Performance Metrics and Budgeting

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George Mason University
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“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)
<table>
<thead>
<tr>
<th>Year Range</th>
<th>Focus</th>
<th>Emphasis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1900-1930s</td>
<td>Budget and Accounting</td>
<td>Dollars, People, Accounts</td>
</tr>
<tr>
<td>1940-1950s</td>
<td>Budget and Accounting</td>
<td>Transactions, Activities, Functions</td>
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<tr>
<td>1960+</td>
<td>GPRA 1993</td>
<td>Programs, Outputs, Outcomes, Impact</td>
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</tbody>
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- **Focus:** Dollars, People, Accounts
- **Emphasis:** Resources, Work, Purpose
The Goal: A Culture Shift

<table>
<thead>
<tr>
<th>Traditional Culture</th>
<th>Performance-Based Culture</th>
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</thead>
<tbody>
<tr>
<td>The focus is on blame and credit</td>
<td>The focus is on learning</td>
</tr>
<tr>
<td>Do your job well</td>
<td>Create great results</td>
</tr>
<tr>
<td>Measure what you do</td>
<td>Measure what citizens value</td>
</tr>
<tr>
<td>Measure activity in every unit and roll these measures up</td>
<td>Choose a few key bottom line measures of the value the organization creates. Ask</td>
</tr>
<tr>
<td>up to create an organizational measurement infrastructure</td>
<td>subordinate units to develop measures of ways they contribute to that value</td>
</tr>
<tr>
<td>Be clear about your role and turf</td>
<td>Be clear about the results you are seeking to create</td>
</tr>
<tr>
<td>The boss is the best judge of our work</td>
<td>Those whom we serve are the best judge of our work</td>
</tr>
<tr>
<td>Impose the best way of doing things from the top down</td>
<td>Workers are empowered to experiment on ways to improve performance using measures as the</td>
</tr>
<tr>
<td></td>
<td>yardstick of success</td>
</tr>
<tr>
<td>Measurement is used to find people to reward or punish</td>
<td>Measurement is used to help everyone learn</td>
</tr>
</tbody>
</table>
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
• 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.”
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
Federal Support for Housing, 2009

(Billions of dollars)

- Tax Expenditures for Homeownership
- Spending for Homeownership
- Spending for Rental Housing
- Tax Expenditures for Rental Housing

Housing Portfolio

Federal Support for Homeownership, 2009

(Billions of dollars)

- Mortgage Interest Deduction
- Making Home Affordable
- Subsidy for Fannie Mae and Freddie Mac
- Deductibility of State and Local Property Taxes
- Exclusion for Capital Gains
- First-Time Home Buyer Credit
- Neighborhood Stabilization Program
- HOME Investment Partnership
- Community Development Block Grant Program
- Exemption for Mortgage Subsidy Bonds
- USDA Rural Housing Programs
- Discharge of Mortgage Indebtedness
- Housing for People with AIDS

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 Rental Housing, 2009

(Billions of dollars)

- Housing Choice Vouchers (Section 8)
- Public Housing (Capital fund, operating fund, HOPE VI)
- Project-Based Vouchers
- Low-Income Housing Tax Credit
- Accelerated Depreciation (Normal tax method)
- Homeless Assistance Grants
- HOME Investment Partnership³
- Native American Block Grants
- Foreign Housing Exclusion and Deduction
- Rental Assistance Subsidy (Section 521, USDA)
- Exclusion of Interest on Rental Housing Bonds
- Housing Programs for the Elderly (Section 202)
- Housing Programs for the Disabled (Section 811)
- Community Development Block Grant Program³
- Housing for People with AIDS³

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).
OECD: Duration of performance reforms

Note: Includes responses from 27 out of 28 countries.
OECD: Use of Performance Data in Budget Decisions

Note: Includes responses from 26 out of 28 countries.
OECD: Nations using performance data to eliminate programs

Note: Includes responses from 25 out of 28 countries.
• 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

<table>
<thead>
<tr>
<th><strong>BUDGET</strong></th>
<th><strong>PERFORMANCE PLANNING</strong></th>
<th><strong>STATEMENT OF NET COSTS</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency</td>
<td>General Goal</td>
<td>Agency</td>
</tr>
<tr>
<td>Budget Account</td>
<td>Strategic Objective</td>
<td>Responsibility Segment</td>
</tr>
<tr>
<td>Program Activity</td>
<td>Performance Goal</td>
<td>Segment Output</td>
</tr>
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Source: GAO.
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

<table>
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<tr>
<th>Outputs/Outcomes</th>
<th>Outcomes Observable</th>
<th>Outcomes Nonobservable</th>
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<tr>
<td>Outputs Observable</td>
<td>Production agency (Social Security)</td>
<td>Procedural agency (OSHA)</td>
</tr>
<tr>
<td>Outputs Nonobservable</td>
<td>Craft agency (War fighting)</td>
<td>Coping agency (University)</td>
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</tbody>
</table>
Grants-in-Aid Transfer Payments to Individuals

Tax Expenditures

Revenues

User Fees & Charges
Vouchers

Corrective Taxes & Fees

Regulate

Social & Economic Regulation
Permit Trading
Information, Training & Advice

Government

Procurement & Contracts
Transfer Payments to Individuals
Government Credit & Insurance

Non-Government

Federal Contractors
State/Local Contractors
For Profits
Private Individuals...

Performance Mgmt
Human Capital
Budgeting
Financial Mgmt
IT Mgmt
Acquisitions Mgmt

Exec. Agencies
Agency
Partnerships
Foreign
Gov’t Corporations
Non-Profits
Faith-Based

Information, Training & Advise
The Obama Administration’s Performance Management Framework

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

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

**Mediating Variables**

**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

**Short Term Outcomes**
- Data-Informed Management Decisions
- Communities of Practice in Performance Management
- Systematic Evaluation Regimes in Agencies

**Longer Term Outcomes**
- Performance Budget Integration
- Improved Government Performance

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

**Outputs**
- Consistency in Support
- Resources
- Short Term Outcomes
- Longer Term Outcomes
- 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 an 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