

June 1998

PERFORMANCE BUDGETING INFORMATION

This memorandum includes a summary of information presented at a performance budgeting conference entitled *Managing for Results - Decisionmaking in the Age of Accountability*. Key points made at the conference include:

1. Performance-based budgeting provides a report card on agency performance.
2. Performance-based budgeting is changing and evolving.
3. Performance-based budgeting is only one of many tools used in decisionmaking.
4. Performance-based budgeting must be supported by all those involved--agencies, Governor, and the Legislative Assembly--in order to be successful.
5. Performance information must be useful to agencies, the Governor, the Legislative Assembly, and the public.
6. Limit the number of measures to those of most importance and those that are pertinent to decisionmaking.
7. The federal government is becoming more involved and is beginning to require states to provide performance information relating to federal funds received.
8. Adequate training is necessary for those involved in performance budgeting, including agency personnel, the Governor, and legislators.

Lessons that have been learned since performance-based budgeting began include:

1. The purpose of performance budgeting is not simply to measure but to improve agency services.
2. A number of states have focused on developing statewide goals. Many agencies in these states have experienced difficulty in linking their indicators to the statewide goals.

3. Funding will drive agency actions before performance measures.
4. A number of states have published their measures before readers of the information know how to use it.
5. Most measures are not being used in decisionmaking.
6. Decisionmakers lack information indicating whether the funding provided for a specific activity is appropriate for the services provided.
7. Most performance budgeting systems contain rewards and penalty clauses which are not being administered.
8. Rewards and penalty clauses may result in more inaccurate reporting by agencies if the agencies believe poorer measures will result in punishment.
9. Measures should not be used that the agency has no control over.
10. Measures may be counterproductive.
11. Some measures result in useless data.

Suggestions made to improve performance budgeting systems include:

1. Limit measures to only the most important.
2. Link measures to the budget more directly.
3. Develop baseline data and benchmarks for comparison purposes when evaluating data reported.
4. Help improve agency programs with poor performance; do not punish the programs.
5. Measures need to be meaningful to all those involved, including agencies, the Governor, legislators, and the public.
6. Adequate training needs to be provided for all involved.
7. The accuracy of measures needs to be reviewed on an ongoing basis.