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State Performance-Based Budgeting in Boom and Bust Years: An Analytical Framework and Survey of the States

The authors examine the track record of applying performance-based budgeting (PBB) across three time periods within a sample of U.S. state governments: (1) throughout the 1990s, (2) in the early 2000s, and (3) during the Great Recession. State-level PBB is analyzed according to four elements: (1) the development of performance measures, (2) its applicability to budgeting and management processes, (3) its utility across the business cycle, and (4) its usefulness for budget players. An analytical framework is devised that highlights the “publicness” of American government, draws on the principal–agent model, and considers incentive mechanisms theory. Findings confirm that a good performance measurement system takes time to develop and operate well and that PBB functions more effectively for executive management than legislative purposes. PBB is used more by the states during strong economic times as opposed to during economic downturns. More importantly, PBB is only selectively applied by legislators in most states, whereas top executive policy makers, middle managers, and staff embrace and utilize PBB systems more extensively.

This essay examines the development, adoption, and implementation of performance-based budgeting (PBB) in 11 sample states. The purpose of this small-sample, stratified survey is to present a clearer picture of how PBB has operated in the representative states across different economic periods. We use a multipronged approach to examine PBB applications in the sample states that includes a review of budget documents, processes, protocols, and reports, coupled with interviews of primary budget players in each state. The intent is to understand how PBB is applied in up and down economies. While much research exists that assesses PBB systems as applied in the states, much of this literature is based on single-state case analyses or one-point-in-time surveys of the perceptions of reform effectiveness of budget directors and/or agency and program managers. This research attempts to track PBB implementation across time and in a number of states that exhibit a wide variety of reform application efforts.

The Promise of Performance Reform
A primary assumption of this work is that PBB is a type of budgetary reform with one intent—to provide implementing governments with structures and processes to support management through good and bad economic times. The Pew Center on the States (2009) claims that states that use performance budgeting create a foundation for a better economic and fiscal future, and that by using PBB, states will be able to make “smart” spending decisions in boom years and “intelligent” budget cuts when necessary in lean years. Questions that we investigate here include the following: Does PBB help governments handle financial difficulties in a down economy? More specifically, is PBB a fully operational budgeting tool? Since December 2007, the U.S. financial crisis, second only to the Great Depression, offers a time that is ripe for placing a reform such as PBB under the microscope. That is, the current economic downturn offers a good opportunity to determine the resiliency of what has been a popular budget reform in the states.

In fact, the 1990s was a period in which PBB development flourished in U.S. governments. Stagflation in the 1970s and growing federal deficits throughout the 1980s laid the groundwork for subsequent budget reform efforts nationwide. On the ideological side, the reversal in the Ronald Reagan years of the liberal fiscal policies...
that characterized the New Deal in the 1930s through the Great Society programs of the 1960s (Stein 1996) paved the way for market applications to public management—efforts that started earlier in Great Britain. Unprecedented and lasting economic prosperity throughout the 1990s seemed to create unlimited possibilities for government innovation. The Government Performance and Results Act of 1993 focused the national government on measuring the success of government programs and activities. Similarly, 31 states (62 percent) had legal requirements in place by 1997, 16 states (32 percent) had administrative requirements, and just one state, Missouri, had a performance-based initiative in the form of an executive order. At this time, most of the performance budgeting legislation was just five years old or less, with most of these laws passed in the early to mid-1990s (Lu, Willoughby, and Arnett 2009).

To examine the development and use of PBB since the 1990s, we have selected 11 states. Small as the sample is, it includes states from the West Coast, the Mountains, the Mid-Atlantic, and the Southeast U.S. Census regions. Among these states, we have included not only those that have excelled in their PBB applications (such as Oregon and Utah) or those that have relatively well-used performance measurement systems (such as Louisiana and Florida), but also states that either have struggled to incorporate PBB well into their budgeting systems (such as California and New Jersey) or have been hesitant in using performance data even if available (such as Georgia and New York). We also include in the sample Washington and Maryland, states with systems that initially were considered failures, but have met with success more recently. These sample states display variation in their political traditions, ideologies, economies, and fiscal and demographic sizes, thereby supporting the sample’s representativeness and the study’s reliability.

Our methodology is qualitative, with significant reliance on the analysis of paper and virtual documents. Our team examined all major legislation, budgets, and reports related to PBB in these states from 1995 to the present. We complemented this document review and analysis with interviews of budget, finance, and management officials in the states for their personal and professional views on PBB and its use.

Results of this work should contribute to our understanding of budgeting reform in the states in a couple of ways. First, it assesses PBB across two decades and during several economic cycles—its rise in the 1990s, its use in the 2000s, and its sustainability in the current recession. This division across time periods helps reveal the life cycle or evolution of a budget reform in a generic sense. Second, it draws a tentative inference about the nature of PBB applicability—despite all claims and expectations, PBB may better serve as a management tool than an effective budgeting tool.

A Reform Lays Dormant, Then Surges Ahead

The antecedent of PBB dates back to what was called “performance budgeting” more than 60 years ago at the federal level of government, an input-oriented government management reform initiated in the late 1940s and early 1950s for the purpose of advancing efficiency and effectiveness (Hoover Commission 1949). This reform did not arise from fiscal stringency, however, as the country was then harvesting the “fiscal dividend” from a revenue system that was continued following World War II (Schick 1990). The federal personal income tax was applied to every income earner with a top marginal rate over 90 percent, which provided an “inexhaustible” revenue source and filled the federal coffers. Federal and state governments were concerned not with budget gaps but rather with laying the infrastructure for future productivity growth. States were starting to levy general sales taxes that would soon become their second-largest revenue source. At this time, revenue abundance and preoccupation with large-scale construction derailed the reform recommendations of the Hoover Commission.

Nonetheless, traces of performance budgeting were sustained here and there (Schick 1971). That is, such reform initiatives planted the seeds of administrative and managerial accountability in the minds of the public. In some respects, performance budgeting, or the concepts regarding measurement and improved accountability, hibernated, waiting for a period of revival. By the late 1970s, with the welfare state fully launched by the Great Society programs, stagflation the national buzzword, and a national economy transformed from manufacturing based to service oriented, the American public was more accepting of this old theme. On the other side of the Atlantic, British Prime Minister Margaret Thatcher had already started a conservative trend by privatizing her government’s public enterprises (Hou 2007; Stein 1996). Ronald Reagan pressed for smaller government, deregulation, and a reversal of long-standing liberal fiscal policies.

A decade later, David Osborne and Ted Gaebler (1992) directly applied a market approach to government operations—using an entrepreneurial spirit to transform the public sector. The Bill Clinton administration took advantage of the trend by adopting the National Performance Review (NPR) (1993) program. Two years into the Clinton administration, “performance” had become the zeitgeist. Under the leadership of Vice President Al Gore, the NPR was widely touted as the answer to low efficiency, waste, and poor financial management. Thus performance budgeting was revived as PBB.

By the mid-1990s, the U.S. economy was prosperous again, it would last for the decade (second in longevity only to the 1920s). The NPR and the GPRA required federal agencies to compile and implement five-year strategic plans and to develop performance measures; state and local governments soon joined in at an even more accelerated pace. Within a few years, more than three-fifths of the states and many metropolitan governments had also passed legislation for PBB systems that required the development of strategic plans and performance measures. By the end of the decade, these governments were even beginning to display measures of performance using the increasingly popular World Wide Web. More significantly, the movement culminated in requirements for performance measurement reporting in budget preparations. During the early 2000s, governments began to populate other phases of the budget process with requirements for performance measurement reporting as well.

The short (eight months) 2001 recession, coinciding with the 9/11 terrorist attacks, only temporarily halted or overshadowed PBB efforts in the country. State budgets began to surge forward fiscally by 2003, and the PBB movement was recharged. In the years since 2001 and up to the current crisis (starting in December 2007), PBB efforts have been sustained.
The current recession is second only to the Great Depression in severity. Given the overwhelming pressures of continuously declining revenues and ever-increasing demands for government relief, the PBB movement today, with its requirements for performance measures, missions, and strategies, could easily become distracted from its original path. Program cuts and service reductions are too numerous and significant to be “intelligent”; personnel changes such as furloughs, early retirements, salary reductions, and layoffs seem to be more desperate than “smart.” Services at the bare bones are kept, regardless of performance. This period provides a test stone for the sustainability and usefulness of PBB. Has PBB been used and proven effective as a budgeting tool, in financial planning, in resource allocation, and in daily management? If yes is the answer to these questions and for this period of time, we will conclude that PBB has successfully stood the test of sustainability in an economic downturn and achieved its utility as a fully functional governance tool for the twenty-first century. A hesitant or ambivalent answer indicates to us that PBB is not yet fully functional. A negative answer calls into question the substantial and significant work that has been conducted thus far to integrate PBB into government budgeting and management systems.

An Analytical Framework for Understanding PBB
This section develops an analytical framework within which to place PBB. Our evaluation of PBB’s performance in the states will be based on this framework.

Budgeting and Accountability under the Principal-Agent Model
Public budgeting is a modern governance tool. It serves its design purposes by holding public officials accountable, which is the fundamental relationship between budgeting and democratic values—accountability to taxpayers and voters. This is political accountability, with voters being the principal and public officials the agents. Public budgeting can be understood as practiced around this political accountability concept under the principal–agent model. The executive branch preparation of the budget is the agent assembling a task list with details on costs (inputs) and deliverables (outputs). The legislative deliberation of the budget is the principal, on behalf of voters who elected them as representatives, examining that task list, and checking its validity and feasibility. Then, legislative approval of the budget represents entering into a contract with the agent. Executive execution of the approved budget is the agent—chief elected official with his or her cabinet—implementing the contractual obligations to deliver the contracted services. Finally, after the end of the fiscal year, the legislature audits the budget and evaluates the performance of the executive, to make sure that the promised services have been delivered at the contracted time, amount, and quality and, assuming a performance orientation, that the agent has performed efficiently and effectively.

The executive budget reform movement (1907–1921) that characterized the Progressive Era aligns well with the principal–agent model—specifically, this era was focused on control, fighting corruption and waste, and improving government efficiency. Government was considered like a corporation. If the private sector could deliver a service at low cost, there should be no reason that the government could not do the same (Willoughby 1918). As noted earlier, the performance budgeting efforts that sprang up in the late 1940s took these concepts to heart: the public is investing huge amounts of tax dollars into the government programs; therefore, government should be held accountable for its “performance” in light of this budget support. Still, given that resources were bountiful during this period, there did not exist adequate political or public momentum for launching a major push for this scientific management orientation.

The birth of modern performance-based budgeting in the 1990s illustrates the correlation between resource scarcity and the call for accountability. Essentially, governmental budgeting and budget reform movements have at least three audiences at the same time. First and foremost is the legislature, representing the taxpayer and voter group to enter contracts and serving as the principal in the contractual obligation. A budget prepared and compiled with the PBB methods and techniques must be able to satisfy the political needs of these representatives, in their communication to their constituents, in their oversight role of government’s work, and in making budgetary decisions, that is, in allocating resources between programs and choosing different levels of services to produce and provide. Second, but no less important, is the agent, the executive branch. The performance-based budget should be useable and useful as a tool for managerial convenience to increase efficiency and effectiveness in the production and provision of public services. Finally, a performance-based budget should also be useful to the general public, the ultimate principal, so that taxpayers can, if they so choose, use the information easily obtainable in this document to challenge the government when the promised services are not delivered or are not delivered at the expected amount or quality.

Publicness and Unique Functions of Government
That said, it is not easy to hold public officials accountable so clearly because the functions of government are unique and the public sector is distinctly different from the private world. First, because governments draw their (fiscal) resources from taxpayers, this sector faces the highest degree of public scrutiny. Second, government exists to provide services that are not provided or perhaps not provided as well by the private sector, given features of externality. The benevolent, just, and protective aspects of democracy mean that many public services must be provided, even in periods of fiscal stringency and even if the resources necessary for provision cannot be recouped. Finally, government faces trade-offs on multiple fronts, the most frequently associated with the performance movement perhaps being that between efficiency and equity. Thus, multitasking is endogenous with the public sector; it cannot be eliminated, which makes it much more difficult for the public sector to achieve the same level of efficiency as the private sector.

Incentive Mechanisms in Government
When examining the behavior of politicians, public officials, and government employees as rational individuals under the principal–
Incentives are mechanisms that are designed and used to mobilize the potential and initiatives of individuals and organizations. The principal—taxpayers, the legislature, federal or state government—entrusts a task or mission with an agent, whether it is government in general, or a federal, state, or local government agency, or an individual in these agencies. The implementation of the task depends on the efforts of the agent, which, in turn, depend to a large extent on the incentives applicable to the task, so that the agent will have clear and realistic expectations about his or her own performance on the job.

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Incentive contracts are one of many devices that have been used to handle goal inconsistency and information asymmetry between the two sides. These contracts are designed to provide incentives; a principal can use them to induce the agent to work harder by tying the agent’s payment to performance. Such contracts hold when the agent’s output (performance) is easily observable and specifiable into the contract for verification. Output is determined by the agent’s effort and other random factors. The contract is composed of two parts: the first part is fixed or basic pay for the agent, disconnected with his performance; the other part is tied to his output. The design of an incentive contract is subject to two restraints. The first is “participatory restraint,” to let the agent willingly accept the contract out of consideration of his own interest. The second is “incentive-consistent restraint”—the amount of agent effort expected by the principal must be the optimal amount of effort the agent will choose under the said contract. The difficulty is how to tie the agent’s pay with his output. Though in theory the design of incentive payments is very complex, incentive contracts are often linear—pay is positively and linearly correlated with output. The rationality of this linearity lies in the fact that, when certain conditions are satisfied, linear incentive contracts can provide the maximum incentives (Holmstrom and Milgrom 1987).

There is always uncertainty in delivering the contracted terms, which is a risk to the agent. The involvement of risk further complicates the incentives issue. We can assume that the principal is risk neutral and the agent is risk averse; then the design of the agent’s pay under a linear incentive contract must consider the extent of the agent’s risk aversion and the impact of his efforts on output. The most fundamental task for the principal is to balance efficiency and risk sharing. To provide the highest incentive, pay should be tied closely with output—the closer the tie, the higher the efforts and hence the output. On the other hand, the close tie of pay to output places the agent on an upward-sloping curve of pay fluctuation. To the risk-averse agent, it means a rise in utility loss. Because the principal is risk neutral, he should take on more of the risks involved, which is to provide fixed pay to the agent. Therefore, the best incentive contract should seek the optimal balance between efficiency (output) and risk sharing.

Two inferences can be drawn from the foregoing discussion. First, strong incentives should be provided when the output is highly dependent on the efforts of the agent—output is within the agent’s control. In contrast, weak incentives should be provided when the output is subject to random factors that are outside the agent’s control and uncertain. This necessarily means that in an environment in which the output is completely independent of the amount of effort, fixed pay is more appropriate than tying pay to output, and that weak incentives are more preferable when agent effort is hard to observe and measure; in this case, measurement errors act like random disturbances, a utility loss to the risk-averse agent.

Second, weak incentives should be provided when the agent is highly risk averse, but strong incentives should be provided when the agent is sensitive to incentives. This means that more able agents should be more highly paid, ceteris paribus, and that when the same task is entrusted to multiple agents working in similar environments, relative performance evaluation can provide better incentives. In this case, agents’ pay is determined not only by their own performance but also the performance of the other agents. Bringing average performance into the incentive contract helps tease out the disturbance of common noise and formulate more accurate evaluation of the agent, that is, reduce measurement errors.

Measurement of Government Performance

When it comes to measuring the performance of government, the evaluation must be tied to incentives that come in as status, promotion, or pay. These three are interconnected with one another, or highly endogenous. In the past, though perhaps not currently, government jobs have not been as highly paid as comparable private sector ones. Certainly, in the public sector, salary at each rank and
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step is strictly prescribed; any change of the pay schedule will have to go through tight scrutiny by the legislative branch. Promotion is an “all-depends” matter, so it is not easy either. Status is closely correlated with pay level and rank. In the best of economic times, government jobs pay moderately but raises are regular; such pay and scheduled raises plus job security and what have been generous benefit packages have made public employment attractive. During economic downturns, however, no raises are possible, salaries and benefits may be cut, even job security is in jeopardy, and employee morale suffers. In such scenarios, employees are often pressed to do more with less. As well, performance expectations must rest on individual’s sense of public service or “civic duty” rather than a technical efficiency idea of performance. In fact, measurement of performance may not make sense at all.

On another hand, performance is more often than not relative, in the public sector as in the private sector, as results of (1) one's own (or one agency or one government) efforts and (2) performance of others (individual or entity). Factors that affect both include one's own efforts, special factors, and common disturbances. The necessity to consider the last one is to reduce errors in the measurement of the agent's effort. In addition, typical of government is the multi-task principal–agent problem, like the efficiency–equity trade-off or conflict. If faced with multiple tasks and there exists huge variation in measurability, then the agent focuses on easily measurable tasks, which reduces one's effort, or the agent may even give up effort on tasks the agent deems are immeasurable. By consensus of the public budgeting field, performance is to be measured in short-term outputs, anticipated long-term results, and cost–benefit analyses (NGA/ NASBO 2008). In other words, it must be something measurable. As outlined earlier, the unique features of government make the expectations of performance-based budgeting difficult to achieve.

To summarize, the analytical framework for this article is as follows: Government is uniquely different from the private sector, with essential functions that the private sector cannot take over. Public budgeting is, by design, a governance tool to hold public officials accountable for their performance on the job. For that purpose, incentive mechanisms are in place to boost their performance. These incentive devices, however, present or are faced with many obstacles that impede full function because of conflicts with the essential features of the public sector. In the scenario of economic downturns, it is hardest to achieve the expected outcome of these devices. Performance-based budgeting must fulfill the roles of financial planning, resource allocation decision making, daily management, and performance evaluation. If PBB can satisfactorily fulfill these roles, it is a real budgeting system; if not, it cannot serve as a fully functioning budgeting system, and the name of PBB would be a misnomer.

**State PBB and the Framework**

Placing PBB within this framework leads us to the following inferences. First, PBB was a revival of the performance budgeting of the 1940s, a phoenix reborn several decades later to achieve multiple “noble” causes at the same time—efficiency, effectiveness, accountability, and organizational focus on outcomes. PBB was a redesigned reform that came with high hopes to fulfill several budgeting tasks: planning and allocating financial resources by prioritizing among many competing and often conflicting demands, managing the execution of the allocated resources in the course of the fiscal year, and evaluating the performance of the programs and officials and employees, which is expected to feed back into the budgetary decision making for the next fiscal year. Second, the design of PBB is based on the idea that the inclusion of performance measures in the budget and across budget phases enables easy observation of programs to see how well the government is achieving promised (and hence desired) outcomes. Such information will be used in making budgetary decisions, which can allocate resources to specific programs that are performing and direct more resources where deserved, and cut programs that are not performing or believed to be unnecessary, instead of an across-the-board approach. This is supposed to be a major improvement on the traditional line-item, input-oriented budget.

Under such a design, states have attempted to introduce incentives devices that have been effective in the private sector, such as “performance pay” (which grants extra pay raises based on excellent performance) and “redirected savings programs” to reward successful individuals and agencies (which allow departments to redirect a certain percentage of its PBB savings to chosen areas). Such incentives were used incrementally in the late 1990s and became widespread in the 2000s. In the past two years, however, none of these initiatives seem to have worked well during the financial crisis. We examine in detail PBB systems in our sample states using this framework in the next section.

**Lessons and Discussion**

The portfolios of the 11 states that we examine in this study highlight some interesting and important aspects of PBB as it has been applied since the mid-1990s. In particular, the past two years serve as a contrast to the growth economy of the 1990s. From these highlights, the following selective observations are distilled to draw more focused attention by scholars and practitioners who are interested in budgetary development.

**Performance Measures Are Developed Incrementally**

Our examination of the PBB initiatives in the sampled states and their agencies confirms the proposition that major changes to the budgeting process have to be incremental, and that the development of useable and (though not necessarily) accurate performance measures takes time. Neither can be done quickly or with haste. The California Department of Finance’s review of the state’s pilot PBB program recognized its inability to predict long-term results or benefits (Smith 2004). According to the California Legislative Analysts’ Office (1996), short-term results show little or no major differences in the actual budgeting process or agency performance. On the other hand, once a set of performance measures has been used in developing budgets, those measures may remain for years because the evaluation of the measures also takes long lead time. The Oregon Progress Board expects its (new) strategic plan will remain
In effect for many years before major benefits are visible (Oregon Progress Board 2009). We may modestly assume that because PBB has not yet gone through tests of major recessions and the whole movement has been with us in this modern form for just about a decade and a half, substantive, quantifiable outcomes of PBB are not yet apparent; it may be too early to conduct an overall evaluation of the “performance” of the PBB systems in the states.

In addition, integrating performance measures into the budgeting process may pose difficulties given that the “performance” of a program is often defined in absolutes, whereas the budget looks at spending and allocations on the margins. For example, Washington's Priorities of Government system evaluates activities along a number of criteria and uses program rankings to determine which items are crucial to purchase, which would be ideal to buy, and which are not worth the investment—placing a strict “yes/no” label on budget items. In reality, when looking to reduce spending in certain areas, government may be able to trim from the edges of many programs and thereby keep significantly more intact. In reporting on the Priorities of Government, unfortunately, the state must determine whether to buy at the established price or to hold off on the item. This does not line up with the reality of the budgeting process, which may allocate funds more fluidly at various decreased or increased spending levels (McCarthy 2010).

One of the most commonly reported problems that agencies run into when implementing PBB is the lack of resources and time necessary to entirely overhaul the budgeting system or a lack of thorough knowledge on how to properly do so for the best possible results. However, using an outside organization that focuses solely on strategic planning and performance measures allows agencies to shift more smoothly to the PBB system (Melkers and Willoughby 1998, 70–71). In Oregon, the Progress Board offers a special group that assists in program development, consults on useful strategies, acts as a liaison between the legislature and state agencies, and monitors results on a regular basis—all essential features of a strong PBB system.

Furthermore, developing measures that realistically evaluate the performance of an agency undertaking may be difficult. Not only must departments develop a means to measure outcomes and support those intricate measurement systems with the administrative and technological resources to adequately use them, but also they must align these measures with the demands of government entities external to the agency. Many budgetary processes focus more heavily on outputs, given the ease with which politicians can measure standardized products. However, to evaluate the success of a program and to attribute successes to that program alone proves much more difficult to quantify. It also is less tangible, and thus in less demand, and may seem less legitimate to nonagency actors. Finally, outcomes, unlike output, are not instantaneous. The quality of a program may take years to develop to a point that clear statistics on its successes and failures are evident. Thus, performance measures may be less useful during a limited budget cycle, given the longer timeline required for such systems (Winegar 2009).

**Is PBB More Useful for Budgeting or Management?**

As is the case with many previous studies of PBB, our examinations also reveal PBB as a very useful tool that has been adopted in many scenarios to improve the operation and outcome of programs. However, a distinction needs to be made between PBB as a tool for budgetary decision making (allocating resources between competing programs) and as a tool for management. For example, Maryland has been successful in using performance measures as a budgeting decision aid. The state has recently incorporated the data-based tool StateStat in order to increase efficiency and effectiveness in programs based on performance management (Maryland Office of the Governor 2007). Trends are monitored through statistics and mapping technology to develop strategic plans to improve performance. StateStat has been used as a budgeting tool during the economic downturn, employed to aid budgetary decisions in 2008 to create $27 million in savings based on performance (Pew Center on the States 2009). It also is used in conjunction with managing for results (MFR), a strategic planning process to set organizational direction and agency priorities by providing performance standards (GAO 2005). The performance information created by MFR improves agency planning and provides information for budgetary decisions. Each agency-specific MFR strategic plan, performance measure statistics for the previous two fiscal years, and performance measure estimates for their current fiscal year and future estimates must be submitted to the Department of Budget and Management with their annual budget requests (GAO 2005). These two programs are used as both a management and a budgetary tool. As one official said, “the economic downturn has highlighted the importance of performance measurement and reporting. When there is less funding, the use of the fund is carefully scrutinized” (Anonymous Interview L 2010). In fact, PBB is becoming more important in Maryland as the economy worsens.

However, most of our observations show that PBB is not necessarily very useful as a budget tool in the present fiscal climate. One typical case that we found, also common in previous studies, is a program with poor performance scores—what should be the allocation decision? Should its funding be cut because of the program’s poor performance record, or should funding be increased so that the program improves its performance? What happens if the program provides an essential service that cannot be cut regardless of its poor performance?

The state of Utah provides an example of this dilemma. Though the state values performance measures, the perverse financial conditions caused by the current fiscal crisis have compromised the applicability of the state’s PBB system. Despite the fact that divisions in the Utah Department of Human Services had lower performance than a few years ago, the governor favors sustaining, even increasing, the budget for the entire department and each of its divisions. The governor’s argument is that the department’s work is essential, especially in hard economic times, when more citizens rely on the state for help. Lower performance scores are indications of changed demands (external environment) on the department rather than poor performance by the department. Therefore, the department needs more resources, not a budget penalty, in order to meet the increased demands that the economic downturn has created.

In Maryland, Governor Martin O’Malley’s top priorities include education, economic growth, smart and green growth, creating a safety net for families, safety and security, and efficient and effective government (Maryland Department of Budget and Management...
Performance matters, but performance levels are not a top concern when budgeting during an economic crisis. Other researchers have come to similar conclusions. Philip G. Joyce (1993) believes that "performance measurement and budgeting has had its greatest success as a management rather than a budgeting tool." Julie Melkers and Katherine Willoughby (1998) confirm that information obtained from performance budgeting helps program managers better understand their programs and make necessary changes. Our research results coincide with these conclusions.

Finally, many states today indicate being hindered by the inherent "politics" of the budgeting process. For example, Washington State apparently focuses heavily on demonstrating the outcomes of its programs and investments; however, it seems that each new administration applies a fresh approach to performance measurement and has a different vision regarding how the government should use such information. This may contribute to problems related to the lack of horizontal integration between different performance measurement approaches and vertical integration among various state entities. Although the state places a high value on knowing how its programs are doing, it might benefit from a greater emphasis on making the various programs work together meaningfully rather than trying to establish new, different ways to use performance indicators in budgeting, management, and accountability. Because these programs stem from and reflect each governor's strategic plan for the state, the creation of new performance measurement systems may be a political tool that new chief executives try to set forward as they come into office. If this is the case, the state will face even more challenges in making preexisting programs meaningful and compatible. It may also face an expansion in the number of performance measurement systems with little integration to make them work toward a common goal.

**PBB Use in Boom Years and Bust Years**

We have contrasted the use of PBB in boom years (1990s) against its use in bust years (currently) and found substantial difference between the two types of periods. During good economic times when revenues are bountiful, PBB provides a bargaining tool that agencies conveniently use for budget justification purposes. In contrast, during recessions when revenues fall below trend lines, agencies can expect and receive only reduced fiscal support, regardless of performance. Poor performance against the prescribed measures sounds unfavorable but may not cause additional negative effect on resource allocation. As analyzed earlier, performance may not be a real consideration in deciding budget reductions. This finding is evidenced in the three Southeastern states (Florida, Georgia, and Louisiana) to varying degrees.

Unlike many other states, the current economic situation of the country has actually made Louisiana's PBB system and its shift toward outcome-based budgeting more important in the budgetary decision process. Agency performance measures provide legislators in this state an additional evaluation tool and serve as another method to assist in doing what is necessary to balance the budget (Anonymous Interview C 2010).

We examined the budgets of three "essential services" departments in Utah and Colorado—the Department of Transportation, Department of Public Safety, and Department of Human Services—for a clearer contrast. We found that PBB played a bigger role in the budgeting process of these three departments when the economy was strong, but PBB has been put on hold, or implemented to a lesser extent during the current recession. These states are now focusing on assembling enough resources to fund the services that their citizens need most rather than programs that have had the greatest success in meeting performance standards. Greater demands are put on these three agencies during economic crises; they are required, and de facto "forced," to do more with less to meet the most basic needs of state citizens. The divisions that provide the basic services of the departments thus receive higher budget shares than those that do not, even though they may barely meet their performance targets.

**Whose Tool Is PBB, After All?**

Even when PBB is used in the states and sustains its usefulness, it remains unclear as to who uses PBB or to whom PBB is most useful. In other words, whose tool is PBB in the budgeting process? This corresponds to the three audiences of budget reforms that we touched on earlier. In Florida, where the state performance-based budget appears to be advanced on paper, the PBB system is useful only when legislators feel like making it useful and the extent of usefulness varies with lawmakers' interest in the programs. Still, among the Southeastern states in our sample, Florida and Louisiana are much further advanced than Georgia in their application of PBB and in developing performance measures. Among many possible causes of this difference is the term limits on legislators; Florida and Louisiana both have term limits in place, while Georgia does not. This echoes the finding by recent research (Bourdeaux 2006). New legislators often do not have the same institutional knowledge as veteran legislators about how agencies work, so these newcomers may be more reliant on performance information and are more open to using performance information in their decision making.

Another dimension regarding system utility lies with the span of influence of the administration in office. Regardless of how performance measures have been used in the past, when a new administration takes office, it may want to rebrand the measures and their use; thus, continuity becomes an issue even when PBB is already in use and the legislature makes use of it. What about the tilt toward PBB applications for management over budgeting? If this is the case, then agencies are potential heavy users of it. This is evidenced in Florida, given its 2006 law, under which the approval of performance
measures is separate from the legislative appropriations process. With this change, agency supervisors will most likely use performance measures more for internal management than legislators do for budgeting—but we have not found evidence yet. Ultimately, the use of performance-based budgeting can win increasing support from various stakeholders and lead to greater collaboration between different groups, as is evidenced in Oregon. PBB may help unite formerly conflicting parties, if these parties concentrate on performance outcomes rather than a traditional line-item list of expenditures.

One additional constraint regarding the application of PBB systems regards any lack of enforcement of its use in planning, goal setting, and budgeting. Even when some statewide structure exists in terms of describing how to use performance indicators, agencies may face no consequences if they fail to fruitfully and meaningfully apply them. Similarly, there is often no reward for agencies that successfully integrate them into the overall process, unless this display of performance allows them to improve their budget allocation. For example, according to two interviewees, agencies in Oregon do not necessarily see the integration of key performance measures as important, particularly because that integration process may be quite costly (Iles 2010; Swanson 2010).

Further, Washington State’s Priorities of Government effort aimed to create an objective priority-setting system that would reflect state goals and needs independent of the funding source for that program. Unfortunately, Priorities of Government teams do consider whether allocations for a given program would come from federal funds, the state general fund, or a dedicated revenue source and often adjust their priority determinations accordingly (Showman 2010). Given that only 30 percent of the budget is subject to discretionary allocation, there are additional limits on the scope of this PBB system even if the state were to better integrate it with its budgeting decisions.

**Conclusion**

This research has presented a new analytical framework for evaluating the outcome of budget reforms and applied this framework to examine performance-based budgeting applicability in the states since its modern rebirth in the 1990s to its continued application through the early 2000s and its use during the current recession. Taking advantage of the development of PBB in the past 17 years and the two most recent recessions, we have examined variations on PBB practices in 11 sample states. Our examination has led us to the following tentative inferences about PBB as a reform. First, performance-based budgeting presented strong momentum in the late 1990s and seemed to have reached its peak before the current recession. We conclude that PBB reforms will continue, but may have leveled off in terms of use, at least during the current economic downturn. Still, the concepts of measurement, performance, and performance dialogues seem to have made a deep imprint on public life in the American states; system efforts have become routinized in the states we examined, if ignored or less heartily applied during the Great Recession.

A system of public budgeting in the full sense of the term should stand firmly on the “budgeting tripod” of planning, management, and control (Hou 2006), and also should include evaluation. PBB systems certainly incorporate these components, but they have seemed to sputter a bit in this period of economic decline. Findings here point to an ignoring of PBB correlated with the “publicness” of government and the essential functions provided by the public sector. This, in turn, binds public agencies and employees—the very nature of public budgeting does not allow full-scale use of the incentive mechanisms from the private sector because government is distinctly different from the private sector; public budgeting is embedded with inherent trade-offs and conflicting goals.

In this sense, PBB as a budget reform has achieved part of its design purpose, but it has not been fully exploited. Performance information can be most beneficial in providing direction for management improvement, and this application is evidenced even during an economic crisis. But PBB does not serve as a significant foundation for budgetary decision making in such periods—that is, recognition of performance for making resource allocation decisions among various programs, under severe restraint during financial hardships. The classic V. O. Key (1940) question remains unanswered. Perhaps as Joyce (2008) concludes, Key’s question is not answerable, given the nature of the public sector. Therefore, the task remains for public budgeters to continue to search for a budgeting system that serves, simultaneously, the multiple functions of public budgeting. Search for an optimal system cannot stop; after all, the principals—taxpayers and voters—continue to maintain high expectations and requirements of their agents.

**Appendix: State Experiences with PBB in Boom and Bust Years**

The concepts and practices of PBB in our sample states have undergone many changes in the past 15 years, rising in popularity throughout the 1990s, peaking in the middle of the 2000s, and now in question during the Great Recession. We examined PBB systems in a sample of state governments across these periods of adoption and implementation. We present in this appendix the experiences of the states with PBB as evidence.

**California**

California first initiated PBB through the Performance Budgeting Pilot Program in four departments: the Department of General Services, Department of Consumer Affairs, Department of Parks and Recreation, and California Conservation Corps. During the project’s implementation, all of the agencies restructured their budgets and management systems to better focus on performance measures and to improve their strategic planning techniques. However, in coordinating these performance indicators with budget allocations, the departments discovered a number of complications, including a lack of baseline data against which to compare PBB outcomes and difficulty in establishing quantifiable measures (in fiscal terms) around which to target desired results. In fact, both the California Conservation Corps and the Department of Parks
and Recreation were unable to produce a full-fledged PBB ready for implementation by the 1996 deadline (LAO 1996).

By the time the state’s Department of Finance published its results for the trial run, each department had more or less instituted PBB measures in its budgeting practice; while these changes appear to have improved agency enthusiasm, planning abilities, and comprehension of “problem areas,” the new budgeting system did not seem to reflect greater agency savings or better outcomes in agency performance. Part of the “reward” initiative offered to successful agencies by the state government included a “redirected savings” program, which allowed the department to redirect up to half of its PBB savings to the area of its choice; currently, none of the agency budget reports provides evidence of such revenues or indication of where they would allocate such savings (Smith 2004). Short-term results from 1996, though, indicate little or no major differences in the actual budgeting process, revenue retention, or accumulated data for agency performance (LAO 1996).

As of a 2007 survey, 10 California state agencies were operating on performance-based budgets for at least one of their programs (including the four pilot organizations), but the majority have failed to properly integrate or use these lessons (Smith 2004). A number of these problems may lie in the state’s lack of resources or infrastructure to develop and direct such a system in a way that would deliver meaningful results. Further, unlike other performance budgeting and measurement systems, California lacks an established, comprehensive data collection and measurement system. Thus, even if agencies could measure outcomes, California does not have the resources to assess the performance indicators and determine program quality based on raw data. Diego Martín of the California Legislative Analyst’s Office notes that a successful performance system would have to reflect a clear incentive structure to encourage states to stick to performance indicators and avoid performance lapses. However, the volatility and lack of surplus funds in the state would lead to annual fluctuations in the level of reward the state government could offer strongly performing agencies and this incentive package might not exist in the most difficult economic years (Martín 2010).

California’s inability to develop a meaningful PBB system may stem from the large size and scope of its budgetary responsibility. In looking at the lessons learned from other states, California also may have dismissed PBB projects too quickly; many other states noted the need to gather data over a long period of time in order to see whether programs have produced real results. In contrast, California has neither the luxury of surplus funds nor the time to see whether PBB leads to higher quality results in terms of agency outcomes.

Finally, the state may have instituted PBB without a developed infrastructure to support it, unlike other efforts of West Coast states. Both Oregon and Washington created performance measurement systems centered on statewide government priorities and then determined the agency role in executing these responsibilities and incorporating them in budget requests. California, on the other hand, created a PBB system first without developing the state-level resources, support, or infrastructure to aid in the measurement and integration of such a system. While Oregon and Washington still struggle to make performance management a meaningful part of their budgetary process, at the very least, their performance systems have become a factor when considering state goals and their relevance to the budget; by contrast, California may have struggled because it created pilot programs centered on using PBB but without a clear baseline understanding of how to determine “performance” and how to measure outcomes based on it.

Ultimately, California uses an annual incremental process to develop its budget and allocate funds to state agencies. Despite references to performance-based budgeting or even performance measurement, very few state documents, or agency budgets reflect the use of these processes (Martín 2010). Furthermore, almost no departments use performance indicators as the central consideration when determining program funding levels. Instead, necessary agency service provisions and the number of service recipients act as the main driver in determining how much funding a given agency or program will receive.

Although California historically has tried to institute various PBB programs, the lack of improved outcomes or timely results among state agency leadership led to a general movement away from institutionalizing PBB systems. Carol Bingham of the California Department of Education noted that, although the state did attempt a number of trial programs throughout the 1990s, the general feeling within the state government was that the measurements were meaningless. Since then, she has observed a general level of skepticism surrounding the use of performance indicators when developing the budget (Bingham 2009).

**Colorado**

Colorado’s performance measures are monitored by the Governor’s Office of Strategic Planning and Budget (GASB 2009). This state does not use traditional PBB, but after the Bill Ritter administration took over in 2007, there was a push to use performance measures (NGA/NASBO 2008). The state uses program-level performance measures and reports performance data in the budget. Performance measures are required for budget requests, and they are formally reviewed on a regular basis. This nontraditional form of performance budgeting provides an interesting case study.

In 1992, Colorado’s budget process was affected by the passage of the Taxpayer Bill of Rights, which imposed severe limitations on taxes and public expenditures. It was the nation’s strictest limiting legislation and may be credited for Colorado’s strong economic growth in the 1990s, but it was discontinued in 2004 (McGuire and Rueben 2006). In 1994, an audit suggested that the state study PBB to identify its pros and cons and to determine whether it should be applied to Colorado through pilot programs. There was little response and the legislation did not pass, but the study created an awareness that PBB could later be applied. This came into play in 2007 when Ritter created the State Taxpayer Accountability report to use budgetary performance measures. This began Ritter’s move toward unified performance budgeting, as it increased the transparency of budget accountability. In the second year, quarterly budget reports with performance data were provided on the treasurer’s website. This was a major step toward unified statewide performance-based budgeting. Despite Colorado’s slow progress toward statewide PBB, many agencies had previously outlined performance targets including, the Department of Transportation (CDOT), which has been monitoring performance measures since 1998 for four performance goals (Colorado Department of Transportation 2007).
CDOT’s first performance measure is safety, and it met the 2007 goal exactly and saw an increase in the percentage of allocations (Colorado Department of Transportation 2009). Its second objective is system quality, which did not quite meet its standards, but the budget still was increased. The third measure is mobility, which also performed slightly below expectations, yet the budget percentage increased. The final measure is program delivery; here, the performance level was higher than expected, but the portion of the budget decreased (Colorado Department of Transportation 2009). In its 2007 annual report, the department argued that it was facing a “quiet crisis,” in which the transportation infrastructure and mobility continue to erode while the department receives less overall funding (2007, 36). The division’s percentage of funds allocated in the FY 2009 budget did not match its performance success, demonstrating that performance was not a significant part of the budgeting process for CDOT. Services that could be met most effectively were given larger percentages of the budget as the economy worsened.

In 2009, in response to the downturn, the Colorado Department of Human Services reorganized to increase efficiency and innovation while decreasing service replication (Executive Directors Office 2009). Many divisions within the department received a larger or equal budget amount in FY 2009 and FY 2010 compared to what they had been allocated in FY 2008. However, the Executive Director’s Office was appropriated a large increase, while at the same time, its estimated funds received were reduced significantly for FY 2009. The Division of Child Care also experienced a decreased appropriation, but the Division of Child Welfare and the Office of Self-Sufficiency both increased their appropriated and requested funds incrementally from FY 2007 to FY 2010 (Colorado Department of Human Services 2008).

The Colorado Department of Public Safety has five divisions and five departmental performance measures: maintaining safety, increasing laboratory science turnaround time, increasing implemented vulnerability asset recommendations, reducing recidivism, and increasing fire safety (Colorado Governor’s Office of State Planning and Budget 2007). The department saw an increase in its budget in FY 2008, FY 2009, and FY 2010, but did not anticipate any increased funds in FY 2011 (Colorado Governor’s Office of State Planning and Budget 2010). While its budget has grown, the department has seen a smaller percentage increase, and some funds were appropriated only after petitioning for additional funds (Colorado Governor’s Office of State Planning and Budget 2010). The significant work of providing safety has made the increased appropriations essential. Changes in the department’s budgets from FY 2007 to FY 2010 show a shift in priorities, as eight offices received an estimated larger amount of the budget than they had been allocated at the beginning of the fiscal year. These services, such as mental health and alcohol and drug abuse services and adult assistance programs, were needed as the economy worsened. The performance level of departmental divisions decreased, but the level of increased demands meant that these performance levels could not fairly be compared to past rates.

These agencies show that performance levels are not a top priority in budgeting during an economic crisis. CDOT’s Scott Richrath said that performance measures matter as a way to acknowledge what is happening, but “the allocation of resources within a constrained and reduced budget is executed differently than it had been several years ago when the department would receive revenues in excess of budget or of forecast.” Recently, Colorado has succeeded in implementing performance measures, but as agency demands increase during economic crises and departments are required to do more with less, PBB is less relevant. Increased revenue may be required to meet demands, even when their performance level has not met preestablished standards. The budget emphasis has shifted to funding the services that the residents need, and therefore PBB is not making a lasting impact in Colorado.

**Florida**

In 1994, the Florida legislature created a performance-based budgeting system, known as PB2, to link funding to agency products, services, and results. PB2 was phased in over a seven-year period, with an average of five additional agencies beginning the process each year (Bourdeaux 2006). Early on, the legislature was active in selecting and monitoring the performance measures and results that each executive agency submitted to the governor’s office. In addition, legislative review of performance measures and the adoption of performance measure targets occurred in conjunction with the annual budget process (Bourdeaux 2006). Now, in accordance with the Florida Statutes passed in 2006, the approval of performance measures is separate from the legislative appropriations process (Florida Office of Program Policy Analysis and Government Accountability 1997).

In fact, the performance measurement process now is used more by agency supervisors for internal management purposes, with agencies providing information on the legislatively approved performance measures and standards in their long-range program plans. In order to delete or amend a measure or standard, agencies must obtain approval from the Office of the Governor and the Legislative Budget Commission (Florida Office of Program Policy Analysis and Government Accountability 2010). Each year in their long-range program plans, agencies must provide information regarding performance measurement, including how data are collected, the methodology used to measure a performance indicator, the validity and reliability of a measure, and the appropriateness of a measure. Agencies also must report prior-year performance data, explaining any deviations from expected performance (Florida Office of Program Policy Analysis and Government Accountability 2010). The information included in the long-range program plans becomes the basis for legislative budget requests.

From the literature, it appears that PBB would play a major role in the budget reduction process during times of economic crisis. However, real-world experience tells a different story. In a recent interview, an official from Florida’s Office of Program Policy Analysis and Government Accountability described how the current economic crisis is affecting Florida’s PBB system: “To be honest, PB2 is not really a consideration as [legislators] go through the budget reduction process.” The official continued to explain what is considered during the budget reduction process: “The House of Representatives identifies the ‘core mission’ of each state agency, which are the programs that must be offered by law and the things that must be done to keep federal funding. Budget cuts are made from there, but the problem is these decisions are very subjective and very political” (Anonymous Interview A 2009). Performance measures often decrease during bad economic times, but there is no real effect on
the proposed budgets for future fiscal years. During good economic times, PB2 is a bargaining tool that the agencies can use to ask for funding and to make their budget case. However, during times of economic crisis, funding is so limited that agencies receive only minimum resources anyway, and poor performance measures cause no additional negative effect on resource allocation.

The official also explained that even though Florida’s PB2 looks very advanced on paper, the program is only as useful as the legislature wants to make it. The popularity of PB2 varies based on the administration that is in office, and term limits have a significant effect on the popularity and usefulness of the program. When the span of influence is over for one administration, the new administration comes in and wants to rebrand the performance measures, so there is little continuity in the PB2 program.

Former governor Charlie Crist was a big proponent of PB2, which he rebranded as “Florida Performs” (Florida Performs 2010a). On this website, Governor Crist emphasized his belief that “you cannot manage what you do not measure.” His efforts to promote the use of a performance measurement system seemed to be gaining traction, with each agency required to provide an agency unit cost summary, which included the agency’s budget request based on program and performance measures for those programs (Florida Performs 2010b). However, for FY 2010, neither the governor’s proposed budget nor the legislative appropriations bill made any reference to performance measures as an actual means by which funding was allocated (Florida Governor’s Office 2009; People’s Budget 2009).

When asked what she thought was the biggest advantage to and who benefited from using a PB2 system, the official from the Office of Program Policy Analysis and Government Accountability replied, “PB2 is a very useful tool and can be used to run a better program, but it is not necessarily good for use as a budget tool. For example, if a program has a poor performance score, the decision must be made to either cut funding because of poor performance or increase funding to help the program raise its performance scores. Sometimes the programs are necessary and cannot be cut, regardless of their performance” (Anonymous Interview A 2009).

Georgia

In 1993, the Georgia legislature passed performance legislation (S.B. 335), and for many years, performance information was attached to the executive budget presentation. However, as in previous reforms, the legislature did not use the information. Then, beginning with the FY 2005 budget, Georgia’s governor instituted the Prioritized Program Based Budgeting program. The FY 2006 Appropriations Act was reformatted to appropriate funds by program and fund source, rather than by agency and object class (Georgia Office of Planning and Budget 2009a). According to the state’s website, performance measures provide crucial information for state decision makers and establish the context for the state’s annual budget, and they are particularly important when revenue shortfalls result in program funding reductions (Georgia Office of Planning and Budget 2009b). Though this new program-based budgeting approach incorporates performance information as a means to help agency officials and program managers monitor the effectiveness and efficiency of agency programs, there seems to be a disconnect between the intentions and the implementation.

State agencies are responsible for developing and defining their own performance measures as well as maintaining accurate records of performance, subject to periodic audits for completeness and quality (Georgia Office of Planning and Budget 2009b). Agencies select performance measures that are aligned with their strategic plans, as well as the overall strategic plan for the state. This data are entered into the Office of Planning and Budget’s Budget Tool system each year, from which data are downloaded and used in the creation of the annual Governor’s Budget Report (Georgia Office of Planning and Budget 2010). Since 2008, the governor has included performance measures for each department along with his proposed budget based on program areas within each department.

In comparing Georgia’s performance measures with the performance measures of other states, there are drastic differences in the presentation and reporting style. While many of the actual performance standards appear to be similar, Georgia provides no standard goal with which to measure their reported achievements against, making it hard for citizens reviewing this performance report to know whether an agency is performing up to its potential and using tax dollars wisely or not (Georgia Office of Planning and Budget 2009a). In addition, Georgia provides very little incentive for agencies to actually meet their performance goals each year—a financial incentive is provided to the agency as a whole, but there are no incentives to the employees in the department, and there are no agency disincentives (Melkers and Willoughby 1998).

Beginning with the FY 2006 Appropriations Act, the effective “legal level of budgetary control,” defined as the level or point at which agencies are required to track and report revenues, was established as fund source within program (Georgia Department of Audits and Accounts State Government Division 2010). The FY 2009 Amended Appropriations Act (H.B. 990) echoed this requirement, but auditors found that, for the fourth consecutive year, they were unable to audit all of the state-appropriated agencies at the legal level of budgetary control because of unreliable accounting records—a direct violation of the mandates of H.B. 990 (Georgia Department of Audits and Accounts State Government Division 2010).

According to the 2009 Prioritized Program Based Budgeting Special Report, the state of Georgia made some improvements from FY 2007 to FY 2008 in regard to program-based budgeting, with deficiencies including unreliable budget comparisons; a lack of policies, guidance, and training; accounting system issues; and incorrect manual journal entries. This trend did not appear to end during FY 2009 (Georgia Department of Audits and Accounts State Government Division 2010).

Again, there seems to be a missing link between the intentions and the implementation of Georgia’s Prioritized Program Based Budgeting system. On the agency side, it appears that agencies are only complying with the mandates in theory by simply recording their performance measures each year but not truly tying their budgetary decisions to these measures, as was the original intention of the legislation. For example, the Department of Transportation recorded most of its revenues to the “Administrative” program rather than to the programs that incurred the expenditures, and audits of three departments (Community Health, Public Safety, and Transportation) showed deficits at the “fund source” level, even though this
An official from the Georgia House of Representatives Budget Office acknowledged the shortfalls, saying, “Obviously, Georgia has a long way to go to make [Prioritized Program Based Budgeting] the resource it is touted to be for budget accountability and benchmarking.” She believes that the process is slowed by a lack of training, which could be attributed to the current economic shortfalls (Anonymous Interview B 2010).

Surveys of the Georgia legislature have proven the existence of a missing link between perceived use and actual use of performance measure data in budget decisions at the legislative level. When asked about whether they were aware of the governor’s efforts at performance-based budget reform, 81 percent indicated that they were aware of the reform (19 percent were unaware), and 63 percent indicated that they were not using any of the performance measure information produced. When pressed in direct interviews, even fewer were able to identify characteristics of the reform (Bourdeaux 2006).

**Louisiana**
Louisiana has an extremely advanced performance-based budgeting system. The transition from a line-item budgeting system to a program budgeting system began in 1987, and a decade later, the 1997 Louisiana Government Performance and Accountability Act mandated performance-based budgeting, defined as budgeting that relates funding to expected results, in the executive branch of the state government. There are now statutory requirements for strategic planning, operational planning, performance accountability and performance reporting for all executive branch agencies, as well as all post-secondary institutions (Louisiana Office of Planning and Budget 2010).

A range of performance-based rewards and penalties have been established, including monetary incentives from the Exceptional Performance and Efficiency Incentive program. The incentive fund is a special treasury fund established for the purpose of providing rewards to state agencies and employees for good performance. A variance of more than 5 percent between performance standards and actual performance triggers eligibility for reward or penalty (Louisiana House of Representatives, Fiscal Division 2010a).

Louisiana takes a different approach to incorporating performance measures into the budgeting process than most other states. Louisiana’s philosophy is that by placing performance expectations prominently in the general appropriation bill and the governor’s budget proposal, legislators are encouraged to focus consideration of executive branch funding recommendations on expected results (Louisiana Department of Administration 2010; Louisiana State Legislature 2010). In turn, these formalized expectations provide agency managers with specific direction as to expected agency performance, and mandatory quarterly reporting of actual performance gives managers a great deal of data for use in management decisions (Louisiana House of Representatives, Fiscal Division 2010b). Performance measures are also prominently displayed on individual agency websites for easy public access.

In a recent interview, an official from Louisiana’s Office of Planning and Budget echoed the foregoing assessment of the state of performance-based budgeting. He explained that when Governor Bobby Jindal’s administration came into office, the PBB system was useful but did not exactly get them to where they wanted to be. Their first step was to review all 3,500 performance indicators and to change or update approximately 20 percent of the indicators (Anonymous Interview C 2010).

According to this official, Louisiana is making changes for the FY 2011 budget that will further strengthen its PBB system. First, the administration began an incremental shift toward an outcome-based budgeting system, much like the systems used in Washington and Iowa. Under this system, all budget requests will be ranked by value ratio (performance per dollar), with the highest ratios receiving budgetary preference. Second, an additional level of reporting detail will be added, so instead of reporting performance measures at the program level, data will be reported at the activity level. This will offer a stronger insight into the actual performance of a department or agency. Both changes will help agencies reach large, qualitative goals that will lead to actual societal changes, instead of many smaller outputs that only affect subsets of the population (Anonymous Interview C 2010).

**Maryland**
Maryland faced $280 million in FY 2008 budget cuts and anticipates further cuts as the structural deficit grows, so the state has taken steps to restrain spending, enhance revenue, improve fiscal collection, and increase fiscal management (Maryland Department of Health and Mental Hygiene 2008). Maryland has a history of responsible budgeting and issue prioritization that has made the downturn less intense than other states, but still it has had cuts in all services. The state’s history of performance began in 1997, with the requirements for performance and accountability standards set by the Department of Budget and Management (GAO 2005). These standards became law in 2004, with managing for results legislation, which requires the Department of Budget and Management to create a comprehensive state plan. As a strategic planning process, MFR sets organizational direction and determines agency priorities by providing results standards. The performance information created by MFR improves agency planning and provides information for budgetary decisions. Each agency-specific MFR strategic plan, performance measure statistics for at least the previous two fiscal years, and performance measure estimates for their current fiscal year and future estimates is submitted to the Department of Budget and Management with the agency’s annual budget request. In 2000, the Office of Legislative Audits began auditing select
agency performance measures to determine their accuracy and to see whether the proper monitoring systems were in place. This enables practitioners to effectively use the large amounts of agency performance data and to measure the efficiency, accountability, and effectiveness of the agency’s finances and operations. In 2005, the Department of Budget and Management created Maryland Strategic Budgeting to develop the state budget and to link funding priorities and agency and program goals together more fully. During this process, five pillars were developed, and the priorities of the state’s administration and agencies are connected to these pillars through Maryland Strategic Budgeting (GAO 2005).

In 2007, Governor Martin O’Malley created StateStat, a data-based tool that is used to increase efficiency and effectiveness in programs based on performance management. It increases service accountability of department goals and requires a continual process of improving strategic planning, requiring that every other week, participating agencies prepare an executive briefing on key indicators (Maryland Office of the Governor 2007). Trends are monitored through statistics and mapping technology to develop strategic plans to improve performance. StateStat requires agencies to adopt a strategic plan and operating goals, adopt a comprehensive set of performance and satisfaction measurements, regularly provide accurate data, analyze the data, and measure performance for accountability meetings (Maryland Department of Legislative Services 2007). The reports generated at StateStat meetings are used to influence budget decisions, as they analyze agency and program operational functionality (Kamensky 2009). StateStat aided 2008 budgetary decisions to create $27 million in savings based on performance (Pew Center on the States 2009).

In its report at the end of FY 2009, the Department of Public Safety and Correctional Services said that it would have to do more with less, as its budget was cut by $74 million over FY 2009 and FY 2010. Despite this, the department has met its performance standards of keeping communities safe, believing in human capital to build for success, and creating restorative justice by improving their cost efficiencies with decreasing staff size and reducing overtime (Department of Public Safety and Correctional Services 2010). Some divisions have increased allocations based on meeting increased performance goals (Maryland General Assembly 2009).

The Department of Transportation’s performance is monitored in relation to the goals outlined in its MFR, including quality of service, safety and security, system preservation and performance, environmental stewardship, and connectivity for daily life (Maryland Department of Transportation 2009). Every subdepartment within the Department of Transportation is expected to meet certain performance standards connected to the overall agency goals. Because of low funding, the challenges currently facing the department include improving and expanding transit service, improving customer service of enterprise agencies, the increased costs of labor and materials, the increased costs created by severe weather, and increased fuel and utilities costs (Maryland Department of Transportation 2010).

The Department of Health and Mental Hygiene’s MFR goals are updated annually and include measurable and outcome-oriented objectives that address its mission and form performance standards for their key goals, objectives, and performance measures (Sharfstein and Peterson 2007). Most of the agency’s work is on target for its established goals. However, the number-one performance goal of providing quality primary, preventive, and specialty care is not yielding expected results (Maryland Department of Health and Mental Hygiene 2008). The second-ranked performance goal of promoting healthy behaviors, preventing infectious disease, and ensuring accurate public health surveillance is producing inconsistent results that do not show a sustained change in performance (Maryland Department of Health and Mental Hygiene 2008). Despite major economic setbacks, the department is still trying to increase services to the neediest populations. The department has expanded its coverage of low-income parents on Medicaid and its health benefits to low-income childless adults (Commonwealth Fund 2009).

Governor O’Malley’s priorities include education, economic growth, smart and green growth, a safety net for families, safety and security, and efficient and effective government (Department of Budget and Management 2009). These goals highlight essential services that are at the core of the O’Malley administration, including transportation, health, and public safety. The impact of budgetary cuts as a result of limited funding has had an impact across all areas of state services. The state is trying to protect its most essential services from the impacts of budget shortfalls, yet the Department of Health and Mental Hygiene saw a 1.26 percent change in its fiscal year FY 2008 budget, while Department of Public Safety and Correctional Services saw a similar 1.06 percent reduction in its FY 2008 budget (Maryland Department of Health and Mental Hygiene 2008). A representative from the Department of Budget and Management said that “the economic downturn has highlighted the importance of performance measurement and reporting. When there is less funding the use of the funding is carefully scrutinized.” PBB is becoming more important in Maryland as the economy worsens.

**New Jersey**

In New Jersey, the current budget module is an Integrated Planning and Budgeting Process, which first was implemented during the budget creation in FY 1991. This system replaced other modules such as zero-based budgeting and the planning-programming-budgeting system. It uses several key features of previous budget processes and is designed to result in planning-driven budgets (New Jersey Office of Management and Budget 2010).

However, in 2010, Governor Chris Christie signed Executive Order no. 8 into law, which called for the establishment of a statewide performance budgeting program to be implemented during FY 2011. This order included a specification that “no existing program will be expanded or new programs created unless it ‘sunsets’ after its first four years and includes outcome-based performance objectives by which it can be measured” (Christie 2010).

According to an official from the New Jersey Office of Management and Budget, performance objectives are currently used, but only as an accountability and management tool at the individual department or agency level (Anonymous Interview D 2010). Most departments and agencies include performance measures in their strategic plans, but this information has not been used for budgeting purposes in the past.

The official identified the Department of Environmental Protection as a key user of performance measures at the department level. By
emphasizing the importance of performance measure results and reporting this information on a regular basis, the department benefits from fewer regulations attached to grants that they receive from their federal counterpart, the Environmental Protection Agency (Anonymous Interview D 2010).

In reviewing New Jersey's budget for FY 2010, it was interesting to find that each departmental section within the state budget includes objectives, program classifications, and evaluation data for each program within an agency. The information published for each agency program is very thorough and lists many quantitative measurements, but this information is listed for accountability purposes only. This information demonstrates to the citizens of New Jersey that their tax dollars are being used responsibly and in accordance with overall state goals; however, there is no current correlation between the results data that is published and the appropriations that are made to the individual departments and agencies (New Jersey Office of Management and Budget 2009).

At the departmental level, performance-based decision making does come into play from time to time. For example, performance-based decision making is often used to develop long-range strategic plans. An example of this is the Department of Transportation's FY 2010–19 Statewide Capital Investment Strategy. During the creation of this plan, a strategic resource allocation process was conducted that applied performance measures to guide the determination of program category investment targets required to achieve agency goals and objectives over the next decade. This process involved classifying all capital work done by each transportation agency into program categories and then establishing goals, objectives, and performance measures for each category. The overall goal of the Statewide Capital Investment Strategy was to develop an annual spending level that could achieve the performance objectives of each partnering agency, including the New Jersey Department of Transportation, New Jersey Transit, New Jersey Turnpike Authority, and South Jersey Transportation Authority (New Jersey Department of Transportation 2009).

**New York**

In the early twenty-first century, the New York State government began to place increased emphasis on performance-based budgeting and required it in state agency budget reports. However, this system never became an intrinsic part of agency budgeting processes, and the use of performance measures in the budget eventually faded to the background. This may be attributable to economic conditions that the state faced shortly after the implementation of performance-based budgeting; as departments saw reduced revenue streams flowing into the state, they found themselves cutting their budget requests accordingly. Because the process was never well integrated into New York’s budgetary process or clearly defined in terms of agency budget requests, the use of this budgeting system gradually disappeared from the state’s focus. Since then, the state has not returned to a PBB system. It continues to use line-item budget structures, while agencies allocate funds on a programmatic basis (Anonymous Interview E 2010).

The current economic downturn further limits the state’s ability to revitalize the performance budgeting system, even if this system were a state budgetary goal. However, PBB may not be entirely gone from New York. According to a report by the National Association of State Budget Officers, New York continues to recommend the use of performance measures when developing agency budget requests (Pattison 2008, 61). Further, performance factors on a program level play a role in developing the state financial plan for the budget cycle (Pattison 2008, 56). This consideration for performance measures, performance outcomes, and data on agency products appears to at least be a factor, albeit a minor one, in budget evaluations.

Finally, New York appears to be moving toward increased performance-based budgeting and measurement systems as part of a new executive program. In early 2010, Governor David A. Paterson announced the creation of a new state performance-oriented program known as EmpireStat. This process will evaluate the quality of performance outcomes in three major areas: public and road safety, economic development and jobs, and health care and vulnerable youth. The state will use these broad scope goals to assess performance indicators in program outcomes, review the performance of agency initiatives, ensure agency compliance with state measures, provide guidance in areas where improvement is possible, and hold government entities more accountable to New York residents. The success of this new program remains to be seen, but the creation of EmpireStat signals a greater emphasis on performance measures and budgeting as part of the state’s service delivery mechanisms (Megna 2009, 125).

Like other agencies in New York, the Department of Health uses a program-type budget, allocating its resources to programs and initiatives that the department undertakes. The department does not use any sort of goals when presenting budget requests to the legislature, nor does it explicitly develop and formalize agency output measures for public access and use. However, an official at the Department of Health noted that while performance indicators are not clearly developed, nor do they not explicitly play into the budget process, the agency gives consideration to ideal goals and outcomes it desires when allocating funds to various programs. They may receive some minor consideration during the budget development, but this evidence mostly suggests that it is a means to show the issues the agency wants to demonstrate as receiving priority rather than actually playing a significant role in considering program funding levels (Anonymous Interview F 2010).

While the New York Department of Transportation, like other state agencies, does not have established performance measures or clearly use performance indicators in the agency budget request development, it does give thought to desired program outcomes and strategic goals to meet the needs of New Yorkers. These do not necessarily influence the agency budget request, but they do provide a way for the department to ensure that it is meeting the needs of New York residents (Anonymous Interview E 2010). In addition, the agency previously used budget initiatives, which provided budget directors with a background for a new initiative, the motivation behind the initiative, an explanation of state resource needs for the program, and a means to measure the program’s performance. While recession-related budget cuts have limited the use of these programmatic information packages, they most likely will return to prominence during the budget process when economic conditions improve (Anonymous Interview E 2010).
Oregon

The Oregon Progress Board introduced Oregon Benchmarks as part of its two statewide strategic plans, *Oregon Shines* (1989) and *Oregon Shines II* (1997), to require government agencies to set strong performance measures, create long-term goals, and improve citizens’ quality of life. Through this process, the Progress Board (with agency input) determines Oregon Benchmarks or general goals and concerns for the state. The state uses Oregon’s Key Performance Measures (KPMs) to achieve these benchmarks. The KPMs, established in 2001, require all state agencies to include outcome measurements in their budgetary reports. KPMs are desired outcomes that the state would like to produce for its citizens, and they are allocated to agencies that take responsibility for seeing that they are met (Iles 2010; Swanson 2010). When preparing its budget for the legislative session, each agency must show how it is working toward high-quality outcomes in performance measurement areas and how it is paying attention to these state-developed goals. This multilevel performance measurement and reporting system provides significant accountability to Oregonians.

Although Oregon’s system is one of the most highly developed and supported systems in the United States, agencies and other government strategic planners face a number of challenges to appropriately and effectively using performance indicators. State departments struggle to incorporate KPMs into their budgeting and reporting systems, largely because of the disconnect between state-level desired outcomes that benefit taxpayers and the day-to-day implementation of programs to achieve these goals within the agencies (Iles 2010; Swanson 2010). Performance measures lack the specificity necessary to alter the way in which legislative offices look at specific desired program outcomes. Furthermore, an intricate reporting system might prove useless given the limited amount of time legislators have to review such measures during a legislative cycle (Britton 2010).

Even when agencies report KPMs with their budget requests, the impacts of history and politics play a larger role than the loosely approximated performance measures (Britton 2010). Even when performance indicators are used, one of the main concerns of agencies centers on the difficulty of knowing what to measure, how to quantify outcomes, and how to define “successful” attainment of agency goals. Although performance measures exist, they have not been well integrated into the biennial budget process and are not intrinsic to agency operations when deciding how to allocate funds to different programs (Winegar 2009).

The challenge of the economic downturn led to the elimination of funding for the Oregon Progress Board. Consequently, the state has seen a dropoff in the emphasis on performance measurement systems and the use of performance budgeting, both on the state and the agency level (Winegar 2009). State leaders can see the value of generating performance data and using it to guide policy decisions, and agencies continue to incorporate performance measures and report on them. However, support for these programs currently is lacking because of both reduced governmental support and insufficient funds to uphold the programmatic needs. It is unclear when the circumstances will be in place to return Oregon to a strong use of performance outcomes in all of its processes (Britton 2010).

The integration of KPMs into the practices of the Department of Human Services has not significantly affected the agency’s budgeting practices. While the budget may reference a KPM when explaining the anticipated impact of a program, the agency does not look at the KPM first and then develop agency programs from there. Cathy Iles, the department’s performance management coordinator, notes that the success and usefulness of KPMs within an agency often relates to that agency’s level of sophistication in terms of data collection, management, and analysis. With more sophisticated data, the ability to quantify outcomes and incorporate those numbers into budget requests may be much easier. They may also encourage the governor to allocate more funding toward those programs (given that there is a clear understanding of the anticipated improvement that such an allocation will create). Unfortunately, most of the Department of Human Services does not have this level of data sophistication or the luxury to allocate more funds to it, leaving a general lack of integration between KPMs and program goals (Iles 2010; Swanson 2010).

Like the Oregon Department of Human Services, the Department of Public Safety Standards and Training faces difficulty integrating performance measures into the budgetary process because of the challenge of determining what to measure in order to accurately reflect outcomes and how to measure sometimes abstract or intangible outputs. This is further complicated by the fact that a number of different measures may affect subsequent “performance” that results from a given resource allocation (Winegar 2009).

The Department of Public Safety Standards and Training can offer insight into how significant agency budget reductions affect such performance systems. Because the agency had limited performance measurement and analysis systems in place prior to recession-based budget cuts, it has found that it is now even more difficult to conduct these performance reviews because much of the staff that previously executed these programs can no longer be paid. With the scaled-down budget, the agency must focus on achieving its mission. Performance measurement is secondary and has taken a backseat with the reduced funding level. This suggests that performance-based budgeting and management may struggle under the pressure of and possibly not withstand times of economic hardships.

Utah

Utah has been a leader in strategic planning and performance management in budgeting with its Performance Elevated system. It has been recognized consistently as a leader in state budgeting and uses performance management as a communication and problem-solving tool (Boyle 2008). Utah’s experience with performance-based budgeting began in 1990, when the state’s executive and legislature combined their efforts to form a strategic planning initiative and performance management system for state agencies in a program called Utah Tomorrow. In creating an awareness of the long-term direction of the state, Utah Tomorrow brought together agency vision statements, objectives, and performance measures across agencies (Utah Governor’s Office 1998). In 2005, the state launched Performance Elevated, a management tool that was designed to increase performance and efficiency across Utah. Under Performance Elevated, all agencies are required to create and use a yearly reviewed strategic plan. Utah’s balanced scorecard budgeting includes defining the agency’s mission, how to accomplish that mission, and which
performance indicators are used to measure success (Boyle 2008). Recently, Utah’s Office for Planning and Budget also provided performance measurement standards and training mechanisms through its Guidance on Performance Measure Management. This program stressed the need for connected, across-the-board performance measurements that are evaluated and put into practice.

Three agencies that participated in measuring performance standards are the Department of Human Services, Department of Transportation, and Department of Public Safety. The Department of Human Services measured performance standards as early as 1997 (Utah Office of the Legislative Fiscal Analyst 1999). There have been changes in the department’s budget, demonstrating that although Utah finds value in performance measures and budgeting, the conditions caused by the economic crisis override the theory of performance budgeting. Divisions within the department had lower levels of performance success than in years past, yet the governor pushed for an increase in revenue to the entire department and for every division to have the same percentage of the budget or to receive more of the budget from before. His argument was that the work of the Department of Human Services is essential, especially in hard economic times, as more citizens rely on the state for basic help. While performance levels were down in 2008, the governor argued for more money because performance measures showed that the demands on the department had changed rather than decreased performance success. The basic needs that this department meets make performance budgeting during the downturn unrealistic.

Similarly, the significant changes to the makeup of the percentage of the Department of Transportation’s budget dedicated to different divisions shows that a decrease in revenues can cause large changes in how funding dollars are spent. The department has four strategic goals, known as the “Final Four,” that were created to meet increased user needs as Utah is the third-fastest-growing state, yet it has only an increased capacity of 5 percent (Utah Department of Transportation 2009). Its goals are to take care of what they have, make the system work better, improve safety, and increase capacity. The priorities of the Department of Transportation shifted with the decrease in total department funds. Its main performance goal became to take care of what they have and less emphasis was placed on increasing capacity. New projects are being cut while the basic functions of the department are the main concern during economic downturns. Once again, performance budgeting seems not to matter as much when there is not enough revenue to cover the essential costs.

The Department of Public Safety has 11 divisions that work toward providing critical public safety needs for the state. They correspond to six overall agency goals that address three major problem areas: ongoing growth funding, population growth versus service demand, and recruitment of candidates to top positions (Performance Utah 2010). Outcome goals are connected to strengthen infrastructure; emergency preparedness, response, recovery, and mitigation; criminal identification and interdiction; roadway safety; education and training; and creating a thriving workforce (Performance Utah 2010). While the department’s budget has decreased, the agency has continued to make impacts in reaching its goals. The department’s appropriated budget increased in FY 2009 but decreased to levels below FY 2008’s budget in FY 2010 (Utah Governor’s Office of Planning and Budget 2009). Despite making positive changes toward reaching its goals, the Department of Public Safety’s budget has been impacted by the decreased state revenues, therefore not reflecting their progress toward performance standards.

Over the past several years, Utah has implemented performance measures to ensure it is effectively and efficiently using taxes. Yet it has become clear by analyzing the budgets of the Departments of Transportation, Human Services, and Public Safety that PBB is less important during financial downturns. Mike Hansen (2009) at the Office of Planning and Budget stressed that so few new appropriations are being passed that performance measures are not being considered with funding. The state has to consider basic needs. The divisions that provide the department’s basic services receive greater funding percentages than agencies that do not, despite performance measures. There are greater demands put on agencies during economic crises and departments are required to do more with less to meet the basic needs of society. Increased revenue may be required to meet demands, even when their performance level has not met standards. Performance-based budgeting plays a bigger role in the budgeting process of the departments when the economy is strong, performance budgeting has been less implemented recently because of the economic downturn.

**Washington**

In 1994, Washington established the Government Performance and Accountability Act, legislation that was designed to create specific performance measures that would better focus agency attention on customer needs, increase productivity, and enhance government transparency. In addition, the state tried to enforce greater performance measures among agencies, supported mostly by 1996 legislation that gave the legislative budget committee greater participation in overseeing performance measures. Part of these measures included requirements for PBB, such that “agency budget proposals must include integration of performance measures that allow objective determination of a program’s success in achieving its goals” (Melkers and Willoughby 1998, 68). Unfortunately, the success of this legislation is difficult to quantify because evidence of implementation of these measures or apparent improvement in agency performance either do not exist or do not appear in state or agency records (Washington Office of Financial Management 2008).

Despite Washington’s slow start with PBB, the state appears to have adopted its own highly successful top-down means to institute widespread performance initiatives through the Priorities of Government strategic plan. This assesses major problems across the state, prioritizes them by need, sets goals and plans for program development, and allocates money based on these evaluations. These statewide goals are then promulgated through preexisting state agencies, using these benchmarks as guidelines to center departmental focus areas, ensure greater performance in achieving objectives, and display greater governmental transparency for citizens (Washington Office of Financial Management 2009).

Washington’s performance measurement systems shed light on the appropriate trajectory of agency actions and support evidence-based strategic planning. They offer a clearer picture of how agencies should focus on process and quality improvement and allow government entities to show how government inputs lead to strong (or weak) outputs. If the state sees a shift in performance measure
outcomes and state priorities, resource allocations likely will shift incrementally toward that program as well (Speelman 2010). Jeffrey Showman (2010), budget assistant to the governor in Washington State, notes that Priorities of Government generally plays a role in allocations at the margins; if an agency presents a new policy package that is up for debate, the Priorities of Government report on anticipated returns may help determine whether that project receives funding. However, whether performance measures play a large role in actual allocation levels is unclear; given the incremental nature of the budget and the political factors in play during its development process, it is unlikely that this incentive structure is central or well executed by the state government.

Even though Washington places a heavy focus on performance measurement goals and budgeting, the state nevertheless faces a number of problems with meaningfully using these reports in all aspects of state government. One challenge that Washington government faces is the way in which agencies contribute to the priority setting process, it is unlikely that this incentive structure is central or well executed by the state government.

Within Washington, the Department of Health has found that using performance measures is useful when proposing changes to agency budgetary needs. These clearly defined indicators allow the department to demonstrate where increased funding is generating better outcomes and allows other government entities and the public more accessibility to the agency’s work. The value of using Priorities of Government in the budgeting process, for both the Washington Department of Health and the Department of Transportation, is its removal from the ebb and flow of economic circumstances. The state uses performance measures to determine what is most important, independent of revenue streams or funding levels at a given time. The establishment of these priorities during a time of economic security allows the agency to more clearly understand its mission and the services it must provide regardless of economic circumstances (Speelman 2010; Vaughn 2010).

Clear evidence of how funds improve performance increases the agency’s ability to capture government funds, the Department of Health struggles with the ability to measure and quantify those measures given the limited time frame. Lois Speelman (2010), the department’s assistant secretary of financial services, notes that the long-range timeline necessary to see real, quantifiable changes to health within the Washington population limits the agency’s ability to evaluate and report on the “success” of programs. Legislators desire quick and easy results in order to generate support for reelection and point to successes during their term. Therefore, in the Washington Department of Health at least, the political nature of resource allocation inhibits the agency focus on long-term shifts and limits the agency’s ability to really apply and use performance measures as part of the budgetary process.

One challenge that the Washington Department of Transportation faces is the way in which agencies contribute to the priority setting and budgeting process. Clinton McCarthy (2010) notes that while agencies ideally should “set their agency hat aside” and focus rather on what the citizens of Washington really need for transportation, this process may break down at times and agencies may fight for the items most important to their department or influential interest groups. When the process loses its mission of collective improvement for mobility issues in the state of Washington, the ability to establish the most important transportation performance indicators and use them in the budgetary process becomes limited.

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