

Performance Metrics and Budgeting

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Presidential Expectations

“We need to restore the American people’s confidence in their government – that it is on their side, spending their money wisely, to meet their families’ needs. That starts with the painstaking work of examining every program, every entitlement, every dollar of government spending and asking ourselves: Is this program really essential? Are taxpayers getting their money’s worth? Can we accomplish our goals more efficiently or effectively some other way?”

– President Barack Obama

“There comes a time when every program must be judged either a success or a failure. Where we find success, we should repeat it, share it, and make it the standard. And where we find failure, we must call it by its name. Government action that fails in its purpose must be reformed or ended”

– President George W. Bush

Historical Perspective

- 60 years of efforts to link resources with results
 - The First Hoover Commission (1947) and the Budget and Accountings Procedures Act (BAPA) of 1950
 - Planning-Programming-Budgeting (PPBS) System, 1965-71
 - Management by Objectives (MBO), 1973-74.
 - Zero-Base Budgeting (ZBB), 1977-81
 - Government Performance and Results Act (GPRA)/ Program Assessment Rating Tool (PART)

Historical Perspective



1900.....1930s

Budget and Accounting
Act of 1921

Focus:

Dollars
People
Accounts

Emphasis:

Resources

1940.....1950s

Budget and Accounting
Procedures Act of 1950

Transactions
Activities
Functions

Work

1960.....

GPRA 1993

Programs
Outputs
Outcomes
Impact

Purpose

The Goal: A Culture Shift

Traditional Culture	Performance-Based Culture
The focus is on blame and credit	The focus is on learning
Do your job well	Create great results
Measure what you do	Measure what citizens value
Measure activity in every unit and roll these measures up to create an organizational measurement infrastructure	Choose a few key bottom line measures of the value the organization creates. Ask subordinate units to develop measures of ways they contribute to that value
Be clear about your role and turf	Be clear about the results you are seeking to create
The boss is the best judge of our work	Those whom we serve are the best judge of our work
Impose the best way of doing things from the top down	Workers are empowered to experiment on ways to improve performance using measures as the yardstick of success
Measurement is used to find people to reward or punish	Measurement is used to help everyone learn

Performance Budgeting Continuum

- Presentations
- Budget Restructuring
- Performance based targets
- Performance linked funding
- Performance reviews and assessments

GPRA: Building the Performance Supply Chain

- Agency planning and reporting as foundation
- Focused on outcomes
- Linkage to budget accounts
- Phased in approach

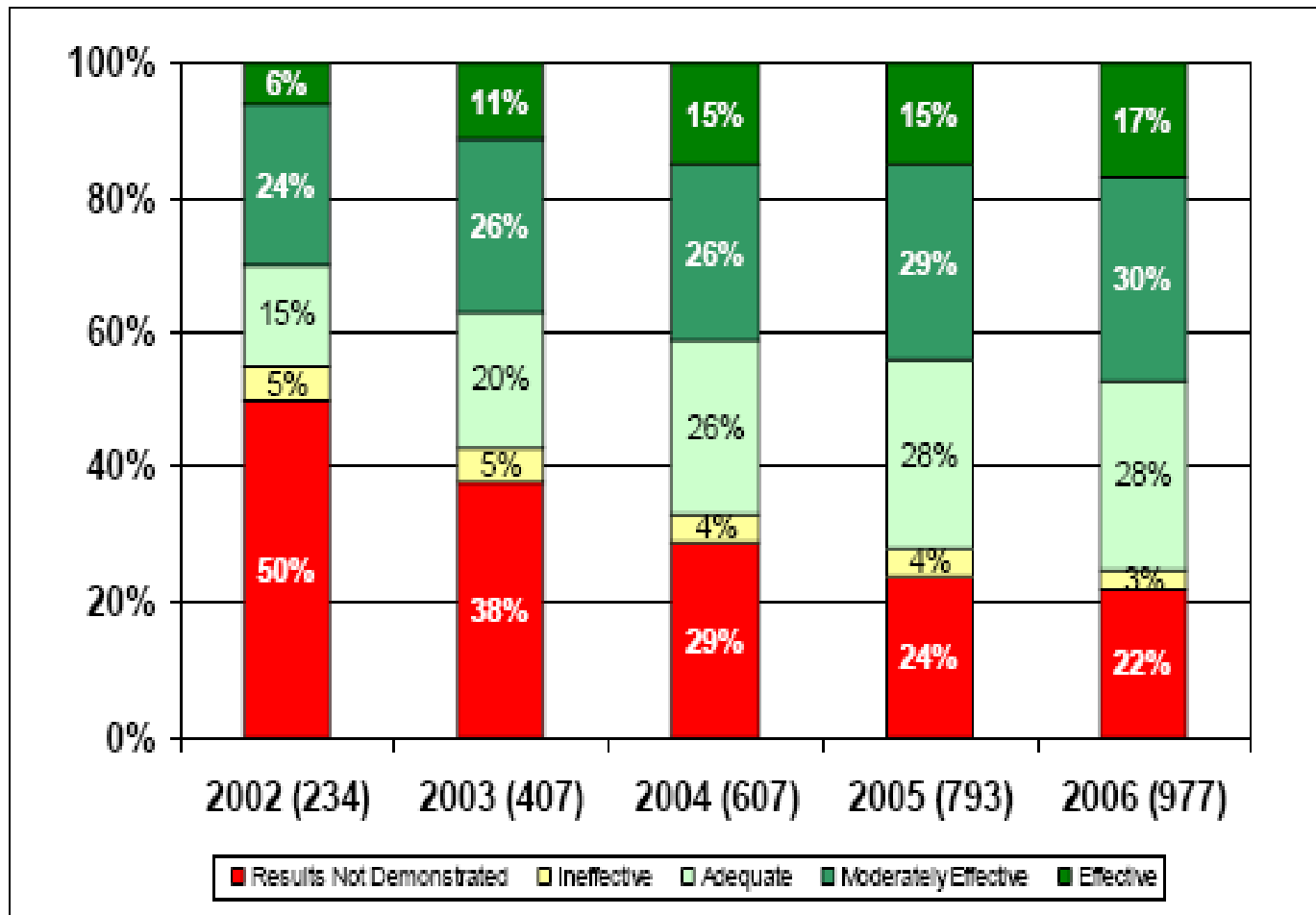
The Payoff: Improved Performance

- Coast Guard reduces marine accidents from 91 to 27 per 100,000 workers
- FDA increases number of generic drugs reviewed on time from 35% to 87%
- Veterans health networks use data to reduce cardiac morbidity
- NTSA data leads states to adopt “Click it or Ticket” seat belt initiative

Assessing the PART: Building the Demand Side

- Proactive use of performance information
- Raising salience of program evaluation
- Unit of analysis different than GPRA
- Presidential tool does not serve important actors including Congress

PART Score Trends



Obama Administration Performance Agenda

- High Priority Goals
 - Agency heads required to identify select initiatives with well defined outcomes – 126 goals
 - Examples include
 - Assist 3 million homeowners at risk of foreclosure
 - Reduce homeless veterans to 59,000
 - Double renewable energy capacity by 2012
 - Quarterly monitoring by OMB

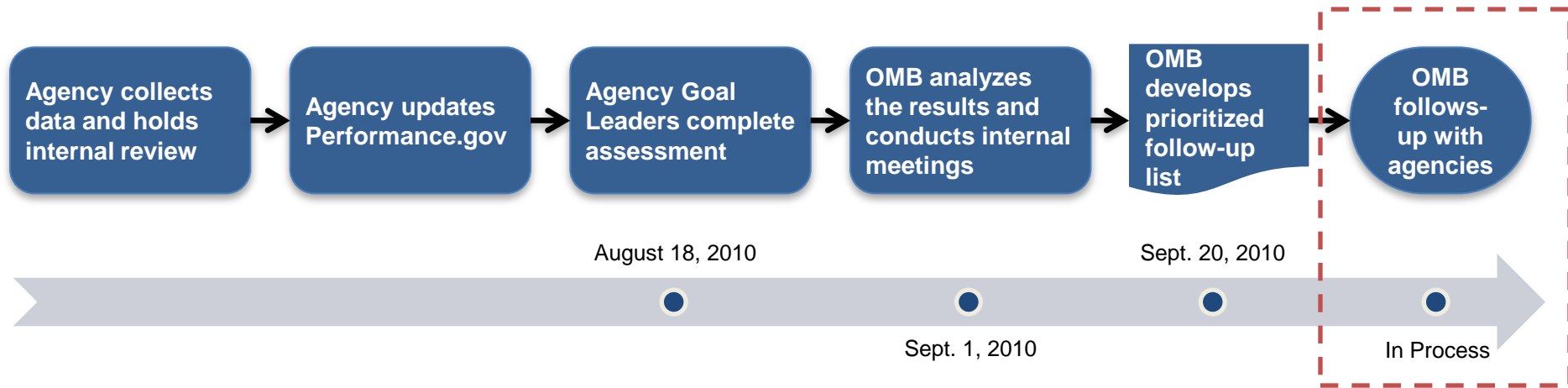
Obama Administration Performance Agenda

- Cross agency teams under Performance Improvement Council
 - Performance.gov
 - Improper payments in benefit processing
 - Evidence based review of grants
- Program Evaluation initiative
 - \$100 million for 17 initiatives in FY 2011

Obama Administration Performance Agenda

- Data driven reviews
 - HUD Stat
 - FDA Track – 800 monthly program measures
 - Tech Stat – OMB review of IT projects
- Apply Bratton accountability principle across the Federal government: “No one got in trouble if the crime rate went up. They got in trouble if they did not know why it had gone up and did not have a plan to address it.”

OMB Quarterly Constructive Review Process



Objectives:

- **Ensure senior leaders remain focused on driving performance**
- **Coordinate across government**
- **Identify ways OMB can support goal achievement**
- **Establish a reliable, transparent process**

Government Performance and Results Modernization Act

- Limited number of agency priority goals – 100 or 5 per agency
- Crosscutting goals
- Shift in GPRA planning timetables
 - 2 year performance plans
 - 4 year strategic plans
- Statutory basis for
 - Performance Improvement Council
 - Chief Operating Officers

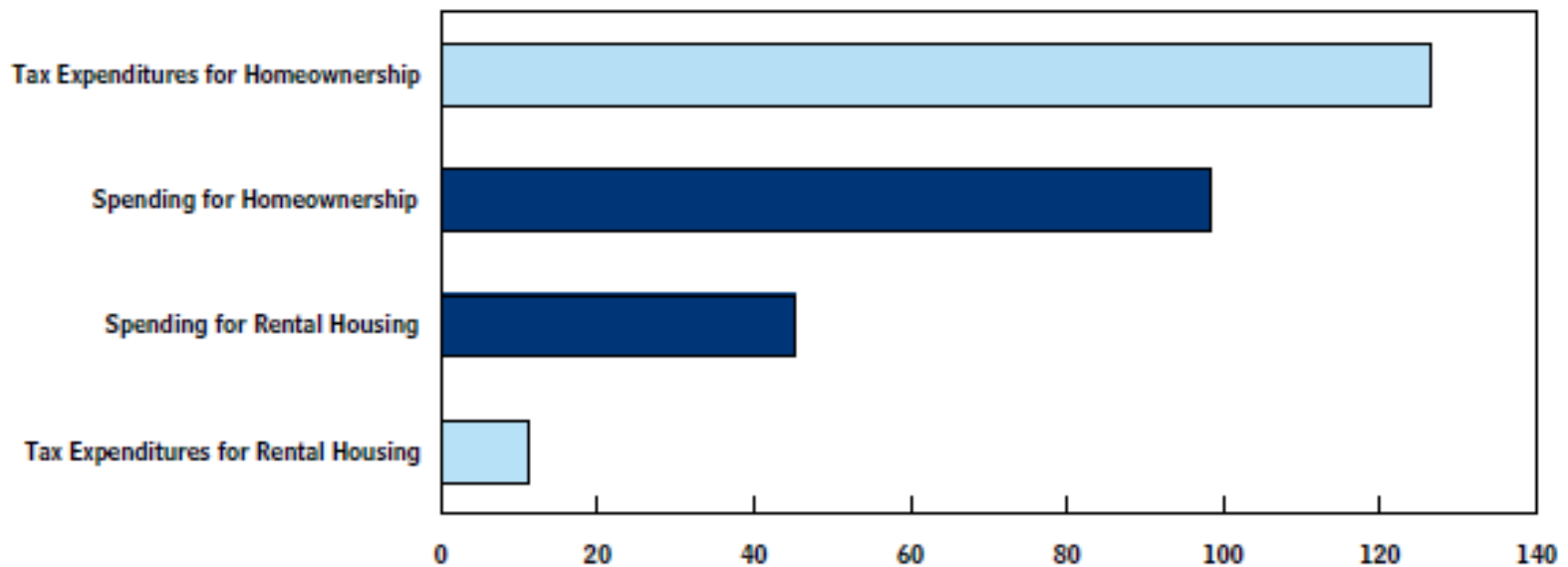
GPRA Improvement Act

- New accountability framework
 - Quarterly reviews
 - Agency improvement plans submitted to OMB for goals OMB deems to be unmet
- Effective date – FY 2013 plans submitted with President's budget

Housing Portfolio

Federal Support for Housing, 2009

(Billions of dollars)

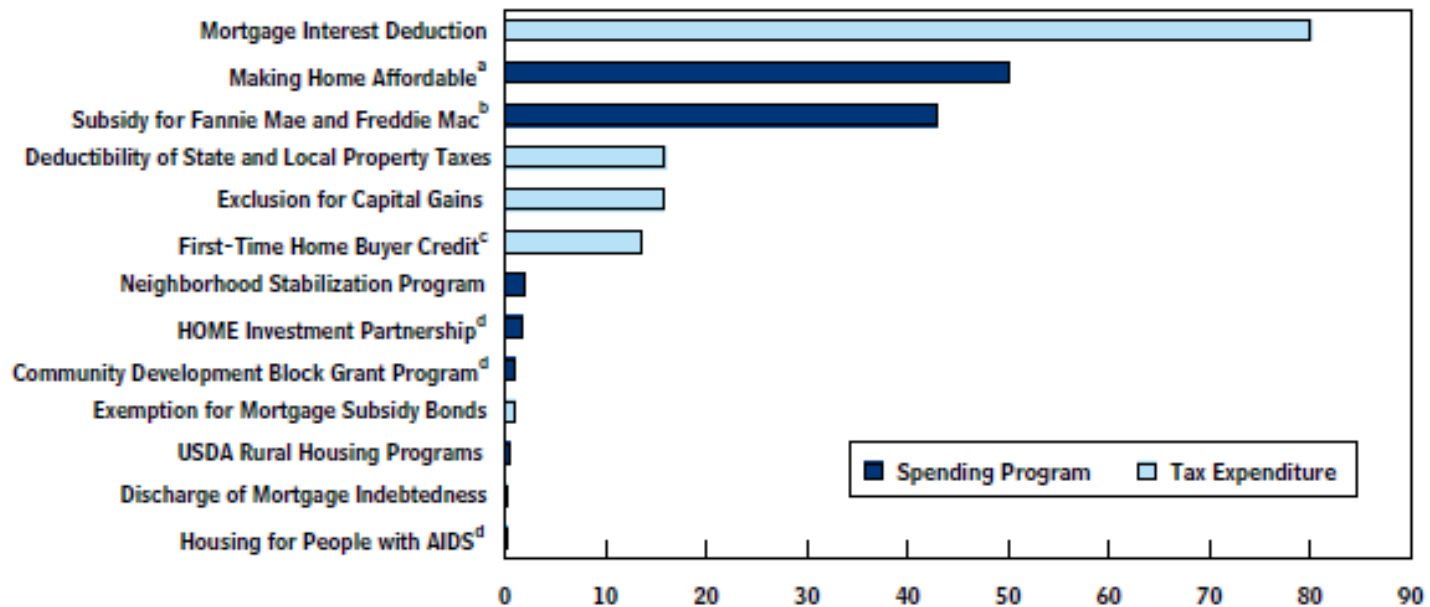


Sources: Congressional Budget Office (for spending amounts); Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2008-2012* (2008) (for tax expenditure amounts).

Housing Portfolio

Federal Support for Homeownership, 2009

(Billions of dollars)

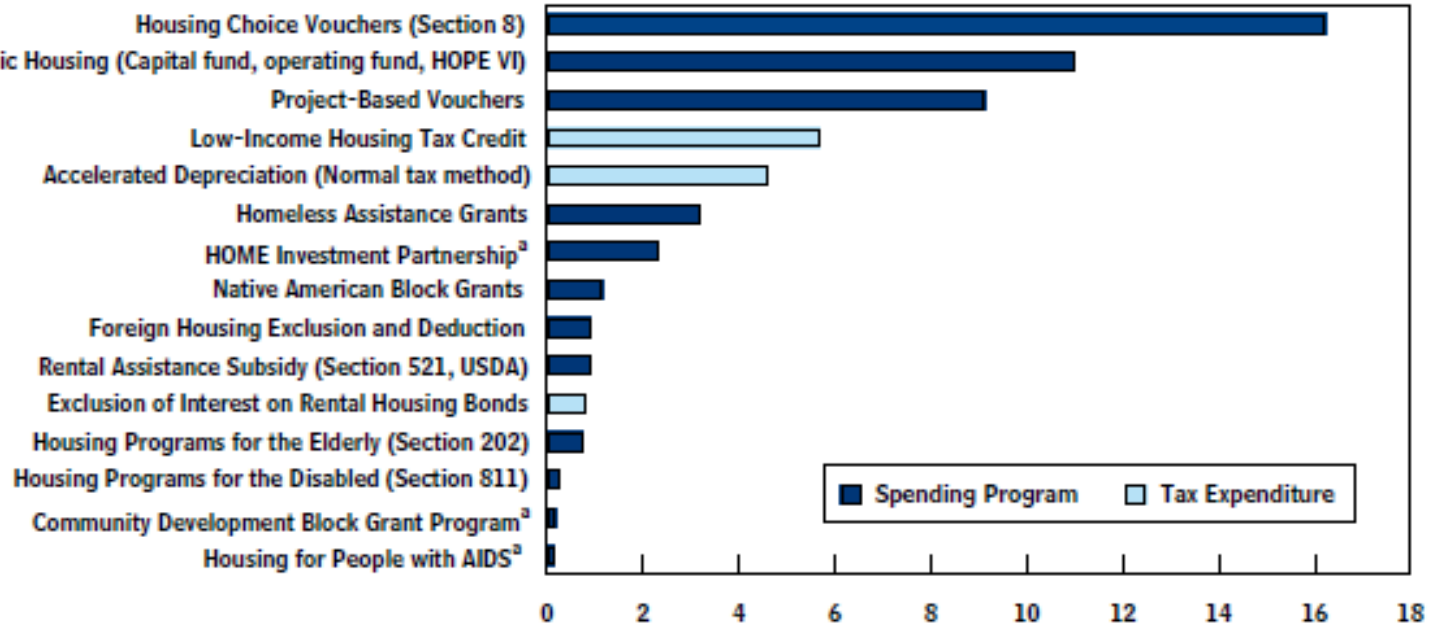


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Housing Portfolio

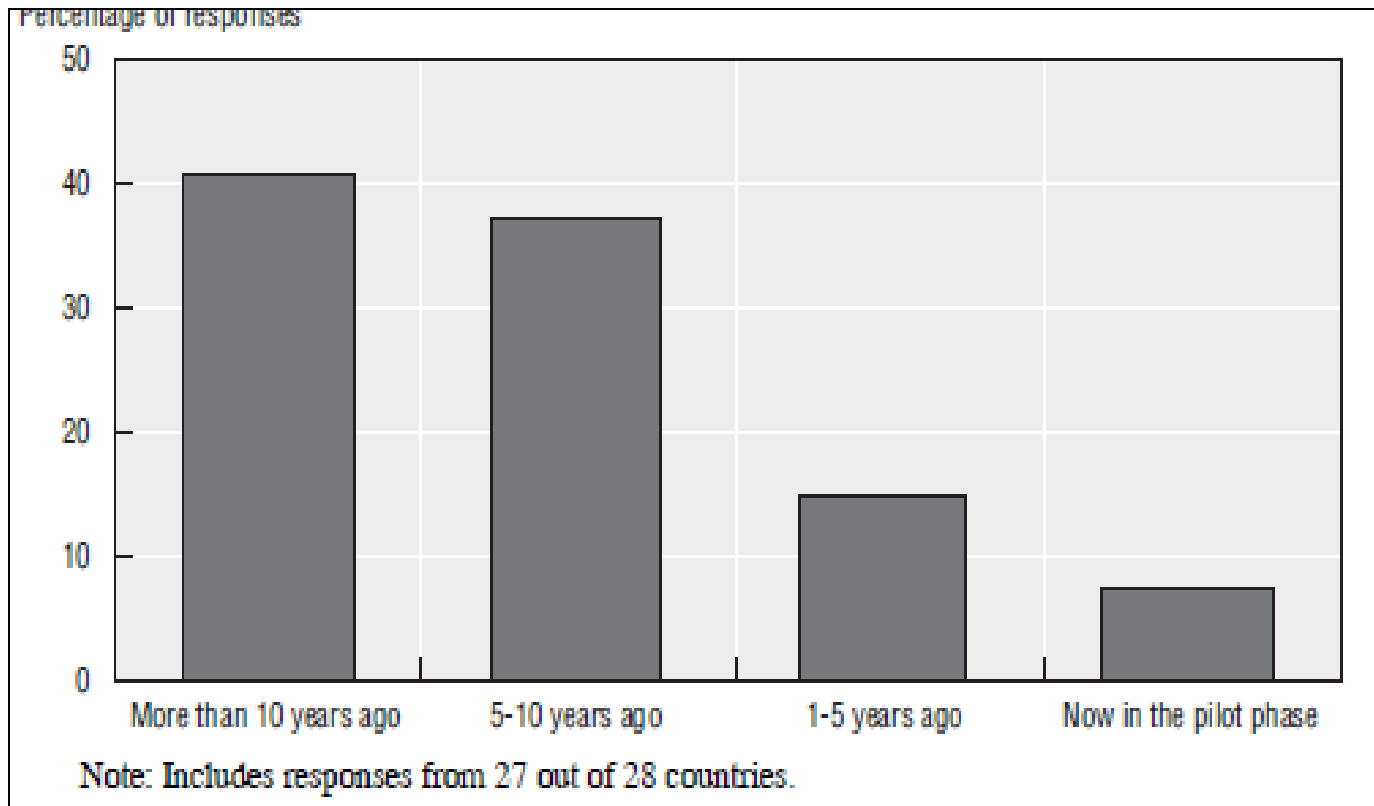
Federal Support for Rental Housing, 2009

(Billions of dollars)

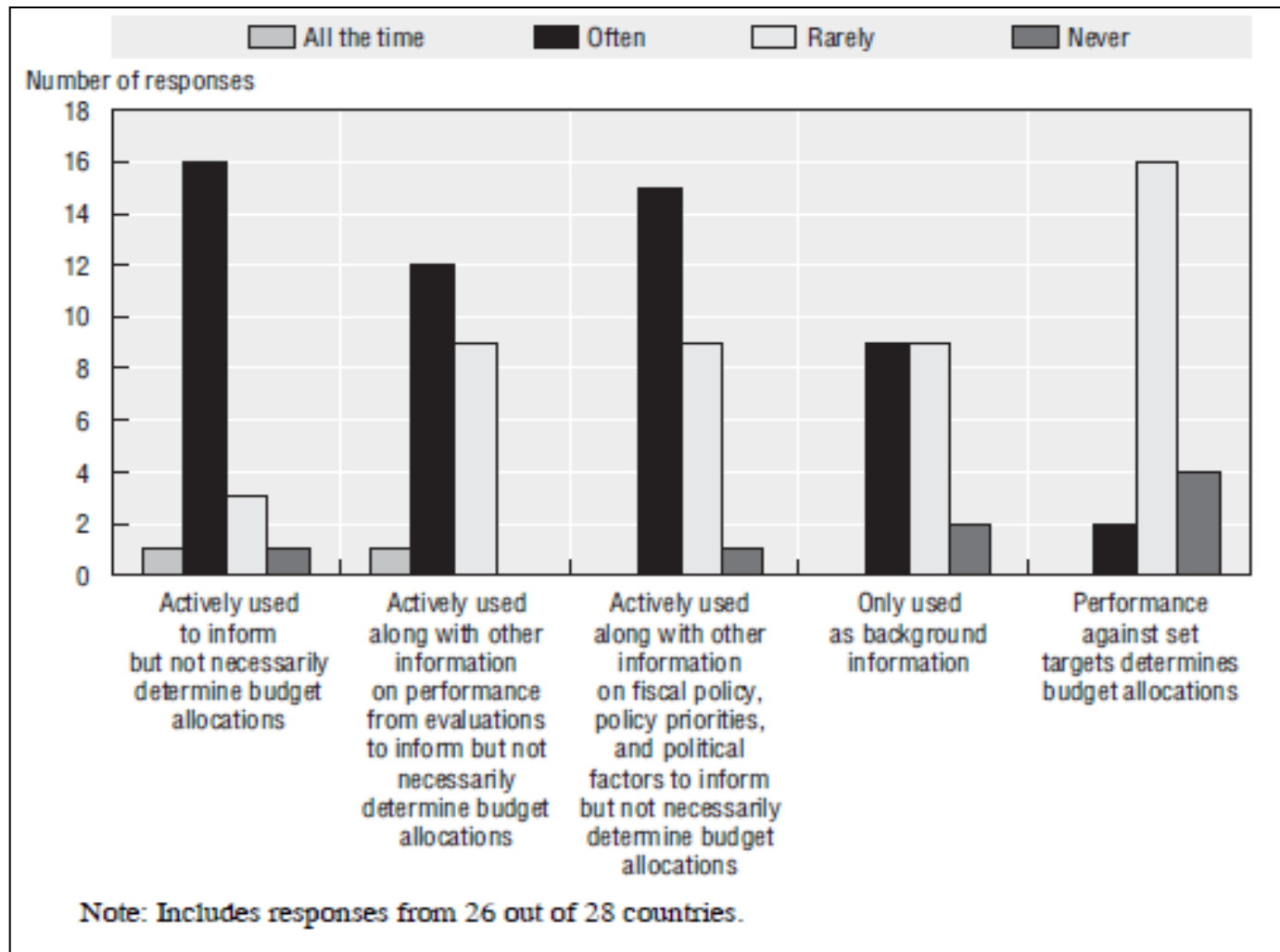


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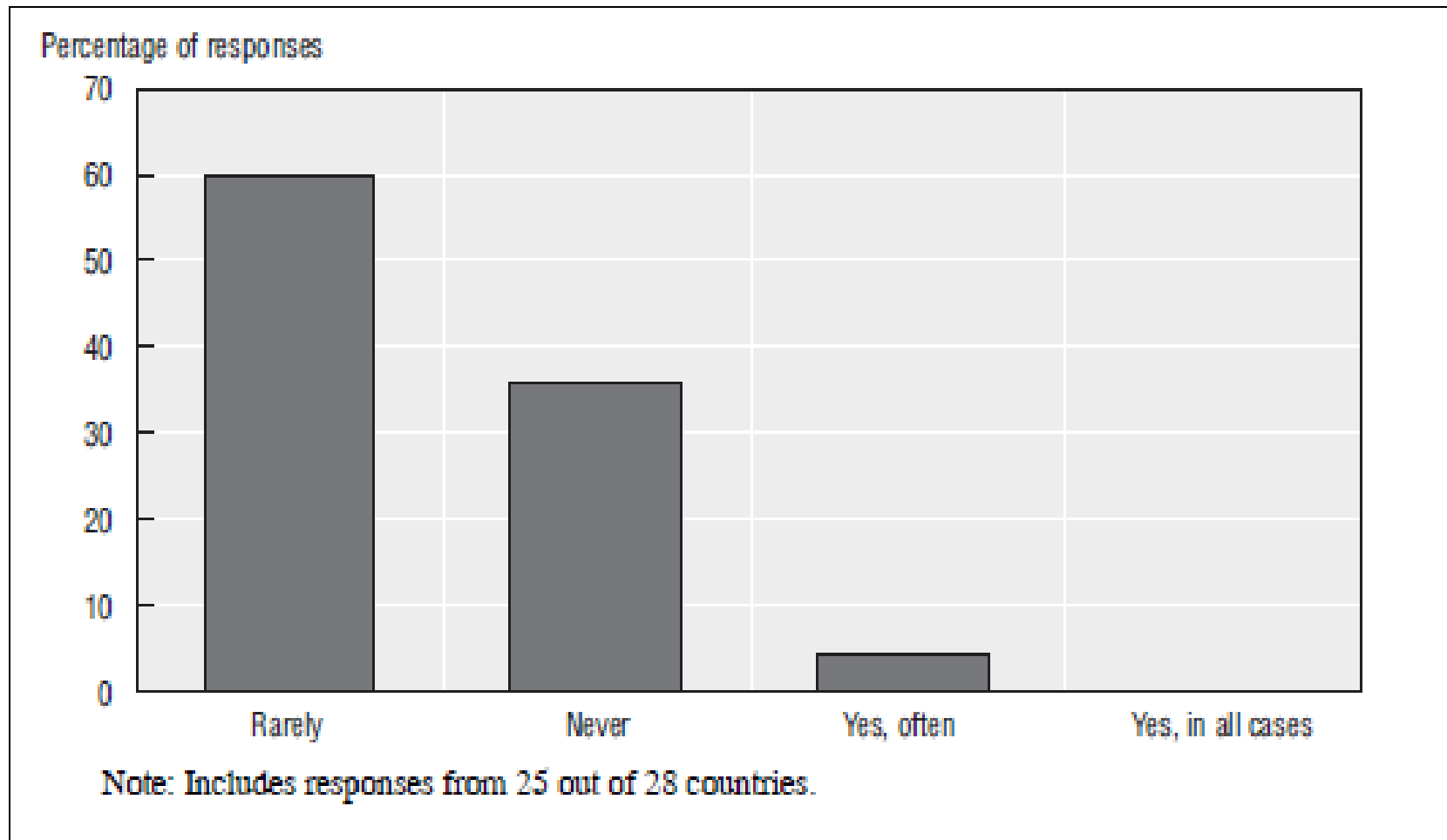
OECD: Duration of performance reforms



OECD: Use of Performance Data in Budget Decisions



OECD: Nations using performance data to eliminate programs



UK Public Service Agreements (2004)

- By 2010 increase life expectancy at birth in England to 78.6 years for men and to 82.5 years for women.
- Substantially reduce mortality rates by 2010:
 - from heart disease and stroke and related diseases by at least 40% in people under 75
 - from cancer by at least 20% in people under
 - from suicide and undetermined injury by at least 20%

UK Public Service Agreements (2004)

- Reduce health inequalities by 10% by 2010 as measured by infant mortality and life expectancy at birth
- Reduce adult smoking rates to 21% or less by 2010, with a reduction in prevalence among routine and manual groups to 26% or less;
- Halt the year-on-year rise in obesity among children under 11 by 2010
- Reduce the under-18 conception rate by 50% by 2010

Key Elements of Performance Budgeting

- Defining expectations clearly
- Addressing structural alignment between plans, budgets and total costs
- Increasing the supply of credible outcomes, measures, and information
- Promoting demand for information used by actors with different needs

Expectations: What is the Relationship Between Performance and Budget Allocations?

- Mechanical model – performance changes directly reflected in budget
- Incentives model – performance affects a portion of funding or other incentives
- Agenda model – performance one factor in budget decisions

Structural Alignment: Different Orientations

BUDGET

Agency



Budget Account



Program Activity

PERFORMANCE

PLANNING

General Goal



Strategic Objective



Performance Goal

STATEMENT OF NET

COSTS

Agency



Responsibility Segment



Segment Output

Institutionalizing Performance Accountability

- Supply Side Agenda: Continued progress needed in:
 - Developing infrastructure and improving “supply” of credible performance and financial information available
 - Reaching consensus on goals and measures among stakeholders
 - Building credible logic models and program evaluations

Challenges

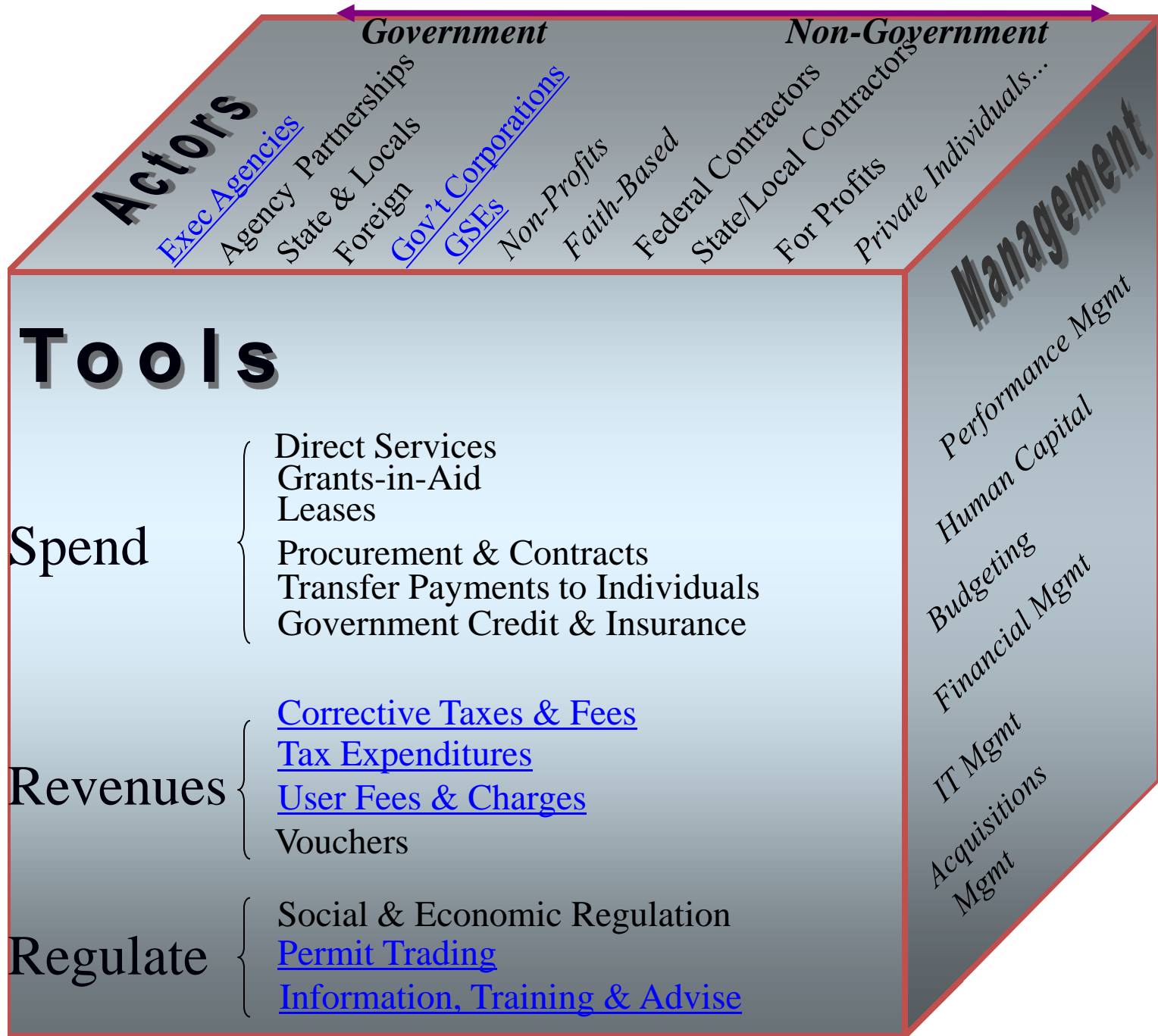
- Support and agreement on goals
- Linking government actions to outcomes
- Building support among nonfederal actors
- Developing data on all important results
- Aligning budget with performance goals
- Congressional support and use

Sorting out candidates

- Cohesiveness of agency and programs
- Clear relation between inputs & outputs
- Clarity and agreement on goals
- Good information on costs
- Alignment of incentives among principals
- Credibility of data and models
- Relative control of means of production

Measurability of Government Activities

Outputs/ Outcomes	Outcomes Observable	Outcomes Nonobservable
Outputs Observable	Production agency (Social Security)	Procedural agency (OSHA)
Outputs Nonobservable	Craft agency (War fighting)	Coping agency (University)



The Obama Administration's Performance Management Framework

Inputs

Activities

Mediating Variables

Short Term Outcomes

Longer Term Outcomes

- Leadership
- Prioritization of Performance Goals
- Evaluation Resources
- Integrated Performance Information Systems
- State & Local Data
- OMB Performance Team

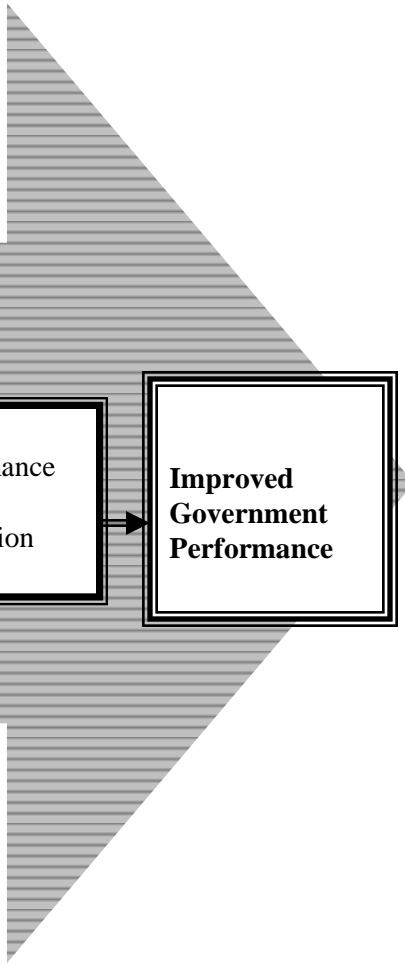
- Performance Reporting
- OMB Data-Driven Meetings-PMC and PIO
- Analyses of Performance Data (trends)
- Cross-Agency Goals Assessments
- Congressional Engagement
- Transparency in Data Sharing

- Resources**
 - Adequate Evaluation Capacity
 - Fiscal Pressures
 - IT Capacity
 - State & Local Government Capacity
- Consistency in Support**
 - Sustained Political Will
 - Congressional Committee Interest
 - Politicization in Citizen Interest
 - Media Coverage
 - Response of Career Leadership
 - Inconsistent Signals from OMB Staff
 - Networked Source Delivery Systems

- Data-Informed Management Decisions
- Communities of Practice in Performance Management
- Systematic Evaluation Regimes in Agencies

Performance Budget Integration

Improved Government Performance



Institutionalizing Performance

- Demand Side
 - Use in one of multiple stages of policy formation and implementation
 - Agency budget formulation and execution
 - OMB Review
 - Congressional appropriations
 - Audit and oversight

Roles of information in the policy process

- Policy enlightenment
- Agenda formation
- Policy formulation
- Policy evaluation
- Policy foresight

The dilemmas of success and rising expectations

- Progress inspires rising expectations for the “use” of performance information
- Goal: to transition from episodic to more systematic use
- Actors: external political actors and performance analysts

Performance Budgeting Tensions: Rising Expectations

- Move from strategic to instrumental
 - Strategic Planning and Reporting
 - Articulate and reach agreement on goals
 - Develop metrics and data
 - Frame questions for accountability
 - The “weaponization of performance”
 - Budget allocations
 - Personnel evaluations
 - Performance of grants and contracts

Risks from instrumental roles

- Risks to both the decisionmaking process and performance information
 - Higher stakes
 - Accentuate conflict
 - Crowding out other important criteria for decisions
 - Reveal unresolved gaps in analytic and political foundations of metrics
 - Inspire shirking and other opportunistic behaviors

Where Do We Go From Here?

- Continuing strategic plans and integration into agency budget presentations and accounts
- Continuing Assessments with a difference
 - Collaborative executive-legislative agenda
 - Selective reviews
 - Broader based reviews
 - More open review process
 - GAO evaluation syntheses
 - Congressional performance resolution