

PERFORMANCE MEASUREMENT PROCESS

A Report Prepared for the
Legislative Finance Committee

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INTRODUCTION

The purpose of this report is to provide the Performance Measurement Subcommittee (subcommittee) with information on the performance measurement process over the last two biennia and to provide decision points for the subcommittee to determine the process for the current interim.

State agency goals define what a state agency is trying to accomplish for Montana's citizens over the current biennium or the next several biennia. The legislature provides the financial resources for state agencies to accomplish these goals. Objectives, referred to as performance measures by the Legislative Finance Committee (LFC), are the segments of the goals which show how the agency will accomplish its goals. Objectives should be specific, time-bound, and measurable to articulate the who, when, and how of the agency's plans for accomplishing its goals.

STATUTORY REQUIREMENTS

In Montana, budgetary statutes require:

- State agencies to include a balanced financial plan including a statement of the agency mission and the goals and objectives for each program of the agency in the budget submitted to the legislature
- Goals and objectives to have sufficient specific and quantifiable information to enable the legislature to formulate appropriation policy
- Goals and objectives that allow a determination, at a future date, on whether the agency has succeeded in attaining its goals and objectives.

Goals and objectives requirements are included in statute, in part, to provide the legislature information to make public policy decisions affecting the economy and efficiency of state agencies. Performance measurement information followed over a number of biennia can allow the legislature to determine which programs are functioning well, which may require statutory changes, where funding should or could be increased or reduced, which new pilot projects show promise for expansion or, in a recessionary period, which programs could be reduced or eliminated. The statutes allow the state legislature to fulfill one of its fundamental responsibilities to oversee governmental operations and to ensure public services are delivered to the state's citizens in an effective and efficient manner.

Data on ongoing program goals and related performance is used by other state legislatures around the country to allocate scarce resources. According to *Governing, July 2009, Performance Rules, Managing for results is make a bigger difference during this downturn,*

“People say that performance measures are more important than ever ... this economic malaise is so profound that a growing number of states, cities and counties are newly appreciative of the value results-based performance measures can offer. Simple fixes utilizing across-the-board cuts and a bunch of accounting gimmicks are just not enough - nor were they ever the most efficient way to balance a budget. Instead, legislatures and city councils are seeking dramatic tactical cuts and shifts in spending that can be defended to the public and the constituency for that spending.”

LFC INITIATIVES ON PERFORMANCE MEASUREMENT

Prior to the LFC implementation of the performance measurement process, the LFC reviewed areas related to state agency performance and program implementation only if concerns were noted by LFD analysts as part of review of the agency's budget or if LFC members expressed an interest in a specific area. The majority of new proposals and ongoing programs and their related base budgets were not examined or discussed, limiting legislators and the public's exposure to information on the performance of the majority of state agency programs and the use of billions of taxpayer dollars.

The LFC undertook the development of a performance measurement process as part of an effort to determine that the financial resources provided to state agencies are being used in the most effective and efficient manner, and to allow prioritization of limited budget resources. Projects undertaken during the 2007 biennium included:

- A pilot project on performance measurement reporting – managerial information on a 2 page form
- Evaluation process for new initiatives – justification, goals, performance criteria, project outcomes, staffing requirements, challenges, risks, funding, and milestones
- Standardized format for information presentations to appropriations subcommittees – including goals and measurable objectives for programs

During the 2009 biennium the LFC continued and expanded the performance measurement process. At the October 2007 LFC meeting, goals for 29 state agencies were selected for legislative review through a collaborative process involving state agency personal, Office of Budget and Program Planning (OBPP) staff, and Legislative Fiscal Division (LFD) analysts. LFC members were assigned to five workgroups corresponding to the Joint Appropriation Subcommittees state agency assignments. Progress toward meeting the goals was reported to the workgroups during LFC meetings. State agencies reported on a total of 165 performance measurements using a highly summarized two page reporting format for high level managerial information. Determinations of programs being on track to attain performance measurements, progress reports required, or no further review required were made by the legislative committees throughout the interim.

Through October 2008 the bipartisan legislative workgroups determined:

- 81 or 49 percent of the initial performance goals required no further review
- 23 or 14 percent needed further progress reports
- 61 or 37 percent were on track to achieve performance measurements but were not yet able to report on final progress, in most cases because the measurements would not be achieved until June 2009

2009 LEGISLATURE USAGE OF PERFORMANCE MEASUREMENT INFORMATION

The statutory duties of the Legislative Fiscal Division include the investigation and study of the possibilities of effecting economy and efficiency in state government. Included in the key LFD findings of the 2011 Biennium Executive Budget was that the performance indicators submitted by the executive to provide a means for evaluating value and ultimate success of budget proposals for the 2011 budget predominately were not measurable and thus didn't provide valuable information for prioritization or measurement of progress and identification of corrective action on challenges.

Specific program goals and measurable objectives or performance measurements for program budgets were examined to various degrees in the Joint Appropriation Subcommittees making recommendations to the legislature and the LFC on the \$10.7 billion total state spending budgeted in the 2011 biennium. For example:

- The Joint Appropriation Subcommittee on the Department of Public Health and Human Services (DPHHS subcommittee) required each program to provide information on the 2009 biennium goals and objectives tracked by the LFC and the 2011 biennium goals and objectives including specific performance measurements for each objective. The DPHHS subcommittee voted on specific goals and objectives for each of the programs within DPHHS it recommended the LFC follow during the 2011 interim. However, the goals and performance measures were not used as part of the decision process for allocating \$3.189 billion to the DPHHS budget.
- The Joint Appropriation Subcommittee on Education did not require specific presentations from state agencies on goals and objectives for their programs. The subcommittee chose a single goal to recommend the LFC review related to curriculum specialists for the Office of Public Instruction. Goals and related performance measures for the Board of Public Education, School for the Deaf and Blind, Montana Arts Council, Montana Library Commission, Montana Historical Society, or the Montana University System were not recommended nor were they used as a basis for making budget decisions

- The Joint Appropriations Subcommittee on General Government had extensive discussions on goals and performance measurements but did not, in most cases, carry forward the discussions into recommendations to the legislature or the LFC
- The House Appropriations Committee and the Senate Finance and Claims Committee did not have discussions on goals or performance measurements as part of their deliberations of the state's budget.
- Goals were not a part of the floor discussions on the budget in either the House or the Senate during the 2009 Legislative Session.

However, the legislature passed two resolutions recommending that the Postsecondary Education Policy and Budget Subcommittee process to develop shared policy goals and accountability measures with the Montana University System be expanded to include the K-12 education system and the kindergarten through graduate school system. These resolutions came from the House and Senate Education Committees. Recommending this process to the Education and Local Government Interim Committee seems to indicate continuing legislative interest in performance measurements as part of the budgetary process beyond that of the Legislative Finance Committee.

DECISION POINTS FOR THE PERFORMANCE MEASUREMENT SUBCOMMITTEE

There are 3 primary questions to examine when determining how to move forward with performance measurement process in the 2011 biennium.

- 1) Was the process used by the LFC during the 2009 biennium valuable?
- 2) Was the Joint Appropriation Subcommittees use of the performance measurement information appropriate as part of the legislative budget process and did the process allow for the legislature as a whole to examine the measurements as part of its budget deliberations?
- 3) If not, how can the performance measurement process be enhanced to assist the legislature with monitoring programs and allocating budgetary resources to the various state agency programs?

Decision Point #1 – Determining the Process Format

A process to review performance measurement reports in state agencies was developed in the 2009 interim. The process included bipartisan workgroups consisting of two members of the LFC, in most cases those assigned to the Joint Appropriation Subcommittee for the section during the legislative session. A 2-page reporting form was used to determine if the agency was on track, needed further progress reports, or did not require additional review. The LFC and state agencies spent a considerable amount of time and effort in the development and review of the performance measurement process during the 2009 interim. However, performance measurements and goals were not used consistently by budgetary subcommittees and were not used as part the budgetary decisions made by House Appropriations, Senate Finance and Claims or as part of the floor discussion by the 2009 Legislature.

Decision

- Develop additional tools and uniform processes to be used by the 2011 Legislature to utilize performance goals and measurements in budget decisions including Joint Appropriations Subcommittees, House Appropriations and Senate Finance and Claims Committees, and the House and Senate budget hearings; and
- Use the workgroup process developed during the 2009 interim for review of performance measurements during the 2011 interim including the 2 page reporting form and previously agreed upon determinations on agency progress; or
- Develop an alternative review process for performance measurements of various state agencies during the 2011 biennium

Decision Point #2 – Determining Which Goals to Follow During the 2011 Interim

1) Joint Appropriation Subcommittees reviewed program goals and measurable objectives as part of the appropriation process and recommended the LFC review these as part of its work during the 2011 interim. Each subcommittee used a different process, in some cases state agencies did not have performance goals recommended for review. A complete listing of the performance goals is attached in Appendix B.

Decision

- Review only those performance goals recommended by the Joint Appropriation Subcommittee, or
- Expand the performance goals to include additional state agencies which do not currently have recommendations for review

2) The 2009 LFC had 84 performance goals which it determined needed further review or were on track but had not yet achieved their related performance measurements, in most cases because the achievement date was June 2009. See Appendix A for the list of these performance goals.

Decision

- Request state agencies report on the 84 performance goals remaining from the 2009 LFC project, or
- Eliminate the 84 performance goals from the 2011 reporting process