

Department of Planning and Budget

2003 Fiscal Impact Statement

(Revised)

1. **Bill Number** HB2097

House of Origin ☐ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☒ Enrolled

2. **Patron** McQuigg

3. **Committee** Passed both houses

4. **Title** Administration of government; long -term planning; Roadmap for Virginia

5. **Summary/Purpose:**

Establishes long -term, results based planning for state government through the implementation of the "Roadmap for Virginia's Future" process that includes: (i) developing a set of guiding principles that are reflective of public sentiment and relevant to critical decision-making, (ii) establishing a long -term vision for the Commonwealth, (iii) conducting a situation analysis of core state service categories, (iv) setting long -term objectives for state services, (v) aligning state services to the long -term objectives, (vi) instituting a planning and performance management system consisting of strategic planning, performance measurement, program evaluation, and performance budgeting, and (vii) performing plan adjustments based on public input and evaluation of the results of the Roadmap. The bill also establishes the Council on Virginia's Future to advise the Governor and the General Assembly on the implementation of the Roadmap for Virginia's Future process and repeals the Performance Management Advisory Committee.

In addition, the bill establishes the Government Performance and Results Act which requires each state agency to develop a strategic plan and provides for the Governor to submit, with the Budget Bill, strategic plan information and performance-measurement results for each agency and for the Appropriations Committee of the House of Delegates and the Finance Committee of the Senate to include agency strategic plan information and performance measurement results when considering the budget. The strategic plans would be phased in over a period of three years beginning July 1, 2003.

Under both the House and Senate substitutes, the bill has a sunset date of July 1, 2008.

The Senate substitute increases the membership of the Council to 19, adds the Governor, the Speaker of the House and the President pro tempore of the Senate as members, and designates the Governor as chairman of the Council.

The enrolled bill mirrors the Senate substitute with the following exceptions: (i) the membership of the Council is changed to 18 by changing the number of nonlegislative members appointed by the Governor from six to five and (ii) removing the requirement that one of the nonlegislative members appointed by the Governor be from a list of three persons appointed by the Joint Rules Committee.

6. **Fiscal Impact Estimates:** See No. 8 below.

7. Budget amendment necessary:

Yes. For DPB to provide staff support for the Council, and to establish appropriations for the Council, which would be a new agency. Both the House and Senate substitutes authorize the employment of an Executive Director for the Council, which would be an additional cost, if implemented.

8. Fiscal implications:

The bill will have a direct fiscal impact in two areas:

- Council on Virginia's Future
- Department of Planning and Budget

In addition, there will be indirect costs on state agencies and institutions of higher education.

Council on Virginia's Future

The proposal establishes the Council and requires the Council to meet at least four times per year. Under the enrolled bill, the Council consists of 18 members, 10 of which are members of the legislative branch or civilians appointed by the legislative branch. Under the enrolled bill, the cost for the four meetings is estimated to be at least \$10,840. This estimate assumes four one-day meetings. However, some of the duties of the Council could be more time-consuming and require additional meetings that are not included in this estimate. Two examples of the proposed duties that could be time-consuming are the requirements to complete a situational analysis on all core service areas of state government and to monitor implementation of the performance-management system across state government. Thus, the estimates of the Council's costs are conservative. By way of comparison, the budget for the Commonwealth Competition Council, a Council with 15 members, is \$28,000 excluding the full-time staff. In the case of the Council on Virginia's Future, full-time staffing will be provided by DPB.

Annual Cost Estimate (four one-day meetings of the Council)

Travel	\$2,340	Assumes an average of 100 miles per person at 32.5 cents and 4 meetings
Expenses	\$1,900	Lunch at \$25 for 4 meetings
Compensation	\$2,600	Assumes 13 members at \$50 per day for 4 meetings. No compensation for cabinet members.
Room rental	\$4,000	Estimate of rental space for four public meetings
Total	\$10,840	

If an Executive Director of the Council is employed, as authorized in the enrolled bill, that will be an additional cost.

Department of Planning and Budget (DPB)

As part of its budget reduction plans, DPB's position level will be reduced by 10 FTEs in FY 2004. It is anticipated that three layoffs will occur. In order to effectively execute its responsibilities under this legislation, it is anticipated that DPB would require two additional staff and funding as indicated below:

Salaries and benefits	\$140,500	Assume two additional FTEs with a base salary of \$53,278 (mid-band 5)
Website development	\$15,000	Additional costs incurred by the Virginia Information Technology Agency for the enhancement and operation of a website for the dissemination of information (one-time cost)
Printing and postage	\$15,000	For the expansion of the Budget Bill and the annual printing of the Council's scorecard and executive summary
Travel	\$260	Assumes an average of 100 miles per person at 32.5 cents and four meetings
Total DPB costs	\$170,760	

State Agencies .

The enrolled bill retains most of the details with regard to agency strategic planning. It does, however, phase in the planning over a three-year period.

In order to more accurately assess the fiscal impact of the bill, DPB surveyed 15 agencies. Of the 15 agencies surveyed, 10, or two-thirds, indicated that the proposal would have a direct fiscal impact on their agencies. These fiscal impacts ranged from hiring part-time staff in order to supplement existing staff to adding additional full-time positions. One agency mentioned that due to budget reductions it had laid off a staff person used for strategic planning and would need to replace this individual.

Based on the survey, there will be additional requirements placed on agencies, which will result in some inherent costs. The surveyed agencies reported an average cost ranging from a low of \$93,000 per agency to a high of \$126,000 per agency. The more complex the agency, the more likely there was a fiscal impact. (In its impact statement for the introduced bill, DPB estimated an average cost of \$8,500 per agency.) Thus, it is obvious that there will be inherent costs for some agencies which could be significant.

Therealquestionishowmuchofsuchcostswillbebornebytheagenciesasopportunitycostsin whichtheyredirectstaff timeandresourcesfromotheractivitiestomeettherequirementsofthe billversusactualbudgetarycostsinwhichadditionalfundingisprovided.Giventhecurrent budgetarysituation,DPBbelievesthatitisunlikelythatagencieswillreceivemuch, ifany, additionaldirectappropriationsforthispurpose.Therefore,DPBassumes thatmostofthe inherentcostswillcomeintheformofopportunitycoststotheagencies.However,insome agencies,stafftimeandresourcesredirectedtostrategicplanningwillcomefromotherpriority serviceactivities suchashealthcaretotheindigentorlawenforcementactivities,etc.Therefore, itisverylikelythatinthefuture requestswillbemade foradditionaldollarsandstaffinthese priorityactivitiestobackfillstaffredirectedtostrategicplanning.

Inthefinalanalysis,itishardtodeterminethefiscalbudgetaryimpacttostateagenciesbutthe evidencesuggeststhattherewillbecosts,regardless ofwhethertheyarefundedinthe current budget.

9. Specificagencyorpoliticalsubdivisionsaffected:

Allstateagencies.

10. Technicalamendmentnecessary:

Page3,line159,strikethe word“a”preceding“situation”,tocorrectgrammaticalerror.

Page6,line271,movetheletter“B.”toline272,preceding“Strategic”,tocorrecta typographicalerror .

Also seereference inOtherComments below inregardtotheeffectivedateofthebill.

11. Othercomments:

TheCouncilisestablishedasanadvisorycouncilwithintheexecutivebranchofstate government.Undertheenrolledbill,tentoftheeighteenmembersarelegislativemembers, withtheremainingeightappointedbytheGovernor.Anexecutiveagency,theDepartment ofPlanningandBudget,istoprovidestaffsupporttotheCouncil. Threelegislative agencies:JointLegislativeReviewandAuditCommission,andthestaffsoftheHouse AppropriationsandSenateFinanceCommitteesaretoprovideadditionalassistanceas needed.

TheproposedbillwillbeeffectiveJuly1,2003.Agencies aredevelopstrategicplansovera three-yearperiodbeginningJuly1,2003, andendingJuly1,2006,withone-thirdofstate agenciessodosoeachyear.AgenciesaretoprovideannualstrategicplansbyDecember1to theCouncilontheVirginia’sFuture.TheDecember1datewouldbetoolateforthe strategicplanstohaveimpactonExecutiveBudgetdevelopment,sincetheGovernor’s budgetrecommendationsaredueonDecember20ofeachyear.

TheproposedbillrequirestheCounciltosubmit,beginningonNovember1,2004,and annuallythereafter,abalancedaccountabilityscorecardtotheGeneralAssemblyandthe Governor.Itisunclearhowthefirstscorecardwillbeabletoaddressstatewideissueswitha reviewofallagencystrategicplans.The billalsolacksadefinitionof“balanced accountabilityscorecard.”

Section 2.2- 5510 requires each agency to post its strategic plan on the Internet. It is unclear if the public posting of the plan is before final budget decisions are made and submitted in the Governor's budget on December 20. Also, the budget decision process and subsequent General Assembly action could impact, alter, or change the agency's proposed strategic plan.

Date: 3/3/03jbc

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cc: Secretary of Finance