IFO, and the chairpersons of the Appropriations Committees. 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 or disapproval. Plans shall be reviewed by the board at public 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 by the IFO shall be deemed approved. If the board disapproves a plan, it shall be returned to the IFO with recommendations for revision and resubmission to the board.

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 bill also requires the secretary, in conjunction with the director of the IFO, to establish a schedule for review of all tax credits. The schedule for review shall be established within 30 days of the effective date of the act, and shall ensure that tax credits are subject to a review by the IFO at least once every five years. The schedule for review of a tax credit may not be altered until the five-year schedule for review time period has expired for the tax credit. A tax credit enacted on or after the effective date of the act shall be reviewed by the IFO not later than January 1 of the fifth year after the tax credit is enacted.

The IFO shall submit a report of tax credit review, which shall include the purpose for which the tax credit was established, whether the tax credit is accomplishing the tax credit's legislative intent, whether the tax credit could be more efficiently implemented through alternative methods and alternative methods, and the costs of providing the tax credit, including administrative costs to the Commonwealth and lost revenues to the Commonwealth and local government entities. Reports on reviewed performance-based budget plans and tax credits shall be published by the IFO on their publicly accessible Internet website.

FISCAL IMPACT: The enactment of this legislation will result in costs for the IFO to hire additional analytical staff to begin performing performance-based budget and tax credit 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 Budget Office or agency fiscal offices would require additional personnel to comply with the act.

PREPARED BY: Lisa Taglang
House Appropriations Committee (R)

DATE: July 8, 2017

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