



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR

RANDY ALBRIGHT
SECRETARY
GOVERNOR'S OFFICE OF THE BUDGET

April 24, 2017

The Honorable Seth Grove
House of Representatives
Room 7, East Wing
Harrisburg, PA 17120

Dear Representative Grove:

Thank you for your letter dated January 24, 2017 requesting further information on the Governor's Executive Budget and the finances of the commonwealth. In the interest of transparency and openness, the administration has made every effort to provide the citizens of commonwealth and all members of the General Assembly, but especially those serving on the Appropriations Committees in either chamber, with an abundance of information regarding the finances of the commonwealth. As such, the information you have requested has already been provided to you or is publicly available, as detailed below.

1. Program Performance

- a. Please provide the Key Performance Indicators (KPI) your agency used to determine each increase or decrease of each line item. Please provide an overview of how your agency's KPI were used to determine funding levels.
- b. Please provide a list of programs which have met their KPI last fiscal year.
- c. Please provide a list of programs which have not met their KPI at least once for the past two fiscal years.
- d. Please provide a list of programs that do not use KPI to determine funding levels.
- e. What are the primary cost drivers of your agency's budget?

Agency metrics (KPIs) are located throughout the Governor's Executive Budget and at <https://www.performanceplan.state.pa.us/Dashboard2014-15/Performance%20Manager%20Dashboard.html>. Additionally, agency performance plans are also available on that website. Cost drivers by agency are found throughout the Governor's Executive Budget, while commonwealth-wide cost drivers by category are detailed on page 4 of the Governor's Budget-in-Brief.

2. New Programs/Initiatives

- a. Please provide a cost-benefit analysis for each new or expanded program or initiative.
- b. Please provide the KPI used to warrant the expansion of the program.
- c. Please provide the KPI used to warrant a new program.

Any initiatives requested by agencies are detailed in the budget request materials previously provided to you as a member of the Appropriations Committee. Additionally, the program

recommendations section in each Department Presentation of the Governor's Executive Budget also provide detail on any initiatives proposed for the 2017-18 fiscal year.

3. Agency Line Item Review

- a. **Please provide an overview of your agency's line items which have increased above the previous year.**

A comprehensive tracking run for the Governor's proposed budget is available on the Office of the Budget website at

<http://www.budget.pa.gov/PublicationsAndReports/CommonwealthBudget/Documents/2017-18%20Proposed%20Budget/2017-18%20Web%20Tracking%20Run.pdf>.

Additionally, detail on each appropriation is available in the Business Planning and Consolidation (BPC) module in the commonwealth's accounting system, SAP, which the staff of the Appropriation Committee have access to. Finally, detail by department is also located in the Governor's Executive Budget and in the materials previously provided to you as a member of the Appropriations Committee.

- b. **Please detail the specific reasons the costs associated with the line items are increasing, i.e. the specific policy, statute, court case, federal mandate, contract, contract amendment or internal agency decision that is driving those cost increases.**

Detail for each appropriation by department is located in each Department Presentation within the Governor's Executive Budget. Additionally, this information is detailed in the budget request materials provided to you as a member of the Appropriations Committee.

- c. **Please provide recommendations to mitigate each cost increase.**

The Governor's Executive Budget detailed \$2.1 billion in budget cuts and savings.

\$767 million for Prioritizing Agency Expenditures and Cost Efficiencies:

- \$98.5 million in broad administrative savings and efficiencies
- \$47.5 million (\$63 million in all funds) in increased fees revenue from providing a more equitable system to fund local police coverage
- \$556 million in savings through managing down DHS costs
- \$8 million in increased revenues to the Oil and Gas Lease Fund available to offset General Fund DCNR expenditures
- \$50 million in savings by reforming the pupil transportation funding formula to capture efficiencies
- \$7 million in increased L&I inspection fees to better align with market rates

\$493 million for Prudent Fiscal Management includes:

- \$38 million for prudent debt management
- \$110 million for bond funding discretionary grants
- \$200 million reduction in debt service through the monetization of the Farm Show Complex
- \$145 million in prior year lapses

\$314 million for Revenue Enhancements includes:

- \$95 million increase in revenues from increasing the minimum wage to \$12/hour
- \$54 million increase in revenues from revenue maximization efforts
- \$165 million from the Workers Compensation Security Fund Loan

\$171 million for Eliminating and Reducing Programs Outside the Commonwealth's Core Mission includes:

- \$65 million reduction in program supports, including \$30.1 million for PennVet
- \$106 million in tax credit and exemption changes

\$143 million for Complement Controls

\$104 million for Consolidation and Coordination includes:

- \$94 million from the Department of Health and Human Services
- \$10 million from the Department of Criminal Justice

\$104 million for Facility Closures, Lease Management and Facility Downsizing includes:

- \$94 million from facility closures and lease management
- \$10 million from downsizing and sale of property

- d. Please provide a list of expenditures for each of the agency's line items of the past three months of the past two fiscal years.**

All department expenditures by appropriation are recorded in SAP in the Funds Management Balances report.

- e. Please provide a detailed overview on the past two fiscal years on the historical levels of each line item as of June 30, including the appropriated amount, expended funds and the disposition of unspent appropriations as of June 30 per line item.**

All department expenditures by appropriation are recorded in SAP in the Funds Management Balances report.

- f. Please provide your agency's full financial reconciliation of appropriations from the 2015-16 fiscal year and 2016-17 fiscal year including the disposition of Act 146 waivers and committed funds.**

All department expenditures by appropriation are recorded in SAP in the Funds Management Balances report.

- g. Over the past two fiscal years and for this fiscal year, please provide a comprehensive list of your agency's use of the ledger 5/non-budgeted ledger and include reasons for the use of ledger 5/non-budgeted ledger. This list should also specify line items/programs which were charged against ledger 5/non-budgeted ledger and how your agency reconciled those expenditures for each year requested.**

All department expenditures by appropriation are recorded in SAP in the Funds Management Balances report. Additionally, all non-budgeted expenditures by month are detailed in Status of Appropriations reports on the Office of the Budget website at <http://www.budget.pa.gov/PublicationsAndReports/StatusofAppropriations/Pages/default.aspx>.

- h. Please provide a monthly cash flow chart for each line item for the past two fiscal years.**

All department expenditures by appropriation are recorded in SAP in the Funds Management Balances report. Additionally, all expenditures by month are detailed in Status of Appropriations reports on the Office of the Budget website at <http://www.budget.pa.gov/PublicationsAndReports/StatusofAppropriations/Pages/default.aspx>.

- i. **Please provide an overview of your estimated balances for each account under your agency's jurisdiction for June 30, 2017 and financial documentation backing up the overview.**

All department expenditures by appropriation are recorded in SAP in the Funds Management Balances report. Additionally, all expenditures by month are detailed in Status of Appropriations reports on the Office of the Budget website at <http://www.budget.pa.gov/PublicationsAndReports/StatusofAppropriations/Pages/default.aspx>.

- j. **Please provide a list of purchases, costs of purchases, and reason for purchases for the last three months of each of the past two fiscal years.**

All department expenditures by appropriation are recorded in SAP in the Funds Management Balances report. Additionally, Grants and Contracts are detailed in the budget materials you received as a member of the Appropriations Committee.

4. GO TIME

- a. **Please provide a list of all GO TIME savings over the past two fiscal years and what specific line items were associated with these savings.**

GO-TIME savings are detailed on the Office of the Budget website at http://www.budget.pa.gov/Documents/GO-TIME_web_final_v.2.pdf. Descriptions of the projects are located at http://www.budget.pa.gov/Documents/GO-TIME_descriptions_web_v.2.pdf. Additionally, the savings assumed in the budget for these projects are detailed by department in the program recommendation sections of each Department Presentation throughout the Governor's Executive Budget.

- b. **If the savings were expended by the agency, please provide how they were expended and specific line items they were used for.**

GO-TIME savings are detailed on the Office of the Budget website at http://www.budget.pa.gov/Documents/GO-TIME_web_final_v.2.pdf. Descriptions of the projects are located at http://www.budget.pa.gov/Documents/GO-TIME_descriptions_web_v.2.pdf. Additionally, the savings assumed in the budget for these projects are detailed by department in the program recommendation sections of each Department Presentation throughout the Governor's Executive Budget.

5. Federal Funds

- a. **Please provide an overview of federal funds used by your agency including but not limited to any and all state matching funds.**
- b. **Please provide the total expenditure of federal funds and state matching funds over the past two fiscal years.**
- c. **Please provide federal requirements attached to each of the federal funds.**
- d. **Please provide the costs associated to comply with the federal requirements.**
- e. **Please provide recommendations how your agency can provide the same services we use federal funds for but at a lower cost to the state.**

Request for Approval of Federal Funds (RAFFs) detailing the estimated receipt and expenditure of federal funds and required state match are included for each department in the materials provided to the Appropriations Committee. Additionally, expenditure detail for all federal funds is found in SAP in the Funds Balances Management report.

6. Contract & Contract Amendments (Non Personnel)

- a. **Please provide an overview of contracts and contract amendments your agency has approved over the past two fiscal years.**
- b. **This overview should include what line items are associated with the contracts and contract amendments, and any cost increase or decrease resulting from each contract or contract amendment.**

Detail of all contracts and grants is included for each department in the budget hearing materials provided to you as a member of the Appropriations Committee. Additionally, expenditure detail for all contracts is found in SAP in the Funds Balances Management report.

7. Lapsed Funds (including Encumbrances and Committed Funds)

- a. **Please provide potential Act 146 waivers your agency will apply for including specific amounts, line items the funding comes from along with financial verification for the why the waiver is needed.**

Act 146 waiver letters will be sent at the end of the fiscal year. At this time, the amount that will be waived is not finalized.

- b. **Please provide a detailed overview of the disposition of all the Act 146 waivers your agency has requested for the past two fiscal years including financial documentation for the need of those waivers.**

All department expenditures by appropriation are available in SAP in the Funds Management Balances report. Additionally, all expenditures by month are detailed in Status of Appropriations reports on the Office of the Budget website at

<http://www.budget.pa.gov/PublicationsAndReports/StatusofAppropriations/Pages/default.aspx>.

- c. **Please provide a detailed report on your agency's projected encumbrances, including specific line items along with financial documentation for the need of the encumbrances.**

All planned department expenditures by appropriation are recorded in SAP in the BPC module and the Funds Balances Management report. Additionally, detail of all planned expenditures is included for each department in the budget hearing materials provided to you as a member of the Appropriations Committee.

- d. **What funds does your department anticipate will exceed this fiscal year? Please provide reasons why, documentation to verify, and line items associated with the expenditure.**

All department expenditures by appropriation are available in SAP in the Funds Management Balances report. Additionally, all expenditures by month are detailed in Status of Appropriations reports on the Office of the Budget website at

<http://www.budget.pa.gov/PublicationsAndReports/StatusofAppropriations/Pages/default.aspx>.

Finally, the Governor's Executive Budget detailed the need for a limited number of supplementals for the 2016-17 fiscal year. The House Republican budget funded these requests.

- e. **As of June 30, 2016, please provide an overview of unspent dollars, by account, your agency controls including the year of the initial appropriation, why there are still appropriated funds in the account, and balance of each account.**

All department expenditures by appropriation are recorded in SAP in the Funds Management Balances report. Additionally, all expenditures by month are detailed in Status of Appropriations reports on the Office of the Budget website at <http://www.budget.pa.gov/PublicationsAndReports/StatusofAppropriations/Pages/default.aspx>.

8. Regulations

- a. Please provide a detailed overview of regulations your agency will be pursuing over the remainder of this fiscal year and the following fiscal year.
- b. Please provide the statutory authority your agency is using for each regulation.
- c. Please include what line items the regulations will be funded through, cost to state government for the implementation of the regulations and economic impact to Pennsylvania.
- d. Please provide a detailed overview of regulations your agency has promulgated over the past two fiscal years including the cost increase or decrease of the regulations and what line items those regulations were funded through.
- e. Please provide the KPI your agency has on whether or not these regulations are meeting their policy objectives.

Please see the attached spreadsheets addressing these questions.

9. Augmentations

- a. Please provide a detailed overview of your agency's augmented funds for the past two fiscal years included in this overview where your agency received the augmented funds how your agency spent their augmented funds.

Augmentations are always budgeted to be expended before appropriated funds. Historic information of each augmentation is available in the Governor's Executive Budget in each Department Presentation in the Summary by Fund and Appropriation and within the Fund Balances Management report in SAP.

- b. What potential augmentations is your agency currently attempting to implement to increase state revenues? Please detail any costs of implementation, estimates of revenue generation, and KPI.

Proposed augmentations are detailed in the Governor's Executive Budget in each Department Presentation within the Summary by Fund and Appropriation.

10. Fines/Settlements/Litigation

- a. Please provide an overview of fines and settlements collected by your agency for the past two fiscal years how those proceeds were spent, including specific line items.

Fines and other related revenues that are received by agencies as augmentations to their operations are detailed in the Governor's Executive Budget in each Department Presentation within the Summary by Fund and Appropriation and within the Fund Balances Management report in SAP. Fines and other related revenues that are deposited directly into the General Fund are provided on page C1-12 of the Governor's Executive Budget. Further detail is provided beginning on page C1-19 through C1-28. Six years of historical data can be found on page C1-29.

- b. Please provide an overview of ongoing litigation your agency is involved in and status of the litigation including potential costs or awards from the litigation.

Should any litigation result in an award to the commonwealth, the Appropriation Committees would have access to this information on SAP. All costs related to litigation are found in the Funds Management Balances report in SAP.

11. Information Technology (IT) Modernization/Contracts

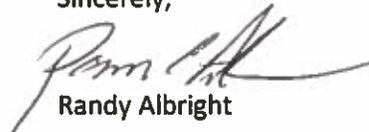
- a. **Please provide an overview of your agency's IT modernization efforts including total cost to date, estimated potential costs and estimated time of completion.**
- b. **Please provide the KPI on all your current IT modernization contracts.**
- c. **Please provide documentation of why your agency is seeking to upgrade its IT services and when the last IT upgrade occurred.**
- d. **What precautions is your agency taking to ensure IT contracts are not exceeding their initial projected costs? Please provide documentation to verify your IT contracts are not exceeding their original costs.**
- e. **What efforts has your agency taken to consolidate your IT services and potential cost savings due to consolidation?**

As detailed in the Governor's Executive Budget, the commonwealth has begun a complete redesign of the process and delivery of Information Technology (IT) to agencies under the Governor's jurisdiction. Specifically, all IT services currently provided in each agency will be combined into six delivery hubs. These hubs will provide services to their "customer agencies" but will be managed by OA-OIT. This change will allow greater coordination of and control over procurement while ensuring that all resources are being fully and appropriately utilized.

Detail of contracts and grants is included for each department in the budget request materials provided to you as a member of the Appropriations Committee. Additionally, expenditure detail for all contracts is found in SAP in the Funds Management Balances report.

Should you have additional questions after review of this information, please feel free to contact me. I look forward to working with you and Chairman Saylor on the timely enacted of a budget for the 2017-18 fiscal year.

Sincerely,



Randy Albright

cc: Rep. Stan Saylor
Will Danowski
Sarah Galbally
Mike Brunelle
Brenda Warburton
Anne Baloga
The Cabinet