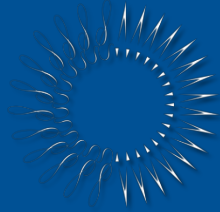


PERFORMANCE-BASED BUDGETING IN THE SLC STATES



Thursday, June 25, 2 p.m. EDT
Presented by CSG South/SLC



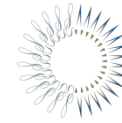
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Performance-Based Budgeting
INVESTING IN PROGRAMS THAT WORK

June 25, 2015

The Policy Challenge



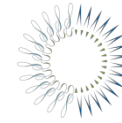
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- Though policymakers want to make strategic choices, the traditional budget process provides limited information to inform choices
- There is renewed interest in performance budgeting (PB) to more strategically target funds
- Most states incorporate some PB elements in their budgets, but this varies greatly
- There advantages and challenges in using PB



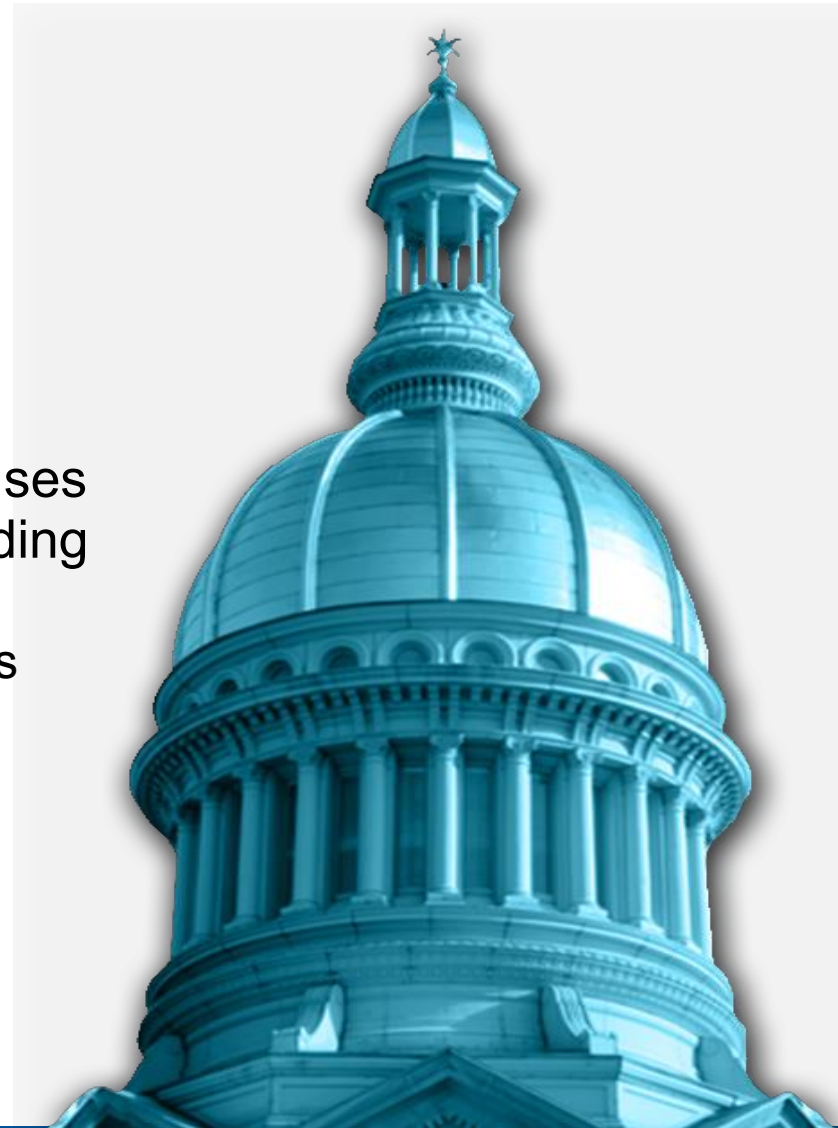
Traditional Budgeting



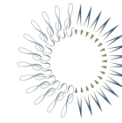
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- Typically allocates funds by organizational units and line items
 - Salaries, travel, expenses, etc.
- Budget development starts with last year's allocations (base budget); focuses on reconciling it with current year funding
 - Often relies on across-the board actions when cuts are needed



Traditional Line-Item Budget



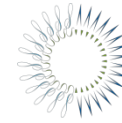
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Chemical Industry Safety Agency

<u>Categories</u>	
Salaries	\$68,500,000.00
Benefits	\$31,500,000.00
Expenses	\$10,670,000.00
Travel	\$5,000,000.00
Supplies	\$5,000,000.00
<u>Utilities</u>	<u>\$8,000,000.00</u>
TOTAL	\$128,670,000.00

Traditional Budgeting



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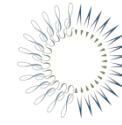
Strengths

- 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?



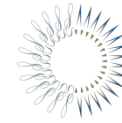
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- A system that incorporates performance information in the budget development process
- Often linked to performance management & strategic planning systems
- Focuses attention on what is being accomplished with appropriated funds



Key PB Elements



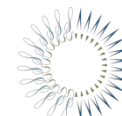
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- **Agencies report performance data with budget request**
 - Input, output, effectiveness, and outcome measures
- **May specify performance goals**
- **Agencies may have more flexibility in using funds**
- **Legislature can consider performance in budget decisions**



Performance Budget



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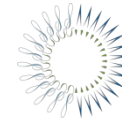
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Agency	Chemical Industry Safety Agency
2013 Budget	\$128,670,000
2013 Goal	Reduce the number of serious accidents in the toxic chemical industry by 6 percent from the 2010 level

Performance Budget Agency Outcome Goal	2011 Planned	2011 Actual	2012 Planned	2013 Planned
Percentage reduction in serious accidents from 2010 baseline in toxic chemical industry	2	2	4	6

Performance Goals	Total Cost
1. Achieve a reduction of 7% in the number of serious accidents in the manufacturing of toxic chemicals from the 2010 baseline	\$52,400,000
2. Reduce the number of serious accidents in the transportation of toxic chemical by 3% from the 2010 baseline	42,260,000
3. Achieve a reduction of 9% from the 2010 baseline in the number of serious accidents in toxic chemicals storage facilities	34,010,000
Total	\$128,670,000

Performance Budgeting



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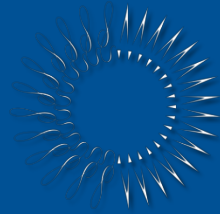
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Strengths

- 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



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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

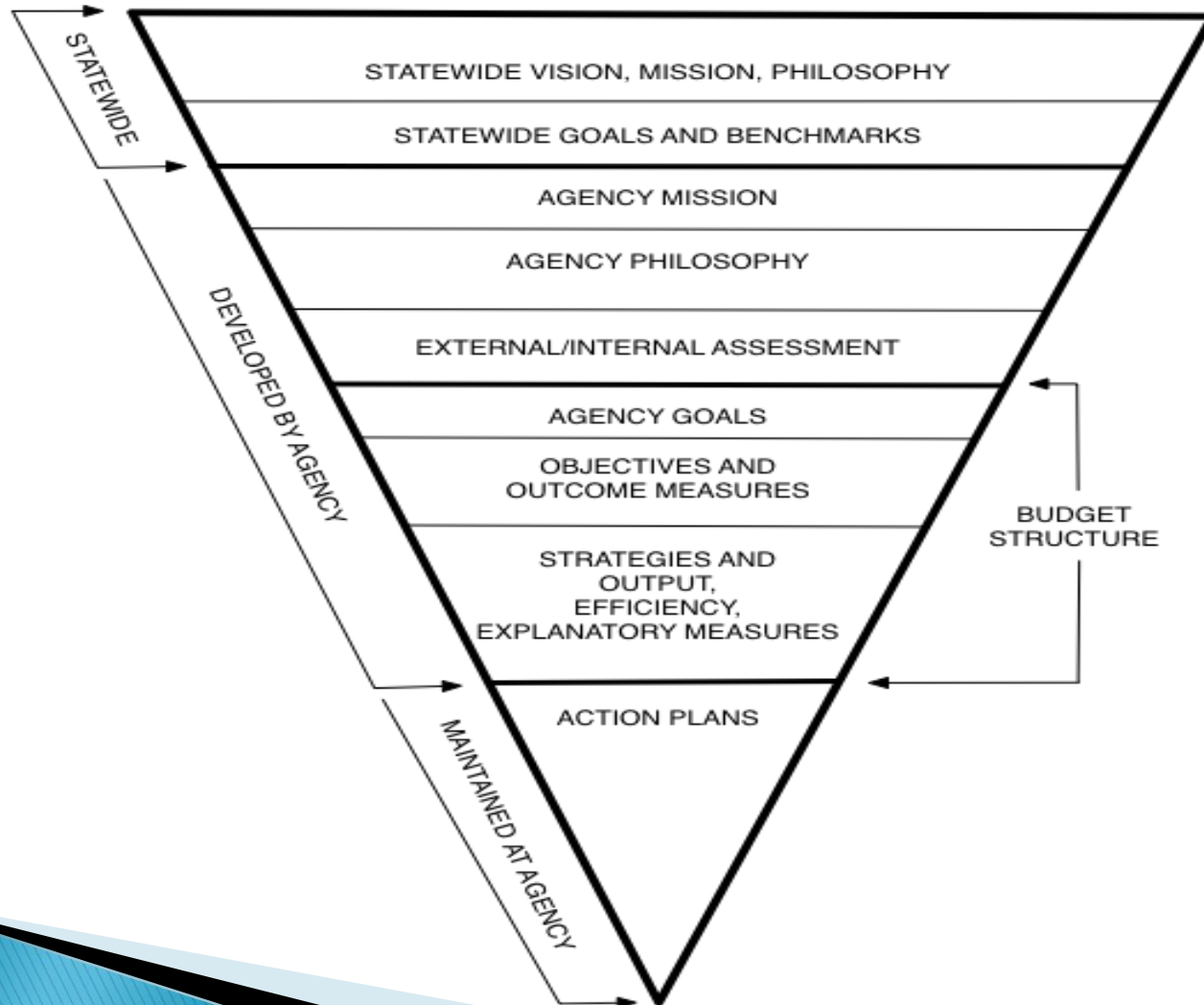
- ▶ 2013: Mississippi begins performance budgeting revitalization efforts, because of:
 - Increasing fiscal and political pressure to make state government operate more efficiently and effectively
 - Improved technology and software allowing for the collection and rapid analysis of large datasets
 - 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

Framework for Development of Comprehensive Program Inventory

- ▶ 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

Pew–MacArthur Results First Initiative Framework and Benefits

- ▶ 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

Implementation of Results First Initiative

- ▶ 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

Evidence-Based Programs Ranked by Net Present Value (Calculated Using Results First Model)

Program	Cost	Benefit	Benefits Minus Costs (Net Present Value)	Benefit to Cost Ratio
Correctional Education in Prison	(\$829)	\$13,051	\$12,222	\$15.74
Vocational Education in Prison	(\$1,258)	\$12,467	\$11,209	\$9.91
Alcohol and Drug Treatment in Prison	(\$223)	\$9,825	\$9,602	\$44.06
Work Release (vs. Incarceration)	\$674	\$4,621	\$5,295	n/e
Correctional Industries in Prison	(\$3,613)	\$4,657	\$1,044	\$1.29
Electronic Monitoring (vs. Incarceration)	\$5,714	\$1,535	\$7,249	n/e
Mental Health Courts	(\$1,189)	\$2,355	\$1,166	\$1.98
Domestic Violence Perpetrator Treatment Programs	(\$530)	(\$886)	(\$1,416)	(\$1.67)
Drug Courts	(\$6,905)	\$2,622	(\$4,283)	\$0.38

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
 - Suspended Sentence
 - Therapeutic Recreation

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)

Early Impacts, cont.

- ▶ 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

Early Impacts, cont.

- ▶ 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.
- Housed on www.OKStateStat.ok.gov.

Healthy Citizens &
Strong Families



Safe Citizens &
Secure Communities



Educated Citizens &
Exemplary Schools



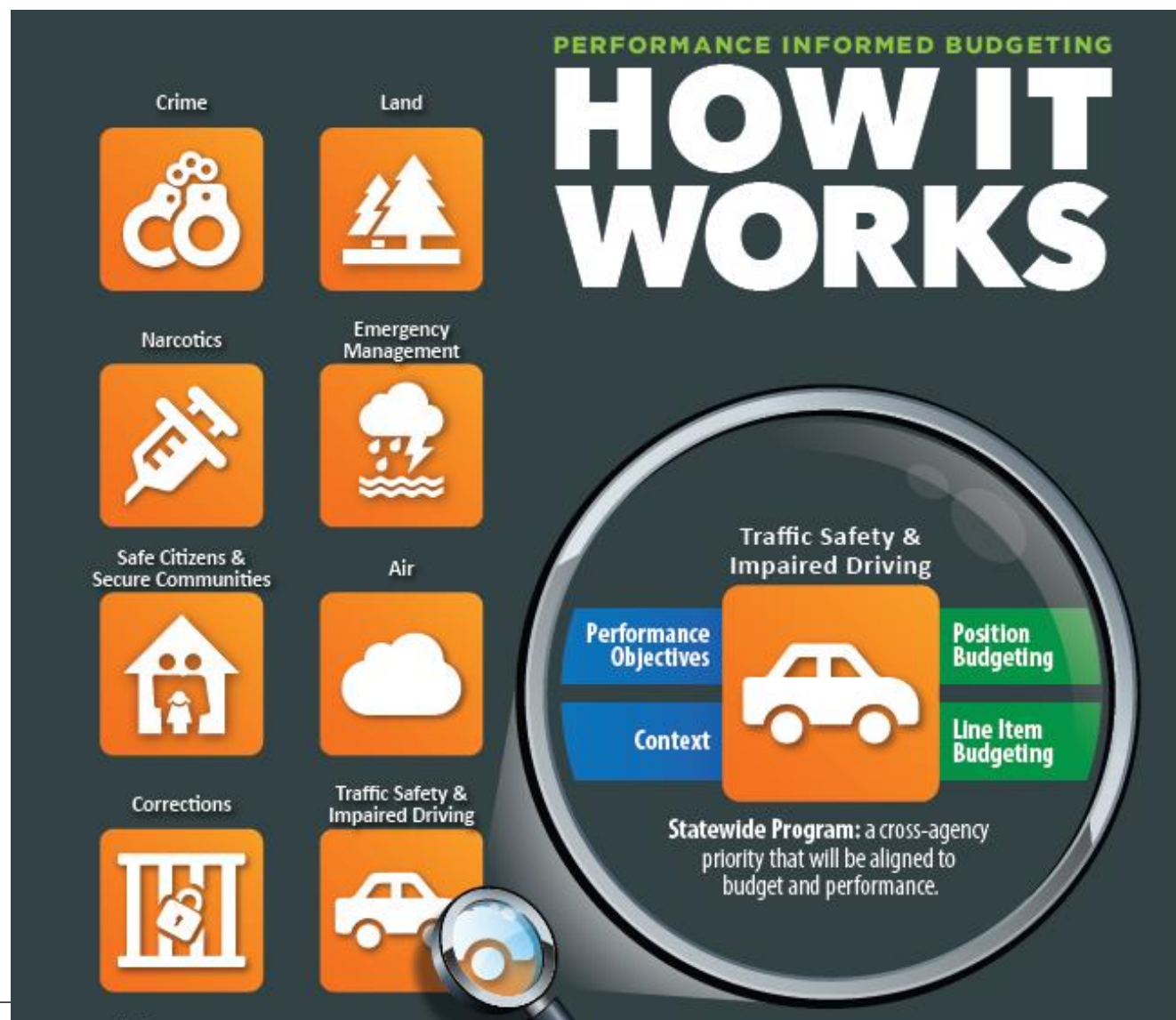
Prosperous Citizens &
Thriving Economy



Effective Services &
Accountable Government



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

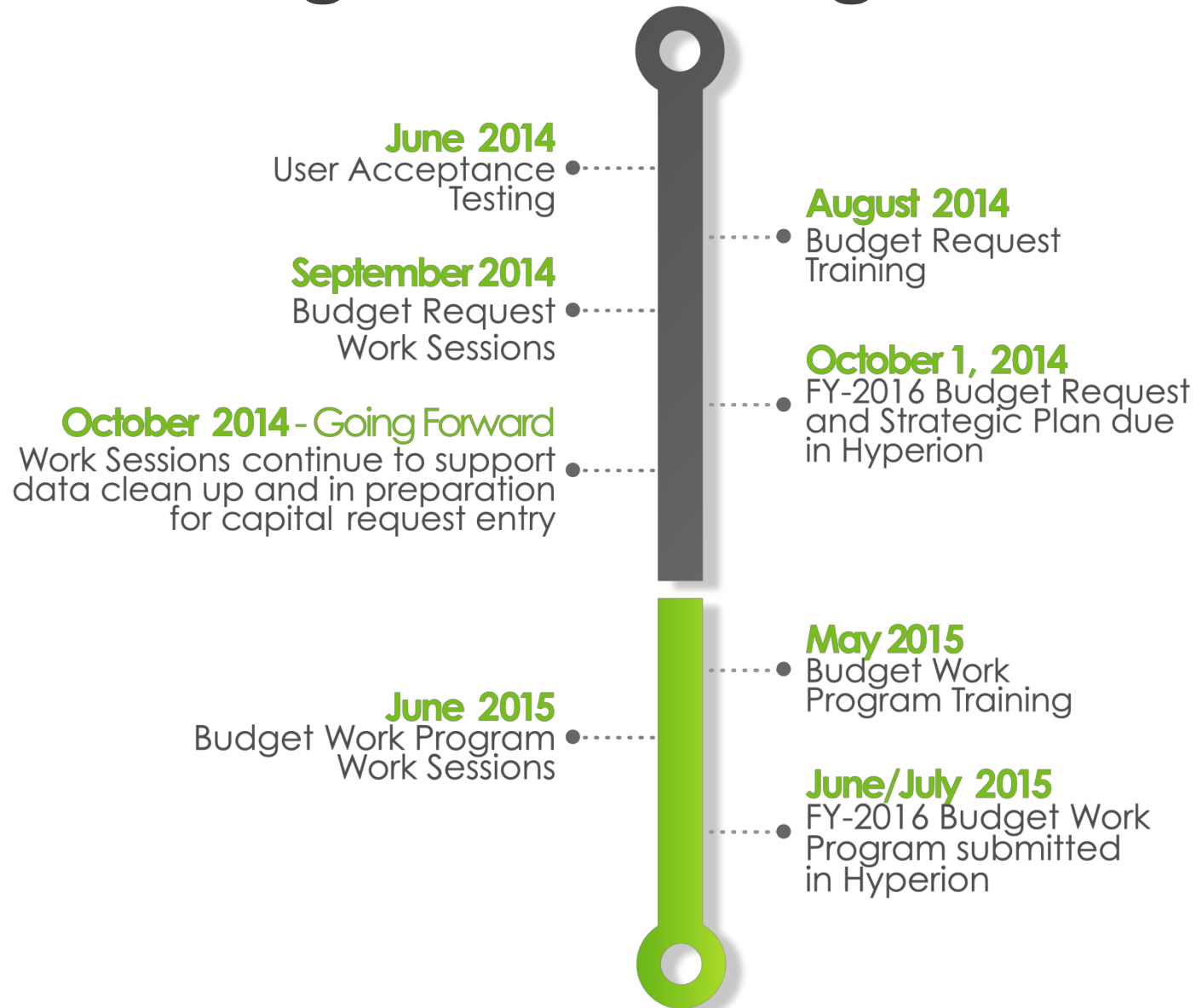
BENEFITS

- 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

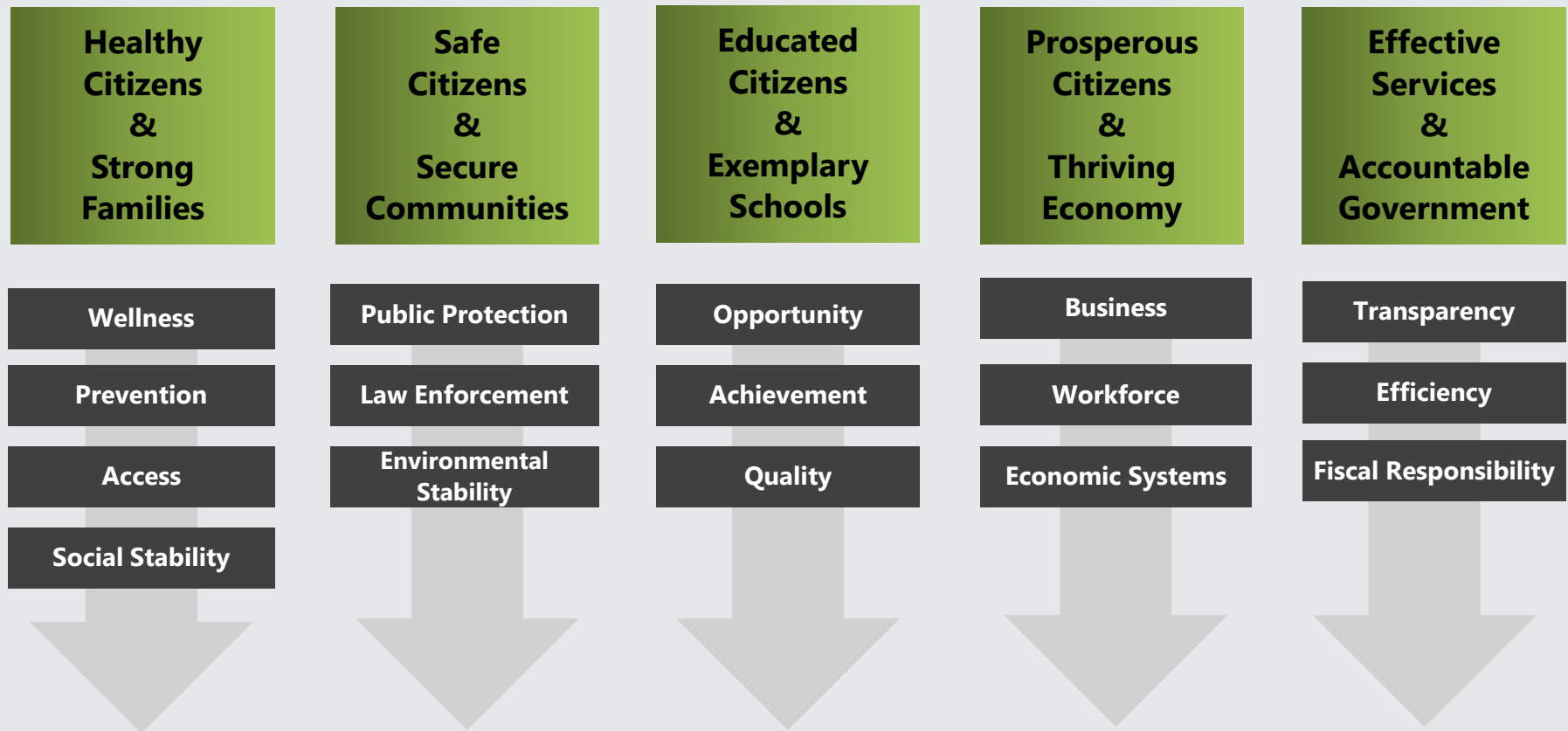


Performance

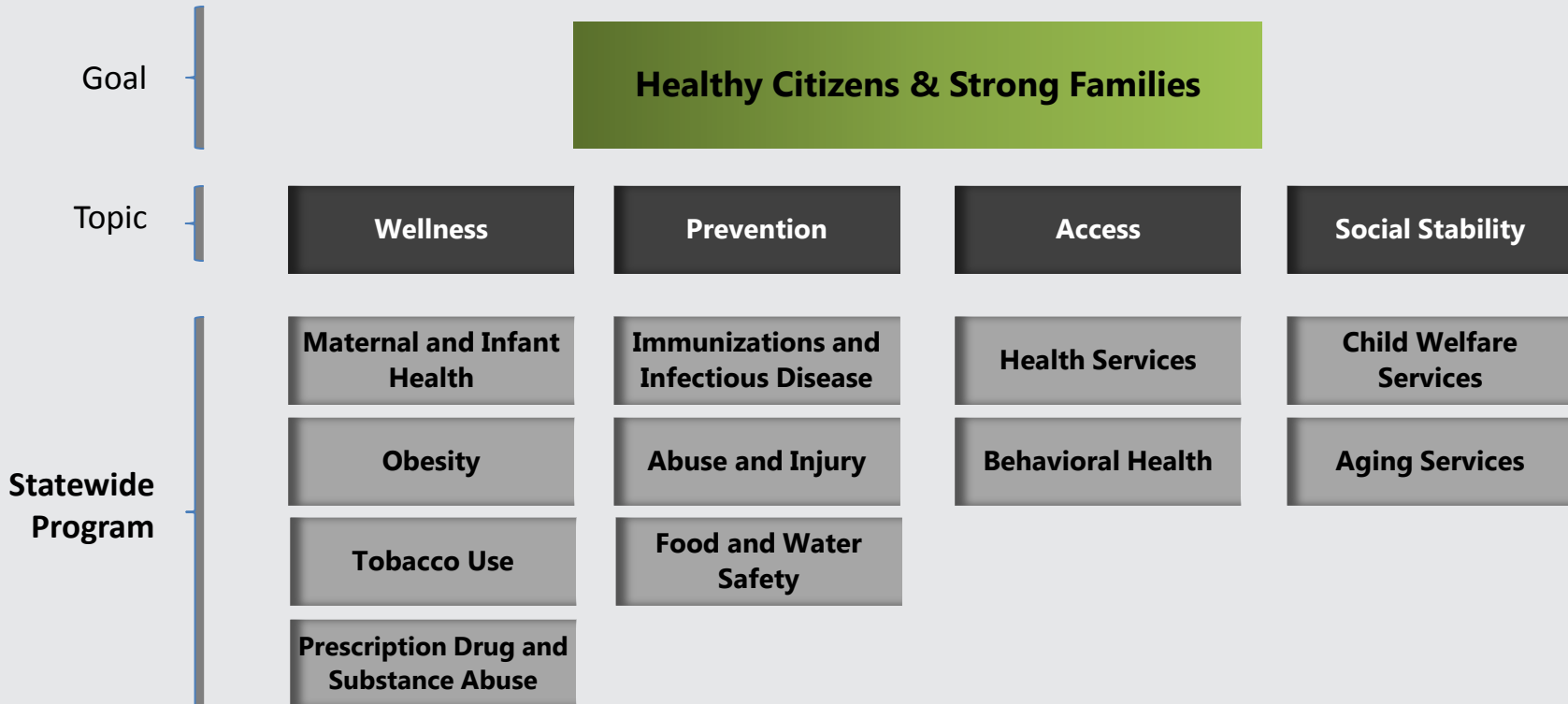
STATEWIDE PERFORMANCE

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

Statewide Goals and Topics



Statewide Goal Map



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

HEALTH

Oklahoma State
Department of
Health

Oklahoma
Department of
Human Services

Oklahoma Health
Care Authority

Oklahoma Dept. of
Mental Health and
Substance Abuse
Services

Injury Prevention
Service

Oklahoma Poison
Control Center

EDUCATION

Oklahoma State
Department of
Education

Oklahoma State
Regents for Higher
Education

SAFETY & SECURITY

Oklahoma
Department of
Public Safety

Oklahoma State
Bureau of
Investigation

Oklahoma Bureau of
Narcotics and
Dangerous Drugs
Control

Oklahoma Office of
Juvenile Affairs

Oklahoma Highway
Safety Office

Statewide Program Name & Definition

Statewide Program Name	Statewide Program Description
Prescription Drug & Substance Abuse	Description: Refers to the efforts that the State of Oklahoma is making to reduce prescription drug and substance abuse.

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.

