

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 532
 SPONSOR: Senator Posey
 SUBJECT: Outcome-Based Total Accountability Act
 DATE: March 11, 2001 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Rhea	Wilson	GO	Favorable
2.	_____	_____	AGG	_____
3.	_____	_____	AP	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This bill creates the “Outcome-Based Total Accountability Act.” It modifies s. 216.023, F.S., by requiring legislative budget requests to contain unit costs for major activities for each program.

Each budget entity defined in the General Appropriations Act will be required by the bill to submit a one-page summary of information related to itself, any subordinate entities, and its contracting entities. The summary must include, the:

1. Budget for each entity;
2. Total revenue each entity receives or has pass through it;
3. Line-item listings of major activities along with total amounts spent for each major activity and unit costs for each activity; and,
4. The total amount of reversions or actual pass-throughs without unit-cost data.

This bill does not appear to have a fiscal impact on state or local governments.

This bill amends s. 216.023, Florida Statutes.

II. Present Situation:

In 1994, the Florida Legislature established a systematic process to bring agency budgets under performance-based program budgeting (PB²). Section 216.011(1)(hh), F.S., defines PB² to mean a “. . . budget that incorporates approved programs and performance measures.” A “program” is a “. . . set of activities undertaken in accordance with a plan of action organized to realize

identifiable goals and objectives based on legislative authorization.”¹ Under PB², input, output,² and outcome³ measures for each approved program are identified in order to provide information on the effectiveness of the program’s performance in accomplishing its mission. A “performance measure” is a “. . . quantitative or qualitative indicator used to assess state agency performance.”⁴

Section 216.013, F.S., requires a state agency to develop a long-range program plan, which is defined as

. . . a plan developed on an annual basis by each state agency that is policy based, priority driven, accountable, and developed through careful examination and justification of all programs and their associated costs. Each plan is developed by examining the needs of agency customers and clients and proposing programs and associated costs to address those needs based on state priorities as established by law, the agency mission, and legislative authorization. The plan provides the framework and context for preparing the legislative budget request and includes performance indicators for evaluating the impact of programs and agency performance.⁵

A long-range program plan provides a framework for the development of an agency budget request. The long-range program plan identifies agency programs and addresses how these agency programs will be used to implement state policy and achieve state goals; identifies and describes agency functions and how they will be used to achieve designated outcomes; identifies demand, output, total costs, and unit costs for each function; provides information regarding performance measurement, including but not limited to, how data is collected; the methodology used to measure a performance indicator; the validity and reliability of a measure, the appropriateness of a measure; and whether the agency inspector general has assessed the reliability and validity of agency performance measures. Each long-range program plan is submitted to the Executive Office of the Governor (EOG) for review. Any differences between the agency’s plan and the EOG review are addressed.

Section 216.023, F.S., also requires the EOG and the appropriations committees to develop legislative budget instructions from which each agency is to prepare its legislative budget request. The legislative budget request includes for each program under the agency’s jurisdiction:

1. The constitutional or statutory authority for a program, a brief purpose statement, and approved program components;
2. Information on expenditures for 3 fiscal years (actual prior-year expenditures, current-year estimated expenditures, and agency budget requested expenditures for the next fiscal year) by appropriation category;
3. Details on trust funds and fees;
4. The total number of positions (authorized, fixed, or requested);

¹Section 216.011(1)(jj), F.S.

²Section 216.011(1)(ff), F.S., defines “output” as the actual service or product delivered by a state agency.

³Section 216.011(1)(ee), F.S., defines “outcome” as an indicator of the actual impact or public benefit of a program.

⁴Section 216.011(1)(ii), F.S.

⁵Section 216.011(1)(z), F.S.

5. An issue narrative describing and justifying changes in amounts and positions requested for current and proposed programs for the next fiscal year;
6. Information resource requests;
7. Legislatively approved output and outcome performance measures and any proposed revisions to measures;
8. Proposed performance standards for each performance measure and justification for the standards and the sources of data to be used for measurement;
9. Prior-year performance data on approved performance measures and an explanation of deviation from expected performance; and,
10. Unit costs for approved output measures.

The legislative budget request is reviewed by the EOG and is eventually submitted for review to the Legislature.

Under s. 11.513, F.S., each state agency is subject to a program evaluation and justification review by the Office of Program Policy Analysis and Government Accountability (OPPAGA). The program evaluation must be conducted on all major programs within the state agency and must address: (1) the identifiable costs of each program; (2) the specific purposes of each program, as well as the specific public benefit it produces; (3) the progress toward achieving the outputs and outcomes associated with each program; (4) an explanation of circumstances contributing to the state agency's ability to achieve, not achieve, or exceed its projected outputs and outcomes; and (5) any alternative course of action that would result in a more efficient or effective program.

The justification review performed by OPPAGA is submitted to the President of the Senate, the Speaker of the House, the chairpersons of the appropriate substantive committees, the chairpersons of the appropriations committees, the Legislative Auditing Committee, the Governor, the head of the reviewed state agency, and the head of any other state agency that is affected by the findings.

OPPAGA releases "PB² Commentary" reports as part of its role in PB². OPPAGA issued Report No. 98-45 in FY 1998-99, titled "Performance-Based Budgeting Has Produced Benefits But Its Usefulness Can Be Improved." The report noted additional ways for the Legislature to enhance the usefulness of PB², including the development of ". . . unit cost information for key outcomes." According to the report, unit costs help policymakers identify the resources needed to produce outputs. As a result, the Legislature can better assess the relative efficiency of program operations and better determine the relationship between changes in the costs of program services and the specific outcomes of the services.

Unit costs can be calculated as direct costs, which are costs directly related to the provision of program services. They can also be calculated as full costs, which take into account both the direct costs as well as the indirect costs of particular services. According to OPPAGA, agencies should monitor both direct and indirect costs to improve management and policy determinations.

Chapter 99-377, L.O.F., amended s. 186.022(8), F.S., to require state agencies to include a one-page summary along with the required annual performance report. All expenditures and estimates of such expenditures must be divided by program and expressed in line items by unit

costs for each output measure approved pursuant to s. 216.0166(3), F.S., for those agencies and programs operating under performance-based program budgeting and for major services and products for those agencies and programs operating under traditional line-item budgeting. Unit-cost totals must equal the total amount of moneys that were expended or projected to be expended by each agency and must include expenditures or projected expenditures of state funds by subordinate governmental entities and contractors, as applicable.

Chapter 99-377, L.O.F., also amended s. 216.0235(3), F.S., regarding the budget instructions for program measures that the EOG is required to submit. Budget instructions must also include instructions for agencies in submitting the assessment of performance measures and the unit cost information required to be included in the agency annual performance report under s. 186.022(8), F.S. Additionally, the EOG, in cooperation with OPPAGA, the Auditor General, the Department of Banking and Finance, and the legislative appropriations committee develops instructions for the agencies as to the calculation of the unit-cost information and the format and presentation of information included in s. 186.022(8), F.S.

There was a significant restructuring of ch. 216, F.S., during the 2000 legislative session with the passage of HB 2377, which became ch. 2000-371, L.O.F. There are three new procedures presented in ch. 2000-371, L.O.F.:

1. The establishment of a Legislative Budgeting Commission;
2. The establishment of zero-based budgeting principles for reviewing agency budgets; and,
3. The establishment of a community budget request process that allows local governments and non-profit organizations the opportunity to submit requests for state funding.

Section 216.023(4)(j), F.S., was amended, requiring unit costs for approved output measures pursuant to s. 186.022, F.S. There is no expansion on the requirement of reporting unit costs for approved output measures in the 2000 legislation.

In January 2001, OPPAGA released a report titled "Florida's Unit Cost Initiative Shows Promise, But Needs Development" in its "PB² Commentary" series. This report discusses the necessity of unit costs. "Unit costs facilitate reasoning because it is often easier to gauge appropriateness of the cost of one item than it is for the lot." The report suggests that the methods in which agencies report their unit costs must improve due to three reasons. First, not all agencies are reporting similar costs in a similar manner. Second, in some programs, problems with the manner in which the outputs have been defined is limiting the accuracy and usefulness of the unit costs. Third, agencies cannot easily use existing information from the accounting system or personnel system to develop good unit costs.

III. Effect of Proposed Changes:

The bill amends s. 216.023, F.S., to require each legislative budget request by a state agency to contain for each program unit costs for major activities for budget entities.

Legislative intent for use of unit-cost data is stated, as well. This data is expected to be used not only as a budgeting tool, but as a policymaking and accountability tool.

Under the bill, each budget entity must submit a one-page summary of information relating to itself, any subordinate entities, and contracting entities. This summary must include the budget for each entity; the total amount of revenue received by that entity or which passed through that entity; and line-item listings of major activities. The total amount spent for each major activity and unit costs for each activity must also be stated. The summary also must include a statement of the total amount of reversions or actual pass-throughs without unit-cost data.

The act takes effect July 1, 2001.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

Indeterminate. Provision of a one-page summary should result in minimal costs.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
