pennsylvania
OFFICE OF THE BUDGET

FISCAL NOTE

June 24, 2020

Bill No:	HB 2353	Printer's No:	4013	Sponsor:	Gaydos (R)

COST / (SAVINGS)

Fund (s)	2019-20	2020-21
General Fund	See "FISCAL IMPACT"	See "FISCAL IMPACT"

SUMMARY: This bill requires each agency to conduct an initial assessment and an assessment of improper payments no less than once every two years.

ANALYSIS: HB 2353 requires an assessment of improper payments, including each program's level of risk, and recommendations for reducing improper payments.

The Inspector General shall establish a schedule to review at least one agency per year to determine the number and percentage of improper payments and the total amount of funds expended. Upon completion, the Inspector General shall submit a report. Once submitted, the agency shall adopt a corrective action plan to reduce the rate of improper payments to no more than three percent.

The Legislative Budget and Finance Committee shall also perform an audit to determine whether the Commonwealth agency's rate of improper payments has been reduced by at least 50 percent since the initial review.

HB 2353 also requires, if the review shows the agency has failed to reduce the rate of improper payments by at least 50 percent since the initial review, the governor shall transfer from the agency's general government operations into budgetary reserve the lesser of (1) the amount equal to the total improper payments by the agency during the fifth fiscal year after the office submits the report, or (2) the amount equal to the percentage of the commonwealth agency's expenditures that exceed the improper payment rate established in the corrective action plan.

When LBFC finds the rate of improper payments has met the outlined goal, the governor shall transfer the funds out of budgetary reserves to the agency GGO.

FISCAL IMPACT: There will be a fiscal impact for each agency to conduct an assessment of improper payments at least once every two years, for the Inspector General to create corrective action plans, and for LBFC to conduct audits.

Requiring transfers from GGO to budgetary reserve would limit the ability of the governor to propose a balanced budget.

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	19-20 GGO Total	Scenario 1 – Assume any agency had $5 million in improper payments This amount would be the impact to GGOs.
Executive Offices	$9,724,000	$4,724,000
Agriculture	$33,731,000	$28,731,000
DCED	$19,509,000	$14,509,000
DCNR	$25,804,000	$20,804,000
DCJ	$45,035,000	$40,035,000
PDE	$28,323,000	$23,323,000
DEP	$13,469,000	$8,469,000
DGS	$54,713,000	$49,713,000
DOH	$26,283,000	$21,283,000
DHS	$107,884,000	$102,884,000
DDAP	$2,657,000	($2,343,000)
L&I	$13,799,000	$8,799,000
DMVA	$33,143,000	$28,143,000
DOR	$148,511,000	$143,511,000
DOS	$4,319,000	($681,000)
PennDOT	$60,921,000	$55,921,000
PSP	$342,100,000	$337,100,000
PEMA	$13,521,000	$8,521,000
PHMC	$21,555,000	$16,555,000
Total	**$1,005,001,000**	**$910,001,000**

In scenario two, the governor shall transfer the amount equal to the percentage of the commonwealth agency's expenditures that exceed the improper payment rate established in the corrective action plan. Based on a target threshold of three percent and an actual improper payment rate of 10 percent, this would result in a seven percent reduction in the agency's budget.

Both senarios would have a negative impact on a agency's operations.