



Performance-Based Budgeting

Performance-based budgeting is designed to deliver a variety of data to lawmakers to guide them through the budgeting process and help them steer scarce government resources to the most effective programs. This process can also help officials develop strategic plans for various agencies and establish top-line goals for state government while providing a methodology to track progress. Done well, performance-based budgeting can direct state funds to programs based on comprehensive research and can measure expected-versus-actual results. Done poorly, it can serve as justification to cut programs based on arbitrary performance measures.

Broadly speaking the goals of performance-based budgeting are to:

- Create a variety of metrics – including efficiency metrics and program/outcome metrics – to evaluate the efficacy and cost-effectiveness of government programs;
- Use metrics to set quantitative goals and measure the success of government programs to help officials determine spending priorities;
- Develop benchmarks for comparisons between programs and with similar programs in other jurisdictions, and;
- Provide data to determine best practices and areas for improvement.

Pennsylvania already collects 686 individual performance measures across 32 distinct subject areas. However, while the Office of the Budget collects these data for use by the governor in developing the Executive Budget, they arguably aren't fully utilized in the budgeting process.

The Independent Fiscal Office's September 2016 study on performance budgeting in Pennsylvania examined the current use of performance measures in the budgeting process, examined the implementation of performance-based budgeting in other states, and made recommendations about the expansion of performance-based budgeting in the commonwealth.

Among other things, the IFO concluded that while Pennsylvania has been successful in developing and tracking a number of performance measures, they are not fully considered in the budgeting process.

Performance-Based Budgeting Legislation

HB 410 PN 417 (Warner) – SB 181 PN 161 (Mensch)

- Establish the Performance-Based Budget Board
 - Budget Secretary
 - Majority and Minority Senate Appropriations Chairs
 - Majority and Minority House Appropriations Chairs
- Require the Independent Fiscal Office to prepare performance-based budget plans and to conduct performance-based budget reviews at least once every five years or upon adoption of a concurrent resolution by the General Assembly
- Performance-based budget plans would be developed by the IFO with information provided by individual agencies
- The governor and the legislature will not be required to consider the IFO's suggested performance-based budget plans during the annual budget process

HB 410 PN 1046 [as amended in State Government Committee]

- Establishes the Performance-Based Budget Board (Board)
 - The board will consist of:
 - The Director of the IFO
 - Majority and Minority Senate Appropriations Chairs
 - Majority and Minority House Appropriations Chairs
- The board will be required to produce a schedule of performance-based budget reviews for all commonwealth agencies, ensuring that each agency will be subject to such review at least once every five years
- To comply with performance-based budget reviews, agencies must provide the following to the board:
 - Detailed descriptions of all agency appropriations
 - Descriptive data and performance metrics for all appropriations and programs
 - Agency mission statement, including goals and objectives for current and future budget years
 - Other information as required by the IFO
- Performance Hearings
 - Requires each standing committee to conduct at least one performance hearing between February 1 and May 30
- Performance Audits
 - Requires the auditor general to conduct performance audits of one or more specific programs
 - Allocates no new resources for the auditor general to complete prescribed performance audits

HB 599 PN629 (Dunbar)

- Establishes the "Results First Project"
- Requires the IFO to, "...consult with a nationally recognized organization that specializes in, and has expertise with the scientific basis of, a cost-benefit analysis model."
 - While not explicitly stated, this is a reference to the Pew Charitable Trusts

Results First

“Results First” is a joint project of the Pew Charitable Trusts and the MacArthur Foundation and it is designed to develop and proliferate best practices for cost-benefit modeling in state policy making. States electing to join Results First – and are accepted into the program by Pew and MacArthur – will receive assistance to design and implement their own performance budgeting systems. The resources provided would include a proprietary cost-benefit modeling system and supplemental staff resources.

Results First is largely based on Results Washington, the performance-based budgeting system designed and implemented in Washington state, which requires all proposed programs be based on substantial research and detailed metrics to evaluate success. Performance measures are also used to develop high-level strategic plans across a number of specific goals. Finally, Washington includes sunset provisions with highly detailed performance reviews to determine the reauthorization of specific programs or entire agencies. Results Washington has bipartisan support and is considered a best-in-class model around the country. However, Results Washington operates with significant resources, including academic experts from state universities, and officials from all branches of government.

Fiscal Impact

- In its first year of full implementation, the IFO estimates performance-based budgeting responsibilities would require \$270,000 for the hiring of new staff. Costs would likely increase in out years.

House Appropriations Committee (D)

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