Accountability in Government Act and Performance-Based Budgeting

LEGISLATIVE FINANCE COMMITTEE AND STATE BUDGET DIVISION AGENCY STAFF TRAINING JULY 13, 2017
Purpose of AGA

- To provide more cost-effective and responsive government services by using the state budget process and defined outputs, outcomes, and performance measures to annually evaluate the performance of state government programs.
- To provide valuable information to citizens of New Mexico
- To assist decision makers in prioritizing budget decisions
The key determinant of whether a governing-for-results process is worth the effort is if public officials, including operating managers, governor’s office staff, and Legislators, use the information to improve their programs or policies so as to achieve improved outcomes.

-Making Results-Based State Government Work
State Uses for Performance Information

- To provide accountability
- To inform budget and policy choices
- To raise questions and trigger examinations about performance outcomes
- To motivate people to improve government
- To provide data for evaluations
- To support strategic planning
- To identify best practices
- To communicate better with the public
Background Relevant Today

- Pre-AGA – budgeted by 11 categories
- Transparency afforded by the promise of robust performance reporting reduced to current 5 categories: 100, 200, 300, 400, 500
- Traded budget flexibility for increased performance data
A key problem for states in effectively using performance information is getting agency personnel to take the performance information seriously and use the information to help monitor and improve their programs.

-Making Results-Based State Government Work
Elements of Performance Based Budgeting (PBB)

- A stated agency purpose
- A defined agency mission
- Annual evaluation of program structure and performance measures
- A performance monitoring system to evaluate results
- Quarterly reporting for key agencies
Performance-Based Budgeting Cycle

Policy Making
Strategic Planning
Performance Budgeting

Program Management
Management Processes
Performance Monitoring

Program Evaluation
Performance Audit
Financial/Internal Control Audit

Laws
Appropriations
Provisions
Legislative Intent

Agency Level
Mandates
Mission Goals

Program Level
Objectives
Targets
Budgets

Service
Delivery

Track/Monitor
Costs
Outcomes

Evaluate
Performance
Efficiency
Cost Effectiveness
Universe of Performance Measures

- Accountability in Government Act Measures
- Key Quarterly Measures
- HB2 Measures
- Agency Internal Measures
## Key Elements to Effective Strategic Planning

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<th>Where are we now?</th>
<th>Internal/External Assessment</th>
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<td>Where do we want to be?</td>
<td>Mission</td>
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<td>How do we get there?</td>
<td>Vision</td>
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<td>What are measures of success?</td>
<td>Goals and Objectives</td>
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<td>Are goals and objectives being fulfilled?</td>
<td>Performance Measures</td>
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<td>Monitoring, Tracking, Reporting</td>
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<td>Corrective Action Plan</td>
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Strategic planning involves:

- Development of a mission statement, goals and objectives
- An agency’s mission is a concise statement of the unique, fundamental, current and future public purposes of the agency and its programs
- Goals are more detailed than missions and provide direction to the work, services, programs and activities of an organization that has already identified broad ends through its mission
- Objectives are clear targets for specific action. More detailed than goals, objectives are Specific, Measurable, Achievable, Realistic and Time-bound. DFA’s instructions to agencies ask that goals and objectives be developed at an agency’s program level
Good Strategic Plans Will Be...

- Consistent with statutory authority,
- Consistent with legislative interests,
- Long-term in nature,
- Recently updated, and

Answer these questions...

- Is the mission a broad, comprehensive statement of the organization’s purpose?
- Do the goals represent the general end purposes toward which agency effort is directed?
- Are the goals matched with timelines, and is responsibility assigned for them?
Themes for Improving Measures

- Link to the strategic plan and/or policy/management objectives
- Measure what matters
- Emphasize outcomes -- “the measure of the actual impact or public benefit of a program”
- Reduce duplicative, output, boring measures
- Find relevant outcome or explanatory measures (expanded resource guide)
- Use English NOT bureaucratic gibberish
Elements of a High-Quality Measure Continued

- **Economical**: Collect and maintain quality data in a cost-effective manner
- **Accessible**: Provide regular information to all stakeholders on results
- **Comparable**: Allow direct comparison of performance with performance at different points in time.
- **Benchmarked**: Use best practices standards. Compared to other states’ performance
- **Relevant**: Assess the core function of the program or significant budget expenditure.
Types of Performance Measures

- **Outcome Measure** = program results
- **Output Measure** = amount of work done (least emphasis on these)
- **Efficiency Measure** = unit costs to produce goods or services
- **Quality Measure** = quality of service level
- **Explanatory Measures** = where agency cannot be held fully accountable but the data is high interest to the public. Example - air quality.
Helpful Steps to Improve Measures

- Understand the value of the different types of measures
- Produce measures that make sense to customers and policy makers and are “doable”
- Select a balanced set of measures
- Establish a baseline of current performance
- Review the measures and objectives of similar organizations
- Conduct benchmarking reviews to identify best practices
Some Points to Consider

- Review your agency’s measures and identify:
  - Which measures are truly meaningful and useful?
  - What new measure(s) would add value to the process?
  - Which measures could be shifted from explanatory to outcome, output, or quality?

- Be ready to meet with DFA and agency and support your ideas about possible changes
Agency Quarterly Report Contents

- Each key measure in the quarterly report should include the following:
  - A measure statement consistent with the legislative bill drafting style
  - Historical data and data for the current quarter
  - A brief explanation and corrective action plan for performance targets that were not met for the reporting period or that are not expected to be met for the year
  - Measures support stated objective and/or activity that supports program purpose
  - Short narrative explaining variance of more than +/- 10 percent
  - Short statement of data source and reliability
  - Action plan including who, what, where, when.
Key Elements to Effective Performance Monitoring Plans

- Clearly defines each performance measure and explains how it allows the department to assess progress toward a specific strategic goal.

- Contains:
  - Sources and Methodology
  - Validity
  - Reliability
Benchmarking

- Can the measure be accurately benchmarked through best practices in other states?

- Did the agency identify the performance standards against which it will measure itself?

Example of National Data:
- The Pew Center on the States Performance Report – Grading the States

Example of measure: For influenza, New Mexico adults have an immunization rate of 70% compared to the national rate of 69%.
The Performance-based Budget process is a collaborative effort with the executive branch.

**IMPORTANT DATES:**

- **July 15** – Agencies to propose key measures, changes to program structure and measures, and quarterly reporting formats.

- **July 15 to August 15** – DFA, in consultation w/LFC, to approve measures, program structure, and quarterly reporting formats.

- **September 1** – Agencies to submit budget requests and performance measures with strategic plans and a performance monitoring plan.