

Performance Based Budgeting

Orientation & Phase I Overview

Performance Based Budgeting Steering Committee

Topics

- Why Performance Based Budgeting
- What is Performance Based Budgeting
- Implementation & Key Dates
- Evidence Based Initiatives & Results First
- Levels of Evidence Ratings
- Phase 1 Overview
- Program Inventory Template
- Questions & Discussion

Why Performance Based Budgeting

- Alvarez & Marsal -- Kansas Statewide Efficiency Review
 - Recommendations:
 - Conduct program service inventory
 - Include evidence of program effectiveness in budget decisions
 - Implement performance budgeting
- **HB 2739**
 - Authorizing legislation

Why Performance Based Budgeting

- A need for emphasis on outcomes and performance measures
 - Not used well by decision-makers in current budget process
 - Bring agency results to the forefront of budget decisions

What is Performance Based Budgeting

- “A budget preparation process that emphasizes performance management”
 - Based on efficient and effective service delivery
 - Provide clear signals how to best appropriate funding
 - Underwhelming performance measures do not indicate a program should be defunded
- Correlate dollars with outcomes
 - How agency achieving goals relative to committed resources

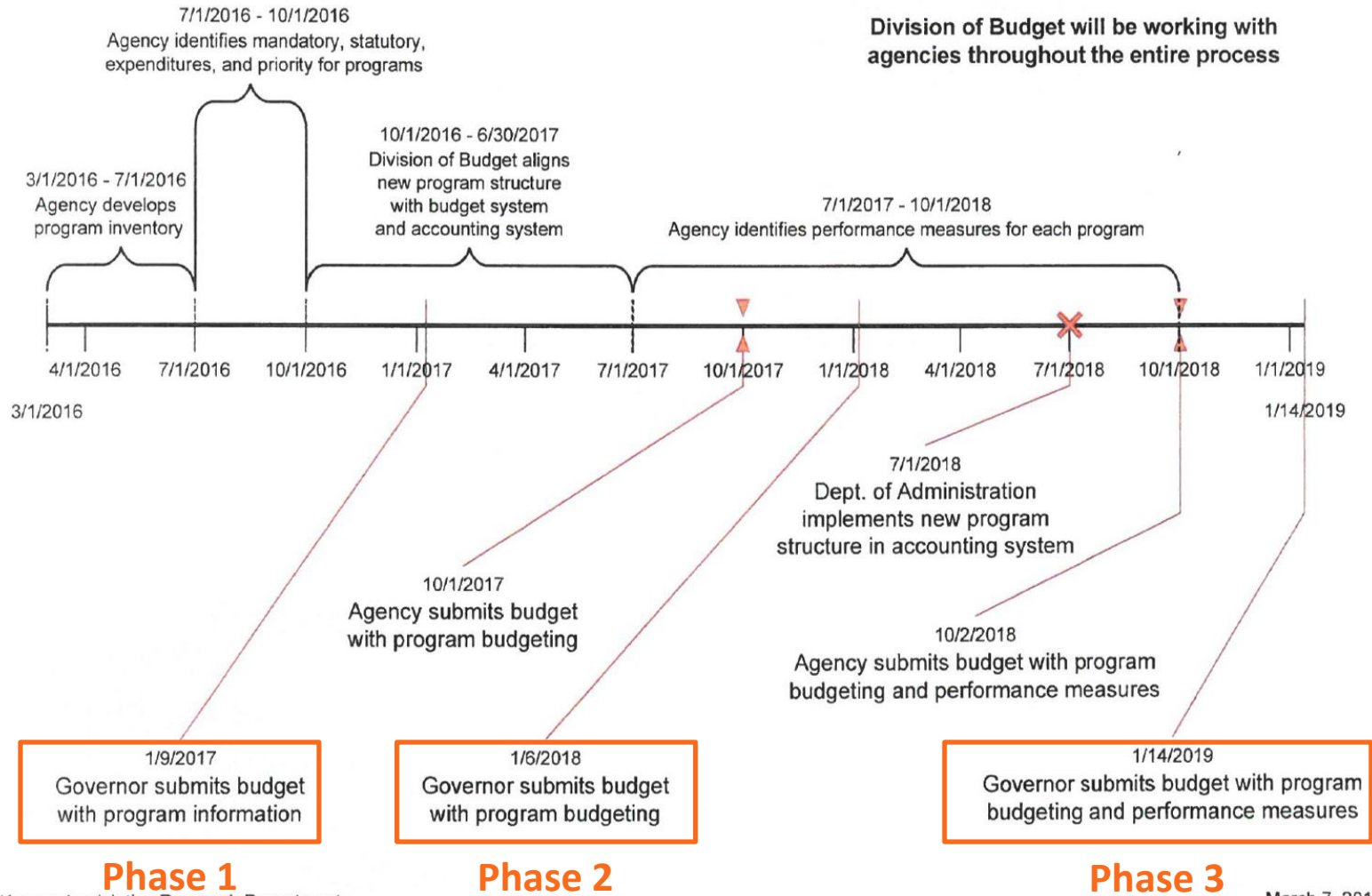
What is Performance Based Budgeting

- Succeeds if:
 - Commitment by state leadership
 - Agency and program service goals align with performance measures
 - Continuous training and education

What is Performance Based Budgeting

- Less successful when:
 - No purpose or direction
 - No link to organization wide objectives statements
 - No training or support for agency personnel
 - No performance measures reflected in agency budgets
 - No support from the budget office
 - Unrealistic expectations
 - Easy budget decisions
 - Allow reductions without affecting core missions
 - No monitoring

Time Line to Implement Performance Based Budgeting in Kansas



Implementing Performance Based Budgeting: Phase 1

- Program Inventories (HB 2739)
 - Identification of agency **programs** and **subprograms** by objective, function and purpose
 - Statutory authorization
 - Mandatory versus discretionary programs
 - Program history
 - State matching or other federal requirements
 - Priority ranking all programs and subprograms
 - Consequence of not funding program or subprogram

Implementing Performance Based Budgeting: Phase 1

- Program Inventory Template
 - Available on Division of Budget website
- PBB and regular budget process run concurrently
 - Agencies submit budgets in September using current budget process
 - Program inventories submitted separately

Implementing Performance Based Budgeting: Phase 1

- **Total budget entered into your program inventories should match your total September budget submissions for FY 2017, FY 2018 and FY 2019**
- **Budget figures in the program inventories submitted to the 2017 Legislature will be Agency Request, not the Governor's Recommendation**

Implementing Performance Based Budgeting: Phase 2 & Phase 3

- Phase 2

- Alignment of IBARS and SMART with new program structures
- Budget submissions using new program structures

- Phase 3

- Incorporation of outcome based performance measures
- Compare program effectiveness across multiple state and political boundaries

Implementing Performance Based Budgeting

- Some dates will be adjusted to accommodate workload capacity of state fiscal staff
- **Hard deadlines** will be the dates information required to the Legislature
 - Specified in HB 2739

Implementing Performance Based Budgeting: Phase 1 Key Dates

- **October 17, 2016**
 - Agencies submit drafts of program inventories to **Division of the Budget** and **Kansas Legislative Research Department** analysts
- **December 1, 2016 (not in timeline)**
 - Agencies submit program inventories and materials supporting evidence ratings to Division of the Budget analysts

Implementing Performance Based Budgeting: Phase 1 Key Dates

- **January 9, 2017**
 - Governor submits program inventories to Legislature
 - Budget figures in the program inventories submitted to the **2017 Legislature** will be as of the **Agency Request**, not the Governor's Recommendation

Results First

- When possible, PBB will be linked to external evidence based initiatives
- Pew-MacArthur **Results First Initiative**
 - Develop tools to identify effective programs that yield high returns on investment
- Results First partners will:
 - **Create an inventory of currently funded programs**
 - **Review which programs work**
 - Conduct benefit-cost analysis to compare programs' likely return on investment
 - Use evidence to inform spending and policy decisions

Results First

- Limited policy areas
 - Adult criminal justice, juvenile justice, education, child welfare, general prevention, substance abuse, mental health
- **Start with 1 “Results First pilot agency”**
 - Will use the Results First approach
 - Create a Results First program inventory using the Results First template

Results First Program Inventory & PBB Template

- Results First program inventory template separate from PBB template
 - Some information overlap
 - Used to collect the necessary data points to determine a given subprogram's *evidence level*
 - Help agencies inform programmatic decision making
 - Use for internal policy making
 - **Does not need to be submitted**
- All agencies required to submit PBB template
 - Common reporting document

Levels of Evidence Ratings

- Categorize programs according to their evidence of effectiveness
- **Results First Pilot Agency**
 - **Must categorize subprograms using the Results First approach and rating system**
 - This is necessary to properly match subprograms to the **Results First Clearinghouse**

Levels of Evidence Ratings

- **All other agencies**
 - Similar but alternative rating system for subprograms
 - “KS” designation = Kansas-specific rating criteria
 - Based on number of sources
- Agencies should submit materials or references supporting their level of evidence ratings along with their PBB program inventories

Phase 1 Overview

- Phase 1 is to re-examine agency programs and subprograms by objective, function and purpose.
 - Program identification and agency function is the first step in the development of a Program Inventory.
 - The Program Inventory provides the basis for Phase 2 and Phase 3 of PBB.
 - The information found under the Strategic Planning section of the Budget Instructions is also useful for this exercise.
- Agencies should identify their agency functions or mission statements prior to beginning program identification.

Template Components

- **Agency Function or Mission Statement** - Agency functions encompass the total purpose for an agency's existence. If an agency is engaged in an activity that does not fit within the agency function, an analysis should be engaged as to whether that activity is a better fit within another agency.
- **Program Mission Statement** - The program mission statement conveys the purpose for which a program exists. A mission statement does not include specific goals but rather describes outcomes the program is attempting to achieve.

Program Definitions

The Government Accountability Office defines a program as, “Generally, an organized set of activities directed toward a common purpose or goal that an agency undertakes or proposes to carry out its responsibilities.”

Using this definition, we can define subprogram to mean a single activity or focus within a program that is tied to specific outcome. For agencies using Results First, the concept of “prevention program” is used rather than subprogram. When completing the program inventory, programs should be seen as “families” of like subprograms (activities) or prevention programs.

Client Focused Programs

When developing a performance budgeting system, programs should be based on either outcomes or clients whenever possible. Outcomes are the specific end result the program is trying to achieve. A client focus will be on a specific entity or consumer group. When considering how to identify programs and subprograms, the following questions should be considered:

- What statutory or regulatory requirements are required of my agency?
- Who are my clients? For regulatory agencies, think both in terms of Kansas citizens who operate within a regulated environment and those individuals or entities which are regulated. For human services agencies, clients are those persons who avail themselves of your services.
- What is the outcome my agency is attempting to achieve?

Other Program Characteristics

- **Externally recognizable.** Agencies should use programs that are or relate to programs or objectives used in appropriations bills, statute, are recognized by stakeholders, or are already publicly known; agencies should use program names that are known outside the agency, and generally not create new names.
- **Operationally Meaningful.** Agencies should use programs that are operationally meaningful to agency senior leadership and components of the agency. Programs should represent how the agency is managed and delivers on its mission.

- **Linked to an organizational component(s)**, such as headquarters, bureau or office. Programs should be operationally meaningful to the agency and agency senior leadership.
- **Persistent.** Generally, programs that persist over time should be included. However, agencies have the flexibility to identify short-term efforts as programs.

Other Program Characteristics

- Some current program designations in state budgeting are program “themes” and include several programs that have different functions, clients or outcomes.
 - These program themes occur when agency programs and budget data are “rolled up” or aggregated within the budget system and reported to the Legislature.
- One of the purposes of PBB is to disaggregate some of these large groupings into discrete programs for statewide budgeting and reporting. Many agencies are already organized and budgeting at these lower program levels. In these cases, the information required for PBB will not be much different than the information that is already submitted under the current budget process.

Other Program Characteristics

Example 1: *Department of Agriculture.* The Division of the Budget and Legislative reporting use the program Agri-Business Services. However, this program is actually made up of several programs including Meat and Poultry Inspection, Dairy, Agricultural Commodities Assurance, Weights and Measures, Grain Warehouse, Agricultural, Laboratories, Food Safety, and Plant Protection. While all of these programs are related to the Agri-Business Services program theme, under PBB they could be viewed as separate programs because of different program goals, performance measures, functions and sets of activities.

Each Program classification above should be further evaluated to determine if the program fits within a client\outcome focus or is more activity based. The Food Safety and Plant Protection Programs are client and outcome based. The Laboratories Program should be more closely examined to determine who are the clients and what objectives are desired to be achieved.

Other Program Characteristics

Example 2: Department of Corrections. Currently, budget information is reported using the program Reentry & Offender Programs. However, this program is made up of several programs including sex offender treatment, substance abuse, academic and vocational education, employment, cognitive skills-building, family services, transitional housing, mentoring, and reentry and release planning. All of these could be listed as separate programs in the program inventories each with their own, specific subprograms or prevention programs. Each of these program classifications has a clear client focus.

Allocated Cost Programs - During Phase 1 of implementation, expenditures associated with programs that provide centralized services for an agency, such as administration, IT, legal or other, should be allocated to the various direct service programs. Please see Program Inventory Template: Step-by-Step for additional comments on how overhead costs are to be allocated.

Other Program Characteristics

Template Components

- **State or Federal Statutory Citation** - For mandatory programs include the state or federal statute requiring that program. Please do not rely on the general authorizing statute for the agency but only specific statutes for identifiable programs.
- **History of the Programs** - This should include:
 - A description of the program;
 - When the program was authorized,
 - Anytime the program was moved between agencies;
 - History of legislation impacting the program; and
 - Other significant program events.

Template Components

- **State Matching or Other Federal Financial Requirements** - If your program has either a state match or maintenance of effort requirement, please indicate that fact. The agency is not required to indicate the amount of the maintenance of effort requirement or the specifics of the match.
- **Prioritization of the Level of All Programs and Subprograms** - Indicate from 1 to X the level of priority for the program based on the following considerations:
 - Statutory requirement for the program;
 - The relationship between the program and the agency function and mission statement;
 - Impact on the public if program if not funded;
 - The program's performance measures; and,
 - Whether other third parties could absorb the program responsibilities.

Template Components

- **Performance Measures**

- Agency performance measures are tracked on a separate tab in the template and organized by program and fiscal year.
- *Phase 1* – Agencies may import the existing output measures which are submitted to the Division of Budget as part of the agency narrative into the revised template.
- *Phase 2 and Phase 3* - PBB will focus on converting the existing output based measures to outcome and evidence based rating systems.

PBB Template

- Template is universal
 - Results First pilot agencies will also use templates provided by Pew
- Used for informational purposes
- Template is broken down into 4 different sections
 - Agency Overview
 - All agency programs are listed
 - Allocations
 - Overhead costs are allocated to direct service programs where possible
 - Program Overviews (Allocable and Direct)
 - Fulfills requirements of HB 2739
 - Performance Measures
 - Try to focus on efficiency and effectiveness, not outputs

Allocations

Spreadsheet in Balance? \$ - \$ - \$ - \$ - \$ - \$ -

Program	Subprogram	FY 2017		FY 2018		FY 2019	
		SGF	All Funds	SGF	All Funds	SGF	All Funds
Overhead Program 1		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<i>Subprogram</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<i>Subprogram</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<i>Subprogram</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<i>Subprogram</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<i>Subprogram</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<i>Subprogram</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<i>Subprogram</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<i>Subprogram</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<i>Subprogram</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Program	Subprogram	FY 2017		FY 2018		FY 2019	
		SGF	All Funds	SGF	All Funds	SGF	All Funds
Program 1		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<i>Subprogram</i>						
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Program Overview (Allocable)

Overhead Program 1														
		History:												
		Program Goals:												
Sub-Program Name	Priority	Required by Statute?	Statutory Basis	MOE Requirement	Purpose	Consequences of not Funding	Level of Evidence Rating	FY 2017 SGF	FY 2017 AF	FY 2018 SGF	FY 2018 AF	FY 2019 SGF	FY 2019 AF	
Subprogram								\$	-	\$	-	\$	-	\$
Subprogram								\$	-	\$	-	\$	-	\$
Subprogram								\$	-	\$	-	\$	-	\$
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Subprogram								\$	-	\$	-	\$	-	\$
Subprogram								\$	-	\$	-	\$	-	\$

Program Overview (Direct)

Program 1											Program Priority: ##				
History:															
Program Goals:															
Sub-Program Name	Priority	Required by Statute?	Statutory Basis	MOE Requirement	Purpose	Consequences of not Funding	Level of Evidence Rating	FY 2017 SGF	FY 2017 AF	FY 2018 SGF	FY 2018 AF	FY 2019 SGF	FY 2019 AF		
Subprogram								Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$		
Subprogram								Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$		
Subprogram								Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$		
Subprogram								Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$		
Subprogram								Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$		
Subprogram								Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$		
Subprogram								Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$		
Subprogram								Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$		
Subprogram								Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$		
Subprogram								Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$	Direct \$ Indirect \$ Total \$		

Performance Measures

Program 1							
Subprogram	Performance Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Est.	FY 2018 Est.	FY 2019 Est.
	Measure 1						
	Measure 2						
	Measure 3						
	Measure 4						
	Measure 5						
	Measure 6						
	Measure 1						
	Measure 2						
	Measure 3						
	Measure 4						
	Measure 5						
	Measure 6						

Support Materials

- Division of the Budget website:
<http://budget.ks.gov/>
- Agency Information and Download Center
 - Performance Based Budgeting Phase I Guide
 - Performance Based Budgeting Program Inventory Template
 - Timeline
 - Presentation

Questions & Discussion

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