



IFO } Independent Fiscal Office

Overview of Act 48 Implementation

Presentation to the
Performance-Based Budget Board

October 15, 2018

Act 48 Overview

- ▶ Act 48 of 2017 directs the IFO to develop performance-based budget (PBB) plans for each agency under the Governor's jurisdiction and conduct tax credit reviews every fifth year
- ▶ The IFO and Budget Secretary jointly develop the schedule for PBB plans and tax credit reviews
- ▶ Year 1 agencies include:
 - Corrections
 - Board of Probation and Parole
 - PA Commission on Crime and Delinquency
 - Juvenile Court Judges' Commission
 - Banking and Securities
 - General Services

What is Performance-Based Budgeting?

- ▶ Links funding levels for agency activities with expected outcomes
 - What are citizens getting in return for the investment of state resources?
 - What outcomes are agencies achieving with funding for each program?
- ▶ Emphasizes program results and performance management to inform high-level budget decisions
- ▶ An alternative budgeting framework used to guide the allocation of state resources to improve outcomes for citizens

PBB Implementation Status

- ▶ Conducted a review of PBB models in other states
- ▶ Consulted with PBB Board member staff on process and timeline issues
- ▶ Developed PBB guidelines and template
- ▶ Held meetings with Year 1 agencies, Office of Performance Through Excellence, and GBO to discuss the PBB process, guidelines and template
- ▶ Agencies asked to complete and submit PBB plan templates to the IFO by September 20

PBB Plan Templates

- ▶ Activities are the building blocks of performance-based budgets
- ▶ PBB plan templates collect data for fiscal years 2013-14 through 2018-19:
 - Actual expenditures
 - Filled complement (salary and wage)
 - Total population served and/or service levels achieved
 - Performance measures

Initial List of Agency Activities

▶ Criminal Justice

- 14 activities focusing on recidivism reduction, inmate management, community corrections, parole supervision and victim services

▶ PCCD

- 6 activities focusing on victim services, juvenile justice system, delinquency prevention, research and strategic policy development and school safety

▶ JCJC

- 3 activities focusing on support for juvenile court judges and juvenile probation departments, the Juvenile Justice System Enhancement Strategy, and data collection and analysis

Initial List of Agency Activities

▶ General Services

- 16 activities focusing on procurement, fleet management, surplus property, warehousing, construction, facilities and real estate management, risk management, police services, publications and mail

▶ Banking & Securities

- 5 activities focusing on depository institutions, non-depository institutions, securities, education and outreach

Comparison with Traditional Budget Process

Performance-Based Budget Plan

- ▶ The building blocks of the agency's budget are the agency activities.
- ▶ Covered fiscal years include five actual years, plus the current year (2018-19).

Traditional Agency Budget Request

- ▶ The building blocks of the agency's budget are the agency's line-item appropriations.
- ▶ Covered fiscal years include three actual years, the current year (2018-19), the budget year (2019-20), plus four planning years.

Comparison with Traditional Budget Process

Performance-Based Budget Plan

- ▶ Total funding associated with agency activities for completed fiscal years match actual expenditures during those fiscal years regardless of the fiscal year of appropriation. Waiver funds are accounted for in the year the expenditure is recorded.
- ▶ Filled complement data provided by activity for each fiscal year and are broken down by salary, permanent wage, and temporary wage.

Traditional Agency Budget Request

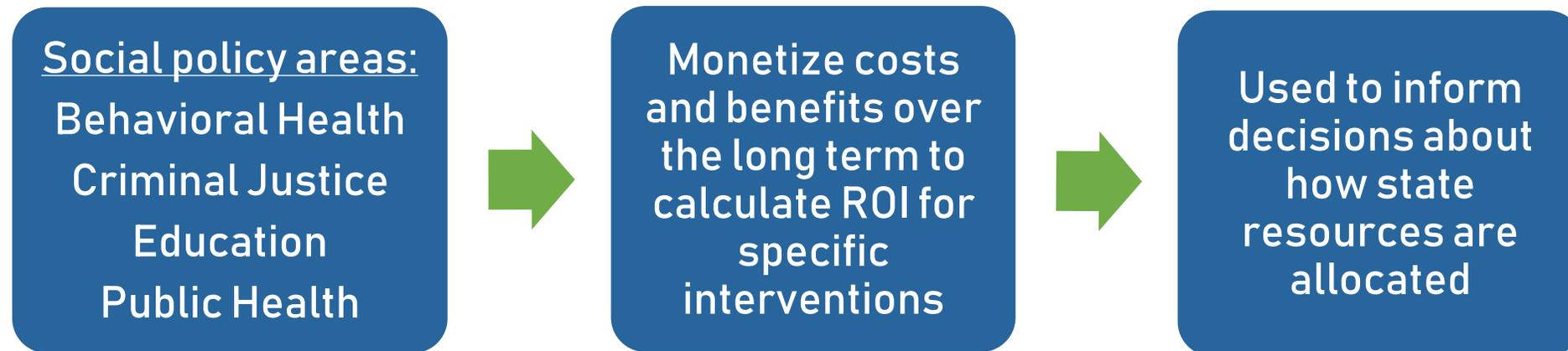
- ▶ Total funding associated with the actual years reflects enacted appropriation amounts adjusted by current year lapses. Waiver funds are accounted for in the year the expenditure is appropriated.
- ▶ Agency budget requests are based on authorized and filled complement levels by line-item appropriation. Wage complement is budgeted for separately.

Performance Measures

- ▶ IFO will work with agencies to evaluate and develop performance measures based on a review of current measures in Pennsylvania and other states, including:
 - Input measures
 - Output measures
 - Efficiency measures
 - Outcome measures
- ▶ National and state performance data will also be used to benchmark agency programs

Results First Model

Results First is a capacity-building initiative that provides tools and technical assistance to state and local governments to implement evidence-based policymaking



PCCD is partnering with Results First to evaluate a subset of grant-funded juvenile justice programs. The results of the PCCD pilot project will be incorporated in PCCD's PBB plan.

Next Steps

- ▶ **October to December 2018:**
 - Organizational meeting of the PBB Board scheduled on October 15.
 - IFO conducts follow-up meetings with agencies to discuss PBB data and performance measures.
 - Meetings with legislative staff to discuss key budget issues and performance measures for Year 1 agencies.
 - PCCD Results First report scheduled for release.
- ▶ **January 2019 to Early March:**
 - PBB plan submitted to PBB Board members for review and approval and published on IFO website.
 - PBB Board schedules and conducts public meetings to review and approve PBB plans for Year 1 agencies. Agency heads or designee participate in public meetings. Approved plans are published on IFO website.
 - Governor's 2019-20 Budget is submitted to General Assembly.
 - Budget hearings for 2019-20 begin.

PBB Plan Content

- ▶ Organized by agency, then by activity: 6 agencies, 44 activities.
- ▶ History of actual spending by activity (not budgeted amounts), actual filled complement (not authorized), calculated efficiency metrics, and activity outputs and outcomes measured.
- ▶ For each activity, analysis of trends and comparison with selected benchmarks from other states, industry standards, national and regional program reviews, audit reports.
- ▶ Recommendations for additional/alternative measures and continued development.

Implications for FY 2019-20

▶ PBB plan benefits:

- Provides an alternative view of the budget that links funding for specific activities to outcomes desired by policymakers and constituents.
- Facilitates the comparison of the effectiveness of various agency activities and the impact on outcomes and statewide objectives.
- Highlights factors within an agency's control (e.g., activities and outputs) versus those that are outside an agency's control (e.g., social-economic issues, weather) that impact high-level outcomes.

Implications for FY 2019-20

▶ PBB plan limitations:

- Does not provide information on the level of funding for agency activities in FY 2019-20.
- Does not indicate an optimum funding amount for each activity.
- Performance information is one of many factors that play a role in state budget decisions (e.g., revenue availability, court decisions, federal funding impacts, formula requirements, constituent pressures).

Presentation to be posted on the IFO website
<http://www.ifo.state.pa.us/>

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