

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 35 Session of 2013

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AS REPORTED FROM COMMITTEE ON STATE GOVERNMENT, HOUSE OF REPRESENTATIVES, AS AMENDED, FEBRUARY 4, 2013

AN ACT

1 Providing for accountability in Commonwealth agency program
2 performance.

3 The General Assembly of the Commonwealth of Pennsylvania
4 hereby enacts as follows:

5 Section 1. Short title.

6 This act shall be known and may be cited as the Performance,
7 Accountability and Results Act.

8 Section 2. Legislative intent and purpose.

9 (a) Declaration.--The General Assembly finds and declares
10 that accountability in program performance is vital to effective
11 and efficient delivery of governmental services and to maintain
12 public confidence and trust in government. To maximize
13 accountability, a system of strategic planning, performance-
14 based budgeting and performance audits should be implemented to
15 measure the effectiveness and efficiency of governmental

1 services. It is of paramount public importance that this system
2 encourages full and candid participation throughout State
3 government. This system will generate information necessary for
4 the public to be informed fully and for the General Assembly to
5 make informed and meaningful decisions about the allocation of
6 resources in meeting vital needs.

7 (b) Purpose.--The purposes of this act are to do all of the
8 following:

9 (1) Begin to provide a new approach to the planning,
10 budgeting and accountability processes within State
11 government rather than an addition to existing procedures.

12 (2) Improve the confidence of Pennsylvania citizens and
13 taxpayers in the capability of the government, by
14 systematically holding Commonwealth agencies accountable for
15 achieving program results.

16 (3) Improve Commonwealth program effectiveness and
17 public accountability by promoting a new focus on results,
18 service quality and customer satisfaction.

19 (4) Help agency managers improve service delivery, by
20 requiring that they plan for meeting program objectives and
21 by providing them with information about program results and
22 service quality.

23 (5) Improve legislative decision making by providing
24 more objective information on achieving statutory objectives,
25 and on the relative effectiveness and efficiency of
26 Commonwealth programs and spending.

27 (6) Improve internal management of the Commonwealth
28 government.

29 Section 3. Definitions.

30 The following words and phrases when used in this act shall

1 have the meanings given to them in this section unless the
2 context clearly indicates otherwise:

3 "Administrative Code of 1929." The act of April 9, 1929
4 (P.L.177, No.175), known as The Administrative Code of 1929.

5 "Agency." A Commonwealth agency.

6 "Commonwealth agency." A department of the executive branch.

7 "Goal." A statement of result that is intended to be
8 achieved and which may be defined as either:

9 (1) A general goal, which is a general statement of
10 result that does not include a measurable target level of
11 performance or other objective indicator of success.

12 (2) A performance measure, which is a specific statement
13 of result that includes a measurable target level of
14 performance or other objective indicator of success.

15 "Independent Fiscal Office." The office established and
16 provided for in 71 Pa.C.S. Ch. 41 (relating to Independent
17 Fiscal Office).

18 "Outcome measure." A qualitative indicator of the results of
19 a program activity compared to its intended purpose and of the
20 public benefit derived from the program activity, often used as
21 a measure of effectiveness.

22 "Output measure." A quantitative indicator of goods or
23 services that an agency produces.

24 "Performance indicator." A particular value or
25 characteristic used to effectively measure program activity and
26 performance in a qualitative or quantitative manner. A
27 performance indicator shall be structured as an outcome measure
28 or output measure.

29 "Program activity." A specific activity or project as listed
30 in the annual budget of the Commonwealth.

1 "Program evaluation." An assessment, through objective
2 measurement and systemic analysis, of the manner and extent to
3 which programs achieve intended goals.

4 "Secretary." The Secretary of the Budget of the
5 Commonwealth.

6 "Performance target." The measurable level of activity,
7 output or outcome. When a performance indicator showing what
8 will be measured is combined with a numerical target showing how
9 much will be achieved, a measurable goal has been defined.

10 "Strategic plan." A plan developed under section 4.
11 Section 4. Strategic planning.

12 (a) Submittal.--In compliance with section 11 and not later
13 than September 30, 2014, the head of each agency shall submit to
14 the secretary and to the General Assembly a strategic plan for
15 program activities, delivering the services and achieving the
16 objectives required under the laws of this Commonwealth and any
17 Federal program in which the Commonwealth participates. The plan
18 shall include all of the following:

19 (1) The statutory and constitutional objectives of the
20 agency.

21 (2) A comprehensive mission statement covering the major
22 functions and operations of the agency.

23 (3) General goals and performance measures, including
24 outcome-related goals and measures, for the major functions
25 and operations of the agency.

26 (4) A hierarchy of outcome, output and program activity
27 goals and measures whereby the goals at the mid-level and
28 lower levels of the agency shall include the performance
29 indicators that define the outputs that support the agency
30 outcomes. This hierarchy shall clearly link each goal to the

1 next lower level goals in the hierarchy that support its
2 accomplishment.

3 (5) Descriptions of the strategies for how the goals are
4 to be achieved, including all of the following:

5 (i) The operational processes, skills and
6 technology, and the human, capital, information and other
7 resources required to meet those goals.

8 (ii) Any new initiative or program activity.

9 (iii) Any new approaches or methods to operational
10 processes that will be adopted or revised.

11 (iv) The means of avoiding unnecessary costs and
12 expenditures.

13 (v) The means of addressing any change in objectives
14 or services since the previous strategic plan.

15 (6) A description of any program evaluations used in
16 assessing the effectiveness of the programs in achieving
17 their goals, with a schedule for future program evaluations.

18 (b) Coverage.--The strategic plan shall do the following:

19 (1) Cover a period of not less than four years forward
20 from the fiscal year in which it is submitted and shall be
21 updated and revised at least every three years.

22 (2) Include a projection of the information enumerated
23 in subsection (a)(1), (2), (3), (4) and (5) for the tenth
24 year following the fiscal year in which it is submitted and
25 for the 20th year in which it is submitted.

26 (c) Consistency.--The performance budget required under
27 section 5 shall be consistent with the agency's strategic plan.
28 A performance budget may not be submitted for a fiscal year not
29 covered by a current strategic plan under this section.

30 (d) Governmental functions.--The functions and activities of

1 this section shall be considered to be inherently governmental
2 functions. The drafting of strategic plans under this act shall
3 be performed only by Commonwealth employees, while assistance in
4 guiding the development of the plan may be provided by an
5 outside source.

6 Section 5. Performance-based budgeting.

7 (a) Submittal.--In compliance with section 11 and beginning
8 with submissions in calendar year 2015 for fiscal year 2015-
9 2016, in addition to the budget implementation procedures
10 provided for in Article VI of the Administrative Code of 1929,
11 the secretary shall submit to the General Assembly and the
12 Independent Fiscal Office agency performance budgets as required
13 under this section. The submission of agency performance budgets
14 shall occur not later than January 1 of the calendar year in
15 which the fiscal year begins. Nothing in this section shall be
16 construed as limiting or reducing the budget implementation
17 procedures set forth under Article VI of the Administrative Code
18 of 1929.

19 (b) Agency performance budgets.--In carrying out the
20 provisions of this section, the secretary shall require each
21 agency to prepare an agency performance budget covering each
22 program activity set forth in the budget of the agency.

23 (c) Structure and contents.--Each agency performance budget
24 required to be submitted under this section shall include all of
25 the following:

26 (1) A hierarchy of outcome, output and activity goals
27 and measures whereby the goals at the mid-level and lower
28 levels of the agency define the activities and their outputs
29 that support the intended agency outcomes. The hierarchy
30 shall clearly link each goal to the next lower level goals in

1 the hierarchy that support its accomplishment.

2 (2) Planned outcomes expressed as either general goals
3 or outcome measures and planned outputs expressed as output
4 measures, which shall include a performance indicator for
5 each general goal and both a performance indicator and a
6 performance target for each outcome or output measure.

7 (3) The measures of activity, level of effort, output
8 and outcome generated or supported by each program activity.

9 (4) A per-unit form of each activity, level of effort
10 and the resulting output for each program activity.

11 (5) The cost of achieving the level of effort quantity
12 target for each program activity which is sufficient to
13 support the planned levels of output and outcome.

14 (6) The actual outputs and outcomes achieved for each
15 program activity in the agency and their actual costs,
16 showing past performance for the most recent year for which
17 results are available and planned performance for each
18 subsequent year.

19 (7) A recommended funding level for each program
20 activity within the agency necessary to achieve the planned
21 level of program output, which shall be not greater than the
22 funding level for the program activity for the immediately
23 preceding fiscal year, adjusted by one of the following
24 factors, whichever is less:

25 (i) The change in the Consumer Price Index for All
26 Urban Consumers from the immediately preceding fiscal
27 year, if expressed as a positive number.

28 (ii) The ~~change in the~~ rate of population growth in <--
29 this Commonwealth from the immediately preceding fiscal
30 year, if expressed as a positive number.

1 (8) Additional recommendations regarding the funding,
2 the performance, the feasibility and the sustainability of a
3 program activity that is not meeting the desired outputs or
4 outcomes.

5 (9) Summary descriptions of the strategies for how the
6 goals and output and outcome measures are to be achieved,
7 including all of the following:

8 (i) The major operational processes to be used, the
9 key skills and technology to be deployed and the human,
10 capital, information and other resources that will be
11 required to meet those goals.

12 (ii) Any new initiatives that will be undertaken or
13 activities that will be engaged in.

14 (iii) Any new approaches or methods that will be
15 adopted or revised.

16 (10) A description of the means to be used to verify and
17 validate the reported results for each measured value.

18 (d) Governmental functions.--The functions and activities of
19 this section shall be considered to be inherently governmental
20 functions. The drafting of performance budgets under this
21 section shall be performed only by Commonwealth employees, while
22 assistance in guiding the development of the performance budget
23 may be provided by an outside source with expertise in
24 performance-based budgeting.

25 Section 6. Independent Fiscal Office.

26 (a) Commonwealth performance budget.--

27 (1) The Independent Fiscal Office shall receive agency
28 performance budgets and performance reports submitted from
29 the head of each agency under sections 5(a) and 7(a) not
30 later than the respective deadlines established in sections

1 5(a) and 7(a).

2 (2) The Independent Fiscal Office shall utilize the
3 agency performance budgets and reports and the information
4 contained therein, in addition to State appropriation
5 information, to craft a Commonwealth performance budget that
6 includes each agency required to submit agency performance
7 budgets under section 5(a).

8 (3) The Commonwealth performance budget required under
9 this subsection shall be submitted to the Governor and to the
10 General Assembly by March 15, 2016, and each March 15
11 thereafter.

12 (4) To aid in its preparation of a performance budget,
13 the Independent Fiscal Office shall:

14 (i) Establish a performance-based budget division
15 staffed with persons knowledgeable and proficient in
16 performance-based budgeting, budget analysis and budget
17 preparation.

18 (ii) Gather testimony and other data from officers
19 and employees of each agency as deemed necessary to carry
20 out the provisions of this act.

21 (b) Performance-based budgeting.--The Commonwealth
22 performance budget shall include all of the following:

23 (1) A hierarchy of outcome, output and program activity
24 goals and measures whereby the goals at the mid-level and
25 lower levels of each agency define the activities and their
26 outputs that support the intended agency outcomes. The
27 hierarchy shall clearly link each goal to the next lower
28 level goals in the hierarchy that support its accomplishment.

29 (2) Planned outcomes expressed as either general goals
30 or performance measures and planned outputs expressed as

1 performance measures, which shall include a performance
2 indicator for each general goal, and both a performance
3 indicator and a performance target for each performance
4 measure.

5 (3) The measures of activity, level of effort, output
6 and outcome generated or supported by each program activity.

7 (4) A per-unit form of each activity, level of effort
8 and the resulting output for each program activity.

9 (5) The cost of achieving the level of effort quantity
10 target for each program activity which is sufficient to
11 support the planned levels of output and outcome.

12 (6) The actual outputs and outcomes achieved for each
13 program activity in each agency and their actual costs,
14 showing past performance for the most recent year for which
15 results are available and planned performance for each
16 subsequent year.

17 (7) The Independent Fiscal Office's recommendation
18 regarding the funding level for each program activity within
19 each agency necessary to achieve each performance target.

20 (8) Additional Independent Fiscal Office recommendations
21 regarding the funding, performance, feasibility and
22 sustainability of a program activity that is not meeting the
23 desired outputs or outcomes.

24 (9) If an agency did not meet one or more of the goals
25 of a program activity for the immediately preceding fiscal
26 year, one of the following:

27 (i) A recommended reduction in the funding for the
28 program activity calculated by applying a rate equal to
29 the percentage of goals of a program activity that were
30 missed in the immediately preceding fiscal year to the

1 funding level for the immediately preceding fiscal year
2 and subtracting the product from the funding level for
3 the immediately preceding fiscal year.

4 (ii) A recommended alteration of the program to
5 address the deficiency.

6 (iii) A recommendation that the program be
7 terminated.

8 (c) Auditor General assistance.--The Independent Fiscal
9 Office or the General Assembly, by concurrent resolution, may
10 request the Auditor General to conduct a performance audit of
11 any agency program or agency performance report. The Independent
12 Fiscal Office shall notify the Governor and the General Assembly
13 within five days of the request.

14 (d) Report.--Not before January 1, 2017, and not later than
15 March 1, 2017, the Independent Fiscal Office shall transmit a
16 report to the Governor and to the General Assembly on the status
17 of the implementation of this act. The report shall do all of
18 the following:

19 (1) Describe any difficulties encountered by the
20 agencies or the Independent Fiscal Office in preparing
21 performance budgets.

22 (2) Recommend whether any additional legislation
23 requiring performance budgets should be proposed and the
24 general provisions of any legislation.

25 (3) Set forth any recommended changes in the other
26 requirements of this act.

27 Section 7. Annual performance reports.

28 (a) Submittal.--By January 1, 2017, and each January 1
29 thereafter, the head of each agency shall prepare and submit to
30 the Governor and the Independent Fiscal Office a report on

1 program performance for the previous fiscal year.

2 (b) Goals and measures.--Each program performance report
3 shall set forth the goals and measures established in the agency
4 performance budget under section 5(c), along with the actual
5 program performance achieved compared with the goals and
6 performance measures expressed in the plan for that fiscal year.

7 (c) Contents.--The report submitted in calendar year 2017
8 shall include planned results for the current fiscal year, the
9 report submitted in calendar year 2018 shall include planned
10 results for the current and actual results for the preceding
11 fiscal year and the report submitted in calendar year 2019 and
12 all subsequent reports shall include actual results for the two
13 preceding fiscal years and planned results for the current
14 fiscal year.

15 (d) Requirements.--Each report shall do all of the
16 following:

17 (1) Review the success of achieving the performance
18 measures of the fiscal year.

19 (2) Evaluate the performance budget for the current
20 fiscal year relative to the performance achieved toward the
21 performance measures in the fiscal year covered by the
22 report.

23 (3) Explain and describe if a performance measure has
24 not been met. The explanation and description shall include
25 one of the following:

26 (i) why the measure was not met;

27 (ii) (A) the plans and schedules for achieving the
28 established performance measure; or

29 (B) if the performance measure is impractical or
30 infeasible, reasons why that is the case and what

1 action is recommended.

2 (4) Include the summary findings of the program
3 evaluations completed during the fiscal year covered by the
4 report.

5 (e) Financial statement.--An agency head may include all
6 program performance information required annually under this
7 section in an annual financial statement required under section
8 613 of the Administrative Code of 1929, if the statement is
9 submitted to the General Assembly no later than the date by
10 which the Governor submits copies of original agency budget
11 requests and all subsequent revised agency budget requests and a
12 State budget and program and financial plan under section 613 of
13 the Administrative Code of 1929 for the applicable fiscal year.

14 (f) Governmental functions.--The functions and activities of
15 this section shall be considered to be inherently governmental
16 functions. The drafting of program performance reports under
17 this section shall be performed only by Commonwealth employees.
18 Section 7.1. Progress reports.

19 Not later than March 1 of any year in which an agency submits
20 a performance report under section 7, the agency shall submit a
21 progress report for the first six months of the current fiscal
22 year, which includes goals and measures established in the
23 agency performance budget for the fiscal year under section 5(c)
24 and program performance achieved toward performance measures
25 during the six-month period.

26 Section 8. Auditor General.

27 (a) Authority.--In addition to the powers and duties
28 prescribed to the Auditor General under Article IV of the act of
29 April 9, 1929 (P.L.343, No.176), known as The Fiscal Code, the
30 Auditor General is vested with the authority to conduct

1 performance audits of any agency required to submit a
2 performance report under section 7.

3 (b) Request.--The Auditor General shall comply with any
4 request from the Independent Fiscal Office or the General
5 Assembly under section 6(c).

6 (c) Report.--The Auditor General shall report the results of
7 any performance audit to the Governor and the General Assembly
8 upon completion of the performance audit.

9 Section 9. Legislative oversight and legislation.

10 Nothing in this act shall be construed as limiting the
11 ability of the General Assembly to establish, amend, suspend or
12 annul a goal or performance indicator. Any such action shall
13 have the effect of superseding the goal or performance indicator
14 in the plan submitted under section 5(b).

15 Section 10. Training.

16 The Office of Administration shall, in consultation with the
17 secretary and the Auditor General, develop a strategic planning
18 and performance measurement training component for its
19 management training program and provide managers with an
20 orientation on the development and use of strategic planning and
21 program performance measurement.

22 Section 11. Pilot projects.

23 There shall be a pilot project in strategic planning under
24 section 4, and performance-based budgeting under section 5,
25 conducted by at least five agencies for fiscal year 2014-2015.

26 Section 12. Open records.

27 All records produced and maintained under this act shall be
28 subject to the act of February 14, 2008 (P.L.6, No.3), known as
29 the Right-to-Know Law.

30 Section 13. Annual budget to contain agency performance

1 budgets.

2 Beginning with budget submission in calendar year 2015 for
3 fiscal year 2015-2016, the agency performance budgets prepared
4 under section 5 shall be incorporated into the annual budget
5 submitted by the Governor under section 613 of the
6 Administrative Code of 1929.

7 Section 20. Effective date.

8 This act shall take effect as follows:

9 (1) Sections 6(a)(2), (3) and (4)(ii) and (c) and 8
10 shall take effect January 1, 2016.

11 (2) The remainder of this act shall take effect
12 immediately.