PERFORMANCE-BASED BUDGETING IN THE SLC STATES

Thursday, June 25, 2 p.m. EDT
Presented by CSG South/SLC
Performance-Based Budgeting
INVESTING IN PROGRAMS THAT WORK

June 25, 2015
The Policy Challenge

• Though policymakers want to make strategic choices, the traditional budget process provides limited information to inform choices.

• There is renewed interest in performance budgeting (PB) to more strategically target funds.

• Most states incorporate some PB elements in their budgets, but this varies greatly.

• There are advantages and challenges in using PB.
Traditional Budgeting

• Typically allocates funds by organizational units and line items
  – Salaries, travel, expenses, etc.

• Budget development starts with last year’s allocations (base budget); focuses on reconciling it with current year funding
  – Often relies on across-the-board actions when cuts are needed
## Chemical Industry Safety Agency

<table>
<thead>
<tr>
<th>Categories</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$68,500,000.00</td>
</tr>
<tr>
<td>Benefits</td>
<td>$31,500,000.00</td>
</tr>
<tr>
<td>Expenses</td>
<td>$10,670,000.00</td>
</tr>
<tr>
<td>Travel</td>
<td>$5,000,000.00</td>
</tr>
<tr>
<td>Supplies</td>
<td>$5,000,000.00</td>
</tr>
<tr>
<td>Utilities</td>
<td>$8,000,000.00</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$128,670,000.00</td>
</tr>
</tbody>
</table>
Traditional Budgeting

**Strengths**

- Controls how agencies can spend $
- Allows ready comparisons across years
- Focuses on key budget drivers (caseload, COLAs, etc.)
- Promotes operational stability
- Limits scope of debate

**Challenges**

- Built-in inertia - assumes current funding should continue
- Provides little information on programs
- Not helpful in targeting funding based on performance
What is Performance Budgeting?

- A system that incorporates performance information in the budget development process
- Often linked to performance management & strategic planning systems
- Focuses attention on what is being accomplished with appropriated funds
Key PB Elements

- Agencies report performance data with budget request
  - Input, output, effectiveness, and outcome measures
- May specify performance goals
- Agencies may have more flexibility in using funds
- Legislature can consider performance in budget decisions
A way to allocate funds that focuses on goals, not organizational units.

Specifies objectives to be achieved with allocated resources.

Typically contains measures to show progress.

### Performance Budget

<table>
<thead>
<tr>
<th>Agency</th>
<th>Chemical Industry Safety Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013 Budget</td>
<td>$128,670,000</td>
</tr>
<tr>
<td>2013 Goal</td>
<td>Reduce the number of serious accidents in the toxic chemical industry by 6 percent from the 2010 level</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Performance Budget Agency Outcome Goal</th>
<th>2011 Planned</th>
<th>2011 Actual</th>
<th>2012 Planned</th>
<th>2013 Planned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage reduction in serious accidents from 2010 baseline in toxic chemical industry</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Performance Goals</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Achieve a reduction of 7% in the number of serious accidents in the <strong>manufacturing</strong> of toxic chemicals from the 2010 baseline</td>
<td>$52,400,000</td>
</tr>
<tr>
<td>2. Reduce the number of serious accidents in the <strong>transportation</strong> of toxic chemical by 3% from the 2010 baseline</td>
<td>42,260,000</td>
</tr>
<tr>
<td>3. Achieve a reduction of 9% from the 2010 baseline in the number of serious accidents in toxic chemicals <strong>storage</strong> facilities</td>
<td>34,010,000</td>
</tr>
<tr>
<td>Total</td>
<td><strong>$128,670,000</strong></td>
</tr>
</tbody>
</table>
Performance Budgeting

**Strengths**

- Provides more information on base budget
- Easier to identify and question need for programs
- Focuses attention on evidence & outcomes
- Can identify performance problems needing action
- Can give agencies more flexibility to manage

**Challenges**

- Requires ongoing leadership commitment
- Can take years for robust systems to develop
- Can be threatening to agencies & providers
- Performance measures must be vetted to avoid gaming
- Solution to performance problems isn’t automatic
Gary VanLandingham, DIRECTOR

gvanlandingham@pewtrusts.org

www.pewstates.org/ResultsFirst
Revitalizing Performance Budgeting in Mississippi

Representative Greg Snowden, Speaker Pro Tempore

June 25, 2015
Mississippi’s Performance Budgeting History

- 1994: Mississippi Performance Budget and Strategic Planning Act signed into law

- Major provisions of Act:
  - **Program-based performance targets** included in agency appropriation bills
  - Agencies required to annually submit **five-year strategic plans** to Legislative Budget Office (LBO) and Department of Finance and Administration (DFA) for review
  - **Reports evaluating agency performance** to be made to the Joint Legislative Budget Committee
Implementation Issues

- **Weak performance measures and targets:**
  - Focus on outputs: # of activities done, rather than
  - Focus on outcomes: results achieved

- **Superficial 5-year strategic plans:**
  - Comply with “letter of the law,” rather than
  - Driving agency performance

- **Lack of analysis of performance data and strategic plans:**
  - Strategic plans collected in filing cabinets
  - Performance data relegated to:
    - an addendum to LBO’s Budget Report, rather than
    - an integral component of appropriation decisions
It’s a new day

- 2013: Mississippi begins performance budgeting revitalization efforts, because of:
  - Increasing fiscal and political pressure to make state government operate more efficiently and effectively
  - Improved technology and software allowing for the collection and rapid analysis of large datasets
  - The availability of a new and powerful analytic framework for making budgetary and policy decisions, the Pew–MacArthur Results First Initiative
Key Components of Mississippi’s Performance Budgeting Revitalization Effort

- Development of a statewide strategic plan
- Creation of an inventory of state agency programs
- Implementation of the Pew–MacArthur Results First Initiative
Development of a Statewide Strategic Plan
Framework for Development of Mississippi’s Statewide Strategic Plan
Expected Benefits of Statewide Strategic Plan

- Direct state agency resources and efforts toward achieving statewide priority goals and benchmarks, focused on outcomes.
- Show whether performance on each priority benchmark is improving, maintaining, or worsening.
- Lead to development of appropriate responses to and reversals of long-term negative trends.
Public Release of Statewide Strategic Plan in July of 2014

- *Building a Better Mississippi: The Statewide Strategic Plan for Performance and Budgetary Success* contains:
  - A state government vision, mission, and philosophy
  - A statewide goal and benchmarks (328 total), for each of the following 8 policy areas:
    - Economic development
    - Education (K–12 Public Schools and Higher Education)
    - Public Safety and Order
    - Health
    - Human Services
    - Natural Resources
    - Infrastructure
    - Government and Citizens
Development of an Inventory of State Agency Programs
H.B. 677 (2014 Regular Session) requires:

- A detailed inventory of state agency programs for use in the budgeting process, beginning with 4 pilot agencies: Departments of Corrections, Education, Health, and Transportation
- For each program in the inventory:
  - Classification by research basis (evidence-based, research-based, promising practice, other)
  - Identification of premise, goals, objectives, outputs, outcomes
  - Calculation of cost-benefit ratio
Expected Benefits of Comprehensive Program Inventory

- Ensure that all programs and activities of state government serve a clear public purpose
- Identify and address ineffective programs through:
  - Improvement, or
  - Elimination and redirection of resources to programs that do work as identified through evidence-based research
- Improve program efficiency by focusing on ways to reduce unit costs, including exploring opportunities for shared services across state agencies
Implementation of Pew–MacArthur Results First Initiative
Built upon an innovative cost-benefit analysis model that helps states to invest in policies and programs that are proven to work by identifying:

- Which programs are proven to work through evidence-based research and which do not
- The potential returns on investment of funding alternative programs
- Ineffective programs whose resources could be redirected to more effective programs
Mississippi first applied the Results First Model to adult corrections

Of the 19 intervention programs analyzed in the adult corrections model:
- 7 evidence-based programs had a projected positive return on investment
- 2 evidence-based programs had a projected negative return on investment
- 9 programs were operating without any recognized evidence base
- 1 program was operating with evidence that it is ineffective in reducing recidivism
<table>
<thead>
<tr>
<th>Program</th>
<th>Cost</th>
<th>Benefit</th>
<th>Benefits Minus Costs (Net Present Value)</th>
<th>Benefit to Cost Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Correctional Education in Prison</td>
<td>($829)</td>
<td>$13,051</td>
<td>$12,222</td>
<td>$15.74</td>
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<tr>
<td>Vocational Education in Prison</td>
<td>($1,258)</td>
<td>$12,467</td>
<td>$11,209</td>
<td>$9.91</td>
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<tr>
<td>Alcohol and Drug Treatment in Prison</td>
<td>($223)</td>
<td>$9,825</td>
<td>$9,602</td>
<td>$44.06</td>
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<tr>
<td>Work Release (vs. Incarceration)</td>
<td>$674</td>
<td>$4,621</td>
<td>$5,295</td>
<td>n/e</td>
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<tr>
<td>Correctional Industries in Prison</td>
<td>($3,613)</td>
<td>$4,657</td>
<td>$1,044</td>
<td>$1.29</td>
</tr>
<tr>
<td>Electronic Monitoring (vs. Incarceration)</td>
<td>$5,714</td>
<td>$1,535</td>
<td>$7,249</td>
<td>n/e</td>
</tr>
<tr>
<td>Mental Health Courts</td>
<td>($1,189)</td>
<td>$2,355</td>
<td>$1,166</td>
<td>$1.98</td>
</tr>
<tr>
<td>Domestic Violence Perpetrator Treatment Programs</td>
<td>($530)</td>
<td>($886)</td>
<td>($1,416)</td>
<td>($1.67)</td>
</tr>
<tr>
<td>Drug Courts</td>
<td>($6,905)</td>
<td>$2,622</td>
<td>($4,283)</td>
<td>$0.38</td>
</tr>
</tbody>
</table>
Programs With No Evidence Base or Evidence of Ineffectiveness

9 non-evidence based programs were being offered at MDOC:
- Earned Release Supervision
- Faith-based Programs
- Independent Study and Tutorial Programs
- Interstate Compact Program
- Non-adjudicated Probation
- Pre-Trial Diversion Program
- Religious Programs

1 program was being offered at MDOC with evidence that it is ineffective:
- Regimented Inmate Discipline Program
Early Impacts of Mississippi’s Performance Budgeting Revitalization Efforts
Early Impacts

$266 million in cost avoidance over a 10 year period projected to result from passage of H.B. 585 (2014 Regular Session)
  - comprehensive reform of the adult criminal justice system in line with evidence-based programs and policies

MDOC will redirect approximately $647,209 annually from its ineffective Regimented Inmate Discipline Program to an evidence-based alternative as a result of passage of H.B. 906 (2015 Regular Session)
During its 2015 Regular Session, the Legislature developed the “7 Elements of Quality Program Design” as a screen for new program funding requests. It requires agencies to explain in writing:

1. **Program Premise**: why the program is needed
2. **Needs Assessment**: extent of the problem
3. **Detailed Program Description**: service efforts and ROI
4. **Research and Evidence Filter**: evidence, research, best practice supporting the proposed program
5. **Implementation Plan**: start-up and ongoing requirements
6. **Fidelity Plan**: how the agency will ensure that an evidence-based program adheres to program design
7. **Measurement and Evaluation**: how success will be measured and proven
During its 2015 Session, the Legislature avoided approximately $1.5 million in new annual spending authority by denying agency requests to fund programs that failed to adequately address the 7 elements of quality program design.
Performance Management at the State Level
Performance Informed Budgeting

- Beginning with this year’s budget cycle, all agencies are aligning budgets to statewide programs.
- The statewide programs are then aligned to performance measures.
- By aligning budget to performance, dollars spent and progress made can be seen in the same place at the same time.
How the state performance framework was developed...

- A critical first step was developing statewide goals and priorities.
- Through collaboration between agencies and the Performance Division, 50 priority areas called statewide programs were defined under each statewide goal.
Priorities called “Statewide Programs” were developed...
A set of Performance Objectives was developed for each statewide program.

- In coordination with agencies, over 160 performance measures have been established.
- Each statewide program has a set of performance measures with targets called performance objectives.
- Performance objectives indicate the state’s current performance in that area and desired future progress.
- Each performance objective has contextual information, a data visualization, and a target.
Budget
BENEFITS

• Reduce duplication, data entry & manual processes
• Obtain detail vacancy savings
• Microsoft Office Integration
• Ability to attach documents
WHAT WILL CHANGE

• Systems to be replaced
• One single system for budget information
• Fees and federal funds information will be included
• Capital
• Position Budgeting
• New Chartfields
• Performance Informed Budgeting
Budget and Planning Timeline

- **June 2014**: User Acceptance Testing
- **September 2014**: Budget Request Work Sessions

**October 2014 - Going Forward**

- Work Sessions continue to support data clean up and in preparation for capital request entry

- **August 2014**: Budget Request Training
- **October 1, 2014**: FY-2016 Budget Request and Strategic Plan due in Hyperion

- **May 2015**: Budget Work Program Training

- **June 2015**: Budget Work Program Work Sessions

- **June/July 2015**: FY-2016 Budget Work Program submitted in Hyperion
Performance
STATEWIDE PERFORMANCE

- Transparent & Accountable
- Performance Informed Budgeting
- Strategically Utilizing Our Resources by aligning to Statewide Programs and Goals
Statewide Goals and Topics

- Healthy Citizens & Strong Families
  - Wellness
  - Prevention
  - Access
  - Social Stability

- Safe Citizens & Secure Communities
  - Public Protection
  - Law Enforcement
  - Environmental Stability

- Educated Citizens & Exemplary Schools
  - Opportunity
  - Achievement
  - Quality

- Prosperous Citizens & Thriving Economy
  - Business
  - Workforce
  - Economic Systems

- Effective Services & Accountable Government
  - Transparency
  - Efficiency
  - Fiscal Responsibility
Statewide Program

A Statewide Program is a focus area or priority area for the State that crosses multiple agencies with multiple owners.

Statewide Program: Prescription Drug and Substance Abuse

<table>
<thead>
<tr>
<th>HEALTH</th>
<th>EDUCATION</th>
<th>SAFETY &amp; SECURITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oklahoma State Department of Health</td>
<td>Oklahoma State Department of Education</td>
<td>Oklahoma State Bureau of Investigation</td>
</tr>
<tr>
<td>Oklahoma Health Care Authority</td>
<td>Oklahoma Dept. of Mental Health and Substance Abuse Services</td>
<td>Oklahoma Bureau of Narcotics and Dangerous Drugs Control</td>
</tr>
<tr>
<td>Injury Prevention Service</td>
<td>Oklahoma Poison Control Center</td>
<td>Oklahoma Office of Juvenile Affairs</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

HEALTH

EDUCATION

SAFETY & SECURITY
Statewide Program Name & Definition

<table>
<thead>
<tr>
<th>Statewide Program Name</th>
<th>Statewide Program Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prescription Drug &amp; Substance Abuse</td>
<td>Description: Refers to the efforts that the State of Oklahoma is making to reduce prescription drug and substance abuse.</td>
</tr>
</tbody>
</table>

Performance Objective

Decrease the rate of hospitalization discharges for acute drug poisoning from 48.3 per 100,000 in 2011 to 41.1 per 100,000 by 2015.
PERFORMANCE INFORMED BUDGETING

- Collaborative Planning
- Collaborative Budgeting
- Collaborative Culture
IMPACT ON BUDGETING

• FY-2016 Budget Request will be submitted in total by Statewide Program, where applicable – Option for “No Program”

• FY-2016 Expenditures will be captured using the Statewide Program chartfield – including payroll
Questions?

Please submit them in the question box of the GoToWebinar taskbar.