

STORAGE NAME: h1577.go

DATE: March 17, 2000

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
GOVERNMENTAL OPERATIONS
ANALYSIS**

BILL #: HB 1577

RELATING TO: Agency Planning

SPONSOR(S): Representative Byrd

TIED BILL(S):

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) GOVERNMENTAL OPERATIONS
 - (2) GENERAL APPROPRIATIONS
 - (3)
 - (4)
 - (5)
-

I. SUMMARY:

This bill requires state agencies to develop and implement an annual long-range program plan, which shall establish the framework for resource allocation. Such plans shall describe how agency programs and services will be used to implement state policy. Performance goals shall be used to evaluate the impact or benefit of the service. This bill also requires state agencies to submit annual performance-based program budget requests, which shall include the amounts of money needed to provide authorized services. Such budget requests shall be consistent with the agency long-range program plan.

The effective date of this bill is upon becoming a law.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

The Government Performance and Accountability Act

In 1992 the voters of Florida adopted Revision 1 to the Florida Constitution (proposed by the Taxation and Budget Reform Commission), which created Section 19, Article III of the State Constitution. This section made significant changes to the state budgeting, planning and appropriations process. The revision provides that:

- general law shall prescribe the adoption of annual state budgetary and planning processes and require that detail reflecting the annualized costs of the state budget and reflecting the nonrecurring costs of the budget requests shall accompany state department and agency legislative budget requests, the governor's recommended budget, and appropriation bills;
- general law shall prescribe requirements for each department and agency of state government to submit a planning document and supporting budget request for review by the appropriations committees of both houses of the legislature;
- a quality management and accountability program shall be implemented by general law; and
- for purposes of the above provisions, the terms "department" and "agency" shall include the judicial branch.

The Florida Legislature enacted the Government Performance and Accountability Act in 1994 (Ch. 94-249, Laws of Florida) to improve government accountability by incorporating performance information into the state budgeting process. Under performance-based program budgeting, agencies and the Governor propose a budget that quantifies the anticipated results of state programs based on the amount of resources requested. The Legislature approves performance measures and performance levels, referred to as standards, for each program funded in the annual state budget. Agencies then track performance as a part of administering their programs. In their legislative budget request, agencies report their past performance and propose adjusted performance standards for the new budget year. This budget reform has been phased in over a seven-year period beginning in FY 1995-96.

For purposes of ch. 94-249, L.O.F., the judicial branch is excluded from the definition of "state agency." The judicial branch must submit its budget directly to the Legislature, with a copy to the Governor, as chief budget officer of the state.

Chapter 216, F.S., does not specify the role performance information will play in setting the annual budget. Clearly, performance information is but one consideration in determining an agency's annual appropriations that must be weighed with the demands for service from the state's growing population and the priorities of the Legislature. In addition, there are structural limitations as to the role performance information can play in the budget as well. Many believe that setting performance standards and performance monitoring are primarily management tools. One application of these tools by the Legislature is holding agencies accountable for performance.

Performance-Based Program Budgeting (PB2)

The Florida Legislature has taken a hard look at the budget process for state agencies and created a new system, performance-based program budgeting (PB2). The Legislature now links funding to agency products or services and results. This system not only identifies measures of these key agency outputs, but also specifies outcomes that describe the extent to which programs are accomplishing their goals. In addition to defining programs and performance measures, the Legislature sets performance targets that are referred to as standards in the annual budget. The Governor and agencies report annually on the performance of programs. PB2 can allow agency managers greater flexibility in using their resources when necessary; it also provides rewards for achievement or sanctions in case of failure. Florida has introduced the system in phases, and currently 22 of 38 scheduled entities are funded under PB2.

Key Players in the PB2 Process

State Agencies. Agencies are responsible for administering programs funded under PB2. Agency staff also monitor performance and report progress towards achieving program goals annually. Each year the agency submits a PB2 legislative budget request that includes specific performance measures and performance standards. Agency inspectors general are responsible for assessing the reliability and validity of performance data in the budget request and recommending improvements.

The Executive Office of the Governor. The Office of Planning and Budgeting (OPB) within the Executive Office of the Governor is responsible for state planning and budgeting. This office reviews agency requests for funding and prepares the Governor's Budget Recommendations to submit to the Legislature. These recommendations contain the proposed programs, measures, and standards the Governor's Office approves. OPB also maintains the PB2 programs, measures, and standards in the performance ledger.

The Legislature. The Legislature has final approval of agency programs, performance measures, and performance standards. Programs, measures, and standards are incorporated in the state's budget, referred to as the General Appropriations Act. The act also specifies the amount of funding and number of authorized staff positions for each agency program. Typically, substantive legislative committees approve proposed programs and measures, while appropriations committees approve funding levels and performance standards. The budget is passed each year by the Legislature and is signed into law by the Governor. The budget is in effect for one year, beginning July 1 and ending June 30 of the following year.

The Office of Program Policy Analysis and Government Accountability (OPPAGA). As agencies begin implementing PB2, OPPAGA is consulting with agencies when they develop proposed PB2 programs, providing agencies feedback as they develop performance measures and standards, advising the Governor's Office and Legislature about proposed PB2 programs, measures, and standards, and conducting program evaluation and justification reviews.

PB2 Process

Prior to September 1 of the year preceding the fiscal year in which a state agency is scheduled to submit a performance-based program budget request, each state agency submits a list of proposed state agency programs and measures to OPB, s. 216.0166 (1), F.S.

OPB reviews agency programs and measures and, after discussion with appropriations committees, substantive committees, and OPPAGA, approves or disapproves them within 60 days of receipt. The Legislature has final approval of agency performance measures and standards, s. 216.0166 (1), F.S.

Agencies submit performance-based program budget requests on a staggered schedule, s. 216.0172, F.S.

OPB and the appropriations committees of the Legislature are to jointly develop legislative budget instructions for preparation of legislative budget requests. These instructions must be transmitted to agencies no later than June 15 of each year, s. 216.0235(3), F.S.

Agencies' final legislative budget requests are due September 1 of each year and are to include baseline data for the present year and projected performance, given the level of funding requested, s. 216.0235(1), F.S.

Prior to July 1 of the year in which the agency begins operating under a performance-based program budget, the agency's inspector general, internal auditor, or other designated entity shall develop a plan for monitoring the agency's major programs to ensure performance data are maintained and supported by agency records, s. 11.513(2), F.S.

OPPAGA is to conduct a comprehensive program evaluation and justification review of the agency during the second year the program is operating under PB2. The review is to make recommendations for program improvement and is due to the Legislature by the end of the second year, s. 11.513, F.S.

C. EFFECT OF PROPOSED CHANGES:

This bill requires state agencies to develop and implement an annual long-range program plan, which shall establish the framework for resource allocation. Such plans shall describe how agency programs and services will be used to implement state policy. Performance goals shall be used to evaluate the impact or benefit of the service. This bill also requires state agencies to submit annual performance-based program budget requests, which shall include the amounts of money needed to provide authorized services. Such budget requests shall be consistent with the agency long-range program plan.

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D. SECTION-BY-SECTION ANALYSIS:

This section need be completed only in the discretion of the Committee.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

N/A

2. Expenditures:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

N/A

D. FISCAL COMMENTS:

N/A

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

A. APPLICABILITY OF THE MANDATES PROVISION:

The bill does not require a city or county to expend funds or to take any action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

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

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

The bill does not reduce the percentage of a state tax shared with counties or cities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON GOVERNMENTAL OPERATIONS:

Prepared by:

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