

# FISCAL NOTE

August 10, 2017

<b>Bill No:</b>	SB 181	<b>Printer's No:</b>	1086	<b>Sponsor:</b>	Mensch (R)
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### COST / (SAVINGS)

Fund (s)	2018-19	2019-20
General Fund	See "Fiscal Impact"	See "Fiscal Impact"

**SUMMARY:** The bill would require the commonwealth to use and develop a schedule for performance-based budgeting (PBB) reviews as part of the annual budget preparation and program evaluation processes for budgets beginning with fiscal year 2018-19. The bill would also require efficiency reviews of tax credits.

### ANALYSIS:

#### *PBB Review*

The bill would require the Secretary of the Budget (Secretary) in conjunction with the director of the Independent Fiscal Office (IFO) to establish a schedule for PBB reviews for all agencies at least once every five years. When an agency is due for PBB review, the Secretary would notify the agency and require the agency to submit the following information for review:

1. A detailed description of each program and line item of an agency's budget
2. Data related to current performance measures for agency appropriations and programs
3. An agency mission statement and agency goals and objectives for the budget years and successive planning years, including specific goals and objectives for agency programs
4. Any other information requested

The agencies would submit the review information in a timely manner to the Secretary, the IFO, and the Chairpersons and Minority Chairpersons of the Appropriations Committees of each chamber of the General Assembly.

The bill would allow the General Assembly to direct a PBB review for an agency by the adoption of a concurrent resolution and upon its adoption, the Secretary would be required to notify the agency to begin the review process.

#### *Tax Credit Review*

The bill also requires the Secretary in conjunction with the IFO to set a schedule for reviewing all tax credits at least once every five years with new tax credits reviewed no later than January 1 of the fifth succeeding year of the credit's enactment. If a tax credit has an expiration date, it would be reviewed no later than January 1 of the year preceding its expiration date.

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The IFO would submit a report of the review made to the Performance-Based Budget Board (Board), which is established in the bill, and the chairpersons of the Finance Committees of each chamber of the General Assembly. The report would also be published on the IFO's website. The report would include:

1. The purpose for which the tax credit was established
2. Whether the tax credit is accomplishing its legislative intent
3. Whether the tax credit could be more efficiently implemented
4. Any alternative methods to make the tax credit more efficient if necessary
5. The costs of the providing the tax credit

The bill would allow the General Assembly to direct the IFO to conduct a tax credit review by the adoption of a concurrent resolution.

The bill would require the IFO to develop an agency PBB plan for each agency subject to review. The IFO would also develop a tax credit plan for each credit reviewed and develop performance measures for those credits. Both plans would be submitted to the Board for review.

### *Performance-Based Budget Board*

The bill would establish the Performance-Based Budget Board to review PBB plans developed by the IFO for agencies and to make recommendations on how each agency's operations and programs may be made more transparent, effective, and efficient.

The board will consist of the Secretary and the majority and minority chairpersons of the Appropriations Committees of each chamber of the General Assembly.

If the board disapproves a plan, it would be returned to the IFO with recommendations for revision and resubmission. Reviewed plans would be available on the IFO's website.

The bill would require the Governor to consider the reviewed agency PBB plans and performance measures in the development and implementation of the annual budget.

The act would take effect in 60 days.

**FISCAL IMPACT:** There would be no costs for the Secretary of the Budget in conjunction with the IFO director to establish the PBB schedule. The IFO may require additional resources (personnel, etc.) to perform an analysis of each agency's budget, programs, and tax credits. Based on measures developed by the IFO and the board, agencies may require additional resources for transitioning, evaluation, and analysis of data.