HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
GENERAL GOVERNMENT APPROPRIATIONS
BILL RESEARCH & ECONOMIC IMPACT STATEMENT

BILL #: HB 4513

RELATING TO: State finances

SPONSOR(S): Representative Posey and others

COMPANION BILL(S): None

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:
(1) GOVERNMENTAL OPERATIONS YEAS 5 NAYS 0
(2) GENERAL GOVERNMENT APPROPRIATIONS YEAS 9 NAYS 0
(3)
(4)
(5)

I. SUMMARY:

This bill supplements Florida's Performance-based Program Budgeting initiative with an additional analytical tool for analysts and policy makers.

The Office of Program Policy Analysis and Government Accountability, which is charged by the Legislature to maintain an ongoing monitoring and evaluation of PB2 efforts, as well as assisting agencies in the development of programs and measures, has found some key problems related to the implementation of Performance-based Program Budgeting.

They include: inadequate and unreliable information, too few measures, and measures which are hard to interpret.

Clearly, performance data must be understandable to citizens. They have an interest, for example, in how much it costs to build each lane-mile of state road. Moreover, policy makers must be able to fully understand, and use performance related data to determine not only how well organizations are performing their functions, but if resources are being efficiently utilized. For example: Is it better to spend $50,000 per person in a vocational educational program, to teach someone how to be a diesel mechanic, or would it be better to allocate the same $50,000 to train 12 nurses aides?

Among the remedies recommended by the Office of Program Policy Analysis and Government Accountability to improve the ability of the Legislature to implement and use PB2 as a policy making tool, is the addition of unit cost based measures. As additional base measures, they provide additional data to determine if an organization is operating efficiently, and providing the most service per dollar of funding. Unit cost measures also provide another tool for policy makers to use when deciding whether or not resources could provide more desirable results as compared to other activities, particularly if resources are limited, and all desired activities cannot be funded.

This bill requires agencies to provide unit cost data in a summary of major service or product categories, for such purposes.

This bill provides for fiscal disincentives for a failure by agencies to submit such summaries, by directing the Legislature to reduce at least 10% from the agencies' budget allocation.

This bill has no direct fiscal impact on state or local governments other than the reduction of appropriations to state agencies for non-compliance.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

In an effort to increase accountability regarding how state agencies spend tax dollars, the Legislature passed Chapter 94-249, Laws of Florida. This law directs state agencies to prepare performance-based budgeting measures in consultation with the Governor's Office of Planning and Budgeting, staff from the appropriate legislative committees, and the Office of Program Policy Analysis and Government Accountability (OPPAGA).

State agencies are then required to submit performance-based program budgeting (PB2) requests, with performance measures and standards, to the Legislature for approval. The Legislature includes the approved measures and standards in the annual General Appropriations Act.

State agencies must report annually on their performance, relative to these standards, to the Governor and the Legislature in their Legislative Budget Requests. The Legislature considers this information in making funding decisions, and may award incentives or attach disincentives for program performance which exceeds or fails to meet the established standards.

Section 11.513, F.S, directs OPPAGA to complete a program evaluation and justification review of each state agency program that is operating under a PB2 mandate.

Florida's initiative is part of a national movement toward performance-based budgeting, but Florida's is among the most ambitious state efforts.

Gail C. Christopher, co-chair of the Alliance for Redesigning Government, is quoted in Issue Number 88-89 of The Public Innovator, as saying "What was once a grassroots, or locally motivated innovation in the late 1980s and early 1990s is now often authorized or mandated through federal or state legislation. The transformation in government is not limited to the United States. Governments all over the developed world are being reformed for greater accountability, efficiency, and effectiveness."

The federal Government Performance and Results Act (GPRA, or "the Results Act") was passed in 1993, requiring all federal agencies to submit five-year strategic plans. It began with pilot projects, but wasn't really given much legislative attention until 1997. Since then, there has been an enormous amount of attention directed to it. The Results Act grew to such importance that Vice President Gore spearheaded the production of the book, "Reaching Goals: Managing Government for Results", and that book has, in turn, further increased the momentum of federal accountability-in-government efforts.

Like the federal Results Act, Florida's PB2 initiative is making a dramatic difference in the way agencies and the Legislature view budgeting, and accountability.

As the state has gained more experience with the process of developing standards for outcomes, the Legislature is learning where the strengths and weaknesses in current approaches are. OPPAGA is charged by the Legislature to maintain an ongoing monitoring and evaluation of PB2 efforts, as well as assisting agencies in the development of programs and measures.

OPPAGA has become one of the Legislature's most valuable resources, providing important insights in the area of feasible methodologies with which to improve Florida's ability to use PB2 to maximize accountability, while maintaining the flexibility which is an integral part of PB2.

In OPPAGA's PB2 status report of April 1997, it noted that agencies' desire to maximize flexibility in using resources has tended to drive the way they define programs in their PB2 proposals. Thus, some departments have proposed to combine their activities into very large programs.

Under traditional line-item budgets, the Legislature appropriates funds for specific expenditure categories, such as salaries or expenses, within budget entities that describe major activities, such as statewide health programs, or student financial assistance. Agencies may transfer a limited amount of funds among budget entities, or they may transfer a limited amount of funds between different expenditure categories within the same budget entity.

Under PB2, agencies have more transfer flexibility within a program, but cannot transfer funds between programs. Because this can limit flexibility, some agencies identify large PB2 programs to maximize flexibility.

Large programs, however, pose an accountability problem because they often contain too many activities and goals to be meaningful. Ideally, PB2 programs should consist of a logical set of activities that are all directed toward a common purpose.

Other vexing implementation problems found by OPPAGA include: Inadequate measures, unreliable measures, too few measures, and measures which are hard to interpret.

Clearly, measures must be understandable to citizens. Perhaps even more importantly, policy makers must be able to fully understand, and use performance measures to determine not only how well organizations are performing their functions, but if resources are being efficiently utilized.

Among remedies offered to improve the ability of the Legislature to implement and use PB2 as a policy making tool, is the addition of unit cost based measures. As additional base measures, they provide additional data to determine if an organization is operating efficiently, and providing the most service per dollar of funding. Moreover, unit cost measures provide another tool for policy makers to use when deciding whether or not resources could provide more desirable results between activities, particularly if resources are limited, and all desired activities cannot be funded.

B. EFFECT OF PROPOSED CHANGES:

This bill is directed to the issue of unit cost measurements. It would require each state agency to submit with its final legislative budget or program budget request to the Legislature and the Governor, a summary of all moneys that were spent, or otherwise passed through the agency during the preceding fiscal year. Such summaries would be divided into major product or service categories, and expressed in terms of unit cost.

The totals of the amounts presented in the unit cost summary would have to equal the total amount of moneys spent, or otherwise passed through the agency.

The bill provides a negative incentive for agencies failing to comply with the submission of such summaries. If an agency fails to provide the summary along with their budget requests, the Legislature, in the next regular session following the submission of budget request, shall reduce the General Appropriation to non-complying agencies by at least 10 percent of the allocation which the agency had in the fiscal year preceding the fiscal year in which the budget submission is made.

The bill provides for an effective date of July 1 of the year in which enacted.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

Yes. Each agency would be required to express their previous fiscal year's moneys passed through, or spent by, the agency in unit cost terms.

(3) any entitlement to a government service or benefit?

No.

b. If an agency or program is eliminated or reduced:

Not applicable.

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

No.

b. Does the bill require or authorize an increase in any fees?

No.

c. Does the bill reduce total taxes, both rates and revenues?

No.

d. Does the bill reduce total fees, both rates and revenues?

No.

e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

No.

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

No.

4. Individual Freedom:

a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

No.

b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

No.

5. Family Empowerment:

a. If the bill purports to provide services to families or children:

Not applicable.

(1) Who evaluates the family's needs?

N/A

(2) Who makes the decisions?

N/A

(3) Are private alternatives permitted?

N/A

(4) Are families required to participate in a program?

N/A

(5) Are families penalized for not participating in a program?

N/A

b. Does the bill directly affect the legal rights and obligations between family members?

No.

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

Not applicable.

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

Creates an unnumbered section.

E. SECTION-BY-SECTION RESEARCH:

See EFFECT OF PROPOSED CHANGES section.

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

An agency's budget in a future year could be negatively impacted by failing to submit the required summary of agency moneys.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None, other than for chronic non-compliance with the requirement to submit the required summary.

4. Total Revenues and Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

   None.

2. Recurring Effects:

   None.

3. Long Run Effects Other Than Normal Growth:

   None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

   None.

2. Direct Private Sector Benefits:

   None.

3. Effects on Competition, Private Enterprise and Employment Markets:

   None.

D. FISCAL COMMENTS:

None.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds, or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that counties or municipalities have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VII. SIGNATURES:

COMMITTEE ON GOVERNMENTAL OPERATIONS:

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AS REVISED BY THE COMMITTEE ON GENERAL GOVERNMENT APPROPRIATIONS:

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