



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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Director
AMY CARLSON

DATE: March 1, 2010

TO: Senator Wanrenried, Senator Ripley, Representative Sesso, Representative Taylor

FROM: Kris Wilkinson, Fiscal Analyst II, Barb Smith Fiscal Analyst II

RE: Goal and Performance Measurements as Part of the Appropriations Process

As requested we have completed a report on potential legislative solutions to ensuring goals and related performance measurements as part of the appropriation process. As part of the discussion on Wednesday we would propose that the subcommittee consider the proposed process in light of the significant budget issues the legislature will be facing.

- How can this process be used to ensure legislative discussion on the performance impacts tied to budget reductions?
- In what format should the information be provided to the committees to assist the legislature in implementing changes?
- How does the legislature wish to evaluate the resulting changes in state services?
- How can legislative staff support this process?

We look forward to seeing you on Wednesday, 9:00 a.m. in room 422. Please let either of us know if you have any questions before the meeting.

PERFORMANCE MEASUREMENT IN THE LEGISLATIVE APPROPRIATION PROCESS

A Report Prepared for the
Performance Measurement Subcommittee

By
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Barbara Smith

March 2, 2010

Legislative Fiscal Division



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GOALS AND PERFORMANCE MEASUREMENTS AS PART OF THE APPROPRIATIONS PROCESS

Due to concerns by the Legislative Finance Committee (LFC) that the use of performance measurement in the legislative appropriation process during the 2009 Legislative Session was not consistent or uniformly utilized, a Performance Measurement Subcommittee of the LFC was appointed to make recommendations that ensure decisions on state agency program goals and related performance measurements are incorporated into the appropriation process as part of the drafting of both the general appropriation bill and its companion bill. The LFC subcommittee asked staff to develop potential methods for this process. This report outlines potential solutions for incorporating performance measurement into the legislative appropriation process in a consistent and uniformly utilized way.

LEGISLATIVE FINANCE COMMITTEE ROLE IN MAKING RECOMMENDATIONS TO THE 2011 LEGISLATURE

During the 2009 interim, 29 state agencies reported to the LFC on 165 state agencies goals using performance measurements developed through a collaborative process. 2011 interim LFC members identified a need to prioritize and reduce the number of program goals and related performance measurements included in the LFC review, allowing a greater emphasis on those goals selected for reporting while reducing the staff time required for the process. In addition, members identified a need to incorporate both the program goals and related performance measurements as part of the appropriations process.

Potential Legislative Solutions

Consistent application of performance measurements in the legislative appropriation process is based upon certain fundamentals:

- LFC should take a leadership role in developing recommendations for the legislature
- Legislative leadership endorsement and direction is critical to ensuring application in committee
- Staff should develop for legislative review and approval consistent written materials for the members in all committees

Potential legislative solutions include:

- The LFC workgroups could determine which program goals and related performance measurements should be presented and considered as part of the program's appropriation requests. The recommendations could be discussed with state agency representatives as part of the October workgroup meeting and discussed with the LFC at the same meeting.
- Once LFC concurrence on the recommendations is reached, the LFC chair and vice chair can meet with legislative leadership from both parties to discuss the process and solicit support for incorporating LFC recommendations into the process from the beginning of the budget discussions. In addition, leadership input can then be incorporated into the process.
- Formal recommendations concerning the LFC and leadership recommended goals and related performance measurements can be made to the House Appropriations and Senate Finance and Claims Committees when LFC discusses "global recommendations" at the beginning of the 2011 Legislative Session.
- Leadership could then direct the chairs of the House Appropriations Committee and the Senate Finance and Claims Committee to include performance measurement as part of the appropriation process, to define upfront those program goals and performance measures that should be included as part of legislative policy embodied in appropriations.
- The House Appropriation Committee chair can then move the process forward to the Joint Appropriation Subcommittees chairs directing, for those goals and performance measurements identified, the subcommittees to incorporate discussion and decisions on the goals and performance

measurements recommended as part of the budget. The recommendations should be included in the House Bill 2 companion bill used to implement the general appropriations bill.

- At each step of the appropriations process program goals and performance measurements used to determine program success can be reviewed and adjusted resulting in their inclusion in the legislative appropriations process as recommended by the LFC.

PRESENTATION FRAMEWORK: A BEGINNING

Increasing the presence of performance measurement in the appropriations process requires a cultural change in how all committees operate. In order to apply performance measurement principles consistently in multiple subcommittees, committees, and the two chambers, specific presentation frameworks would need to be implemented and adhered to. Each framework would be designed to provide the appropriate committee with performance related information to aid in the decision making process. The framework would serve as a basis for what information needs to be delivered and how it should be presented, rather than the filling out of a specific template. In addition, it would serve as the minimum request for information, therefore providing the agencies with the flexibility to provide any other items they deem necessary. The agency presentation should provide adequate performance information that would become the basis of the appropriations process.

Agency Presentations – Subcommittee Level

The following items could be the minimal requirements in the agency presentation:

Agency Mission and Purpose

Agency Key Personnel

FTE – HB 2, Modified, BA Proprietary – A description of total employment of the agency.

Progress made in the 2011 Biennium – Limited number of items, preferably those tracked by the LFC.

Overarching Agency Goals and Objectives for the 2013 Biennium – As submitted with the executive budget.

Major Agency Budget and Policy Issues – What stands out in the budget request

LFD Staff – Time for LFD staff to comment on issues or concerns addressed in agency overview of the budget analysis.

Committee Q&A

Program Presentations – Subcommittee Level

The following items could be the minimal requirements in the program presentation:

Program Mission and Purpose

Key Program Personnel

Description of how services are provided, including FTE

Relation of base budget request to Goals and Measurable Objectives from 2011 Biennium – Programs were provided appropriations for a purpose, and this would be the time when the agency would update the subcommittee on specific items from the 2009 session.

Goals and measurable objectives for 2013 biennium

Major program budget and policy issues – what stands out in the budget request.

LFD Staff – Time for LFD staff to comment on issues or concerns addressed in program section of the budget analysis.

Committee Q&A

Discussion of decision packages

LFD Staff – Address comments and issues as they arise in the discussion of the decision packages.

(Repeat program presentations until all programs are completed)

Agency Summary – After each program presentations

Closing statement for presentation prior to Executive Action

At this point the subcommittee will be ready to schedule executive action. This provides another opportunity to change the current process to allow for greater inclusion of performance information. As a matter of process to establish a starting point for the purpose of budget deliberations, the joint appropriation subcommittees have in the past made global motions to adopt the base budget. This action approves the base without consideration to what the base purchased in the previous year. By establishing a standard framework for presentations, the base budget issues could be better defined, resulting in better legislative discussions.

For example, an agency may state in their presentation that the state achieved an increased compliance rate for public water supply systems, but still has a backlog of annual reviews. The legislature may wish to inquire of the agency's plan to decrease the backlog prior to approving the base, as the funds for the activity are in the agency's base budget. If there are challenges to be addressed and there is not a corresponding budget package to address it, this provides the subcommittee the opportunity to prioritize the issues within the current budget framework, or adjust the base.

Executive Action – Subcommittee

Budget

When executive action occurs, the chairman could call for the discussion of the base budget prior to any member moving it for adoption. This would be the time when the committee could discuss the status of any program based on progress toward stated goals and objectives as reported by the agency. The members could consider any adjustments, up or down, and then move to adopt the base or an adjusted base. (All adjustments would need to be made through a decision package which would then be created by the staff to record the subcommittee's intention.) After this decision is made, the committee would then work through the Governor's proposed decision packages.

Performance Measurement

Prior to ending a program's executive action, the subcommittee would indicate which major goals and objectives should be tracked within the performance measurement process in the following interim by the Legislative Finance Committee. This information would be recorded as a recommendation to the full House Appropriations Committee.

The process would need to continue to evolve at each of the next budget steps. The chair or vice chair would have new duties to explain the status of the budget and the subsequent performance recommendations.

House Appropriations Committee

Historically the chairman has provided an overview of the proposed subcommittee budget to the House Appropriations Committee. This summary overview has traditionally discussed budget growth, new FTEs, and significant budget issues tracked by the subcommittee. To increase the presence of performance measurement, the presentation would need to change to include the following new items:

- Agency/Program performance in relation to 2011 Goals and Objectives
- Proposed program goals and objectives for monitoring purposes by the LFC.

If the House Appropriations Committee follows suit from the 2009 session, the proposed goals and objectives for monitoring would be drafted into the companion bill to HB 2.

As the budget travels to the House floor, Senate Finance and Claims, and the Senate floor, a similar overview would occur. At each point of the process, the legislature would have the opportunity to make changes to both the budget and the proposed goals and objectives for monitoring. To be successful, HB 2 and the companion bill would need to travel the process at the same time.

Next Steps

- Confirm or modify the proposed process
- Have subcommittee staff further refine the framework needed to implement the process
- Schedule presentation with full Legislative Finance Committee for concurrence
- Post LFC approval, schedule presentation with full Legislative Council