

FISCAL NOTE

April 16, 2019

Bill No:	HB 1053	Printer's No:	1216	Sponsor:	Ryan (R)
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COST / (SAVINGS)

Fund (s)	2018-19	2019-20
General Fund	See "FISCAL IMPACT"	\$63 million to \$225 million-over three years
Budget Stabilization Reserve Fund	See "FISCAL IMPACT"	Savings TBD

SUMMARY: HB 1053 mandates that the Auditor General conduct a performance audit of all major state agencies, and requires state agencies to implement lean process improvements based on the findings of the audit.

ANALYSIS: HB 1053 requires the Auditor General to initiate a performance audit of all major state agencies (with an annual operating budget greater than \$100 million) within the next three years, contracting with a third-party auditor if necessary.

The Auditor General is also required to recommend a set of performance measures for each agency prior to commencing the audit. The performance audits are then to be published online and submitted to the Governor and the General Assembly. The Auditor General is given discretion to determine which smaller agencies shall be subject to continuing performance audits after the end of the three-year period.

Major state agencies are then required to implement a lean process improvement system based on the findings of the performance audit. They must identify their mission and purpose, cost drivers, success factors, measures of effectiveness, and all utilized processes. Corrective action must be undertaken by each agency to eliminate identified inefficiencies. Any cost savings realized by the implementation of the lean process improvement will accrue into the Budget Stabilization Reserve Fund. Agencies are required to notify the Budget Office and the General Assembly of these savings. Agencies must also submit reports on their progress through implementation of lean process improvement in taking corrective action based on their performance audit to the General assembly within two years of the audit.

HB 1053 takes effect 60 days after passage.

FISCAL IMPACT: The bill does not indicate if the \$100 million in annual budget must be comprised only of state funds or also includes federal funds.

The following agencies will all be included for a mandatory performance audit:

Agency	Cost of Audit
Executive Offices	\$ 3.5 million to \$ 12.5 million

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Aging	\$ 3.5 million to \$ 12.5 million
Agriculture	\$ 3.5 million to \$ 12.5 million
DCED	\$ 3.5 million to \$ 12.5 million
DDAP	\$ 3.5 million to \$ 12.5 million
PASSHE	\$ 3.5 million to \$ 12.5 million
PHEAA	\$ 3.5 million to \$ 12.5 million
DEP	\$ 3.5 million to \$ 12.5 million
Health	\$ 3.5 million to \$ 12.5 million
DHS	\$ 3.5 million to \$ 12.5 million
L&I	\$ 3.5 million to \$ 12.5 million
DMVA	\$ 3.5 million to \$ 12.5 million
Revenue	\$ 3.5 million to \$ 12.5 million
Transportation	\$ 3.5 million to \$ 12.5 million
PSP	\$ 3.5 million to \$ 12.5 million
Pennvest	\$ 3.5 million to \$ 12.5 million
PDE	\$ 3.5 million to \$ 12.5 million
Criminal Justice	\$ 3.5 million to \$ 12.5 million
Total:	\$63 million to \$225 million

Agencies may also incur costs to implement lean process improvement systems. These costs may arise from IT system changes, new training procedures, or the development of new service delivery models. Additionally, the Auditor General will incur costs to audit smaller agencies at their discretion.