

PERFORMANCE MEASUREMENT AND BUDGETING SYSTEMS:
THE PERSPECTIVE OF GEORGIA STATE AGENCIES

by

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(Under the Direction of Thomas P. Lauth)

ABSTRACT

For the past fifty years, many budget reforms have ebbed and flowed around what is probably the most important theme in contemporary public budgeting: to integrate information about agency and program performance into the budget process. Past research on this subject has focused mostly on the roles and perspectives of central executive and legislative budget analysts in the performance budgeting process. This dissertation examines the role and perspective of state agencies in the process of developing and implementing performance budgeting.

This dissertation, based upon elite interviews and surveys of Georgia state agency budget officers, finds that the design of performance measures is largely an agency-centered process, and that managerial capability, external performance culture and measurement quality are the top three factors that lead agencies to embrace performance budgeting.

INDEX WORDS: Performance budgeting, Agency, Measurement quality, Management, Leadership, Georgia

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DEDICATION

This dissertation is dedicated to my parents, Zhiqin Wang and Minghua Lu, for always believing in their children and loving us unconditionally.

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INTRODUCTION

Budget reform bears the imprint of the age in which it originated. For the past fifty years, many budget reforms have ebbed and flowed around what is probably the most important theme in contemporary public budgeting: to integrate information about agency and program performance into the budget process. This dissertation examines one important part of performance budgeting: the perspective of agencies in the implementation of performance budgeting.

Since the first Hoover Commission issued the recommendation (1949) for performance-based budgeting, there have been a variety of budget reform proposals, such as Planning-Programming-Budgeting (PPB), Zero-based Budgeting (ZBB), Management by Objectives (MBO) and the Government Performance and Results Act (GPRA) (Schick, 1966, 1990; Lauth, 1978; Osborne and Gaebler, 1992; McNab and Melese, 2003). While these budget reforms differ from each other in their specific objectives and procedures, what they have in common is the objective of introducing into the budget process analytical information about the performance of programs. Particularly, the GPRA launched the recent performance-based budgeting movement throughout the 1990s. George W. Bush's efforts, President's Management Agenda (PMA) and the Program Assessment Rating Tool (PART), are the current manifestation of this historical trend. In short, this movement to link performance measures with budgeting and financial management has been stronger than ever.

Most prior studies of performance budgeting often occurred at the level of central budget analysts or legislative budget analysts. Since agencies are increasingly recognized as important in producing and using performance measures (Joyce, 2003;

Willoughby and Melkers, 2000), this dissertation studies the perspective of agencies in the development and execution of performance budgeting.

The dissertation begins with a review of important research on performance budgeting so as to provide a context for the specific research questions being investigated. A description of the research design follows. Findings based upon surveys and elite interviews from Georgia state government are reported. The implications of these findings for the overall implementation of performance budgeting are discussed. This dissertation aims to examine two issues: (1) the roles of state agencies in designing performance measures, and (2) the factors that lead to agency engagement with the performance budgeting process. Overall, the purpose is to demonstrate and better understand the place of agencies in the performance budgeting system.

CHAPTER 1

RESEARCH ON PERFORMANCE BUDGETING:

ASSESSING THE STATE OF THE ART

Research about performance budgeting has developed in three broad areas. These include: the extent of usage of performance measures, determinants of the use of performance measures and the impact of performance integration. The following literature review is organized around these three broad themes.

1.1.The Extent Of Usage Of Performance Measures

The literature on the extent of usage has generally attempted to document the evolution of the usage of performance measures.¹ There is a difference between having analysis and using it in decision-making (Lee and Staffeldt, 1977; Lauth, 1985; Heinrich, 2002). Lauth (1985) studied Georgia and found uneven utilization of performance measures in different stages of the budget process. Jordan and Hackbart (1999) reported 34 states using performance budgeting but only 13 states using performance information for allocation of funding. Robert D. Lee and his co-authors

¹ There is no agreed-upon definition as to what the integration of performance and budgeting really is. Definitions of performance budgeting vary by their inclusiveness. For instance, McNab and Melese (2003) defined a higher level of performance budgeting, with a focus on resource allocation, as any initiative or reform that attempts to quantify public sector outputs or outcomes and explicitly incorporates these outputs and outcomes in the budget process. Melkers and Willoughby (2001) defined performance budgeting, with a focus on management, as requiring strategic planning regarding agency mission, goals and objectives and a process that requests quantifiable data that provides meaningful information about program outcomes. Joyce (2003) took a broader view, and defined performance budgeting as the use of performance information in all stages of the budget process including budget preparation, budget approval, budget execution and evaluation. The multiplicity of definitions of performance budgeting in the literature, as Marc Robinson and Jim Brumby (2005) observed, is one of the methodological difficulties in assessing the efficacy of performance budgeting.

(1977, 1991, 1997, 2000, 2004) surveyed state budget offices every five years from 1975 to 2000, and reported, in a series of articles, that the general trend at the state level, with a temporary backslide from 1990 to 1995, has been the growing provision of program information in budget requests, increasingly extensive inclusion of program information in budgets, frequent conduct of program analysis and intensive use of program analysis in both executive and legislative decisions. For instance, states reporting that executive decisions were based to some degree or substantial degree on program effectiveness increased from 38 percent in 1970 to 81 percent in 2000. Melkers and Willoughby (1998, 2000, 2001, 2004) reported similar findings with a more detailed state-by-state account. According to their research, by 2004, 33 states (66 percent) had maintained, amended, or added legislation that prescribes a performance-based application, while 17 states (34 percent) had an administrative requirement or executive mandate for such application. At the federal level, Joyce (1993) illustrated three separate efforts that proceeded in the performance budgeting direction: the application of federal financial management reforms (such as the Chief Financial Officers Act), the passage of legislation covering performance measurement (S. 20, signed into law by President Clinton on August 3, 1993), and the executive effort (embodied primarily in the reports issued by the National Performance Review). At the county level, Wang (2000) reported performance measurement used in all stages of the budget cycle, but largely in agency requests. Epstein (1984) using case examples contributed by 23 local government officials from across the country demonstrated how performance measurement is used to improve decision making, performance and accountability.

Clearly, the attempts to integrate performance and budgeting have been widespread at all levels of government. However, as performance budgeting gains more

widespread attention, the need to utilize it more effectively increases. This dissertation intends to contribute to the understanding of this important practice.

1.2. Determinants Of The Use Of Performance Measures

Following the premise that performance information informs budget and management decisions, the research field ventured to explore the determinants for integrating performance information into budgeting and management. The literature generally takes two approaches: (1) the qualitative approach, and (2) the quantitative approach. The qualitative approach usually uses case studies and/or survey methods. Some studies conducted association tests to examine the correlation among key variables of interest, while other studies, based on the in-depth understanding of the selected cases, sketched out theoretical frameworks of clusters of key factors to understand the performance integration process. On the other hand, the quantitative approach tends to rely on more sophisticated statistical techniques, such as regression and logit analysis, to examine the significance of variables of interest in a model.

Lauth (1985), using a survey, found that the perception of quality of performance indicators is positively related to the usage. In this and many other articles, Lauth also pointed out the difficulty with performance integration: the political nature of budgeting, increased workload and resource demand that in some cases might overburden the existing administrative machine, and the natural difficulty associated with changing people's behavior (in this case, the long-running incremental budgeting behavior). Also pointed out by Lauth is that the fiscal climate is one of the factors that contribute to the utilization of performance measures. The relaxed fiscal climate due to robust economy at the time in Georgia did not provide sufficient

incentives for such budget innovations as performance budgeting. Broom (1995) used five states' experience with performance budgeting, and identified factors critical to a successful program, including a well-identified need, a design responsive to the need, leadership, and the desire to learn. Wheat (1991) found that the activist auditor increases performance auditing. Similarly, Garsombke and Schrad (1999) found that state auditors' lack of interest negatively impacts performance measurement utility. Ammons (1995) argues that the increased emphasis on relevant performance comparisons with other local governments and with appropriate standards could capture media and citizen attention, and thereby promote greater accountability and increase performance usage.² Wang (2000) using the experience at the county level identified as important factors the meaningful interpretation of the information, the investment of financial resources into performance integration, central management involvement and support from all government stakeholders. Grizzle and Pettijohn (2002) using the experience of Florida illustrated four kinds of factors that are important to the implementation of performance integration: communication, resources, dispositions, and bureaucratic structure. McNab and Melese (2003) argued that the key to successful performance integration is the creation of an institutional environment that rewards efficiency, transparency and the prompt, concise, and accurate reporting of costs, outputs and outcomes. Specifically, it includes efforts, such as, addressing the use-it-or-lose-it incentive system, enhancing independent auditing by Congress, and investing in accounting, information and personnel systems. This systemic view of performance integration echoes Joyce's (1993) call for a culture

² Benchmarking with other governments using comparative performance information has been under study for quite some time. However, how to conduct inter-jurisdictional benchmarking properly, and therefore its validity and reliability, is still unsettled. For details, see Ammons (1999), Coe (1999) and Kopczynski and Lambardo (1999) in the mini-symposium on Intergovernmental Comparative Performance Data (Harry Hatry ed.) published in *Public Administration Review*, Vol. 59 Issue 2.

of performance that infiltrates the policy process for the success of performance budgeting.

There are few attempts using regression/logit to explore the determinants of performance integration. Jordan and Hackbart (1999), using logistic regression, found that the organization's capacity to carry out performance budgeting appears to have more influence on the use of performance in budgeting than both economic and political variables. Lee and Burns (2000) attempted to tackle the relationship between the use of performance measures by budget officers in 1990 and 1995, and state characteristics (i.e., state population, percent of population that is urban, non-agriculture employment rate, per capita income, tax capacity and tax effort and the unemployment rate). However, all variables did not explain the variation that exists among the states.³ Julnes and Holzer (2001) found that the adoption of performance measurement is driven more heavily by factors from rational and technocratic theory, whereas the actual implementation is influenced by factors addressed by political and culture considerations. Melkers and Willoughby (2004) developed a regression model, using factors of state characteristics, respondents' characteristics, aspects of performance culture and performance measurement characteristics, to predict the uses and effects of performance measurement. While the study incorporated three types of uses of performance information (i.e., budgetary, communication and management effects) and factors did vary by use, they found that in general leadership support, measurement characteristics, and formalized managing for results process are significantly related to the use of performance information.

³ Melker and Willoughby (2004) found similar result, reporting little relationship between state characteristics and performance measurement effects in their study for IBM Center for the Business of Government---"Staying the course: the use of performance measurement in state governments." Specifically, they found that factors---state general revenues, population, whether or not state has performance measurement legislation and managing for results grade---have no significantly statistical relationship with performance measurement use.

Understanding the determinants of performance integration is an important yet still under-studied research topic. As Willoughby and Melkers (2000) pointed out, we are in need of statistical tests to analyze independent variables that might distinguish states where performance-based budgeting (PBB) is considered effective from those not effective. What complicates this research topic even more is that the distinctiveness of budgeters in executive and legislative branches and of agencies does not lend the study of performance integration to a universal set of determinants that is applicable to all parties involved. Willoughby and Melkers (2000) suggested that we might need to provide different “marketing” strategies accordingly in each locality where the implementation takes place, as reform formats, structures and processes continue to evolve. However, the traditional research on this topic tends to focus on the perspectives of executive and legislative budgeters.⁴ Therefore, one possible area for improving understanding is to examine more closely the agency perspective.

1.3. Impacts Of Performance Integration

The literature tends to show that performance budgeting enables public organizations to: identify organization goals; improve government capacity in organizational efficiency, effectiveness and accountability (Wang, 2000); identify costs; encourage long-term perspectives; influence the allocation of resources to some degree (Kluvers, 2001); promote the shift in the focus of governmental functions from input control to outcome-oriented planning and management (McNab and Melese, 2003); enhance communication; inform budget decisions; and improve agency management and operation (Melkers and Willoughby, 2004).

⁴ This is especially true for studies at the state government level. Few exceptions are: research by Lauth (1985), and Willoughby and Melkers (2004) on state agencies. At the federal level, GAO (1997, 2001) has done research on the perspective of federal agencies and managers.

On the other hand, research also shows that the impacts of performance integration on some areas (such as budgeting) are limited. Many governments use performance measurement for budgetary communication purposes, rather than to make resource allocation decisions (Wang, 2000) or choose among alternative new programs (Kluvers, 2001). It seems as if the traditional way to budget lasts for all seasons (Wildavsky, 1978; White, 1994). As Robinson (2002) pointed out, the pure performance model has its limited utility because of the fundamental limits and constraints presented in the real world, such as, non-quantifiable performance, hidden cream skimming, and the output indicated by performance information not being the outcomes with which the public sector should be concerned (Robinson, 2002). In addition, although performance measures evolve over time, it is still difficult to define precise and appropriate performance measures (Joyce, 1993). Sometimes the performance measures are misaligned with agencies' goals; other times they may diverge from agencies' original and overall goals (Courty and Marschke, 2003). Furthermore, the increased administrative and transaction cost due to extensive reporting requirements may hinder the use of performance budgeting (McNab and Melese, 2003). In short, it is hard enough to change budget behavior (Lauth, 1985), let alone making sure that it is changing for the better. It is, therefore, not surprising to find that performance integration now has limited, albeit promising, positive impacts.

1.4. Synthesis

In short, the literature on performance budgeting comes to these conclusions:

- The concept and practice of performance budgeting and management is prevalent, and still expanding.

- The utilization of performance measurement systems depends on when, where, how and by whom the systems are put in place. Identified factors include: leadership support, political compatibility, performance culture, the adequacy of financial and human capital resources to launch and sustain performance measurement systems, and the quality of measures.
- The impact of performance measurement systems on budgeting falls short of expectations. It is more of a management tool than a budgeting tool.

This review of the literature, nevertheless, indicates several under-studied areas. A typical budget cycle usually includes four stages---executive preparation, legislative consideration, agency execution, and audit and evaluation (Mikesell, 1999). Research on performance budgeting has mainly focused on executive budget office analysts and legislative budget office analysts (Thurmaier and Willoughby, 2001). In addition, the literature tends to focus more on the impacts of performance measurement systems than on the administrative process through which the performance systems blend into the budget cycle.⁵ This dissertation addresses gaps in the literature by examining the agency perspective of performance budgeting. The following chapter will elaborate the research purposes and questions.

⁵ Exceptions are research using extensive case study, such as Grizzle and Pettijohn's (2002) study of Florida experience, and GASB's series study, as part of its multi-year Service Efforts and Achievements (SEA) project, of the experience of selected states.

CHAPTER 2

RESEARCH PURPOSES AND QUESTIONS

This dissertation benefits from the existing literature on performance integration with budgeting. It attempts to contribute to this research tradition by tackling two issues in particular: (1) the design of performance measurement---the process of developing performance measures during the budget cycle, and (2) the agency perspective of integrating performance measurement with budgeting.

2.1. The Design Of Performance Measurement

Performance measurement is the label typically given to the many efforts undertaken within governments and in the non-profit sector to meet the new demand for documentation of results (Wholey and Hatry, 1992). Specifically, it is the measurement on a regular basis of the results and efficiency of services or programs (Hatry, 1999). The practice of performance measurement is not new (Williams, 2003, 2004). In fact, it is as old as the history of public administration. Yet, the state of the art in performance measurement is still short of expectations.

As indicated in the literature review section, most of the performance budgeting research tends to begin by asking two questions: to what extent are performance measures used, and what are the effects of performance measurement. But, how do these performance measures come into being in the first place? Does it make a difference in performance integration who decides which measures to use? What efforts are put into place to make sure measures measure correctly? These are the

questions that could not be answered without a careful examination of the process used to develop performance measures.

The puzzle of performance measurement design has been under study in the private sector for quite some time (for example, see Kaplan and Norton 1992 and 1993, and Niven 2002). It warrants further study in our case for two reasons. First, *developing proper performance measures is the number one mentioned difficulty in implementing performance budgeting*. It has never been an easy task to identify “good” measures. To Newcomer (1997), defining performance is an inherently political process. The decision about what to measure reflects two key factors---the intended uses and the value priorities of those stakeholders who choose what to measure. Grizzle (2001a) reviewed 24 books and articles on performance measurement, and found that the top ten most frequently cited criteria are: validity, clarity, reliability, relevance to objectives and decisions, accuracy, sensitivity, cost, ease of obtaining data, precision, and controllability. The measurement obstacles identified by Hatry (1994, 1997) facing state and local public agencies include: too highly aggregated data to be meaningful for low-level personnel, too infrequent data reporting, and the limited availability of outcome measures. In their recent study (2004), Melkers and Willoughby also found that factors related to the validity and reliability of performance measures (such as, collection of performance data, and development of performance measures that accurately reflect program activities) were ranked high as the problems to successful performance budgeting. Courty and Marschke (2003), using the case of a federal job training program, depicted a vivid picture as to how vexing the process of developing performance measures could be. According to them, the decisions about what should be measured, how, when, and by whom it should be measured make a critical difference for the success of performance measurement. In recognition of these

difficulties, National Academy of Public Administration (2002) published a step-by-step guide titled *Performance Indicators-Getting started* to help program managers implement GPRA and related performance-based initiatives. Nevertheless, the opportunities for pitfalls in designing performance management systems are ample (for example, see Forsythe, 2001). Therefore, as Joyce (1993) pointed out, the short-run emphasis should remain with the development of performance measures rather than for use as a resource allocation tool because improving measurement should precede its usage. In short, measuring performance in an instrumental way has never been easy, especially when it comes to issues in the public sector where multiple and competing objectives could make the choice of performance indicators political. Therefore, a careful study of the measurement process, the process in which measures come into being, is important. By intensively interviewing and surveying agency fiscal/budget officers, this dissertation aims to find out who are the participants in the measurement design process, what are the factors leading to the choice of one measure versus another, what are factors driving the perception of measurement quality, and what is the impact of measurement quality on its utility.

In terms of the factors leading to the choice of one measure versus another, previous research has indicated that the leadership at the time when the performance system is implemented and the institutionalization of performance culture are two important factors. In addition, after giving a detailed account of measuring governments in the early twentieth century, Williams (2003) stressed the awareness of the social and political context of performance measurement that both enables its occurrence and limits how it can develop. Therefore it is hypothesized here that the

selection of performance measures is influenced more by political and culture factors than by rational and technocratic ones (Hypothesis 1).⁶

Second, *performance measures do influence the use of performance budgeting* (Hatry, 1999). The linkage between the perception of quality of performance measures and their usage is well documented (Lauth, 1985; Yu, 1996). The research has found that the nature of performance measures do have some effects on usage. For instance, measurement density is significant for both the budgetary and communication effects among state budgeters; and measurement maturity is significant for the budgetary and management effects for state agency staff, as well as for the communication effects for budgeters⁷ (Melkers and Willoughby, 2004). The viability of performance measures certainly is part of the equation for the success in performance budgeting. In addition, different budgeting and management purposes require different measures. Behn (2003) identified eight purposes: to evaluate, control, budget, motivate, promote, celebrate, learn and improve. No single performance measure is appropriate for all purposes. Therefore, the research community shares the burden with practitioners to design and select measures with the characteristics necessary to help achieve each purpose. This research breaks down the concept of measurement quality into detailed characteristics of measures in the hope for identifying “measurement quality drives.” The hypotheses of characteristics that drive the perception of measurement quality follow.

⁶ All hypotheses discussed in the text will be formally presented at the end of this chapter in the section of Summary Of Research Questions And Hypotheses.

⁷ In their study, measurement density is defined as evidence of the use of performance measures in the budget process; Measurement maturity is defined as the extent to which performance measures are used in a range of management applications, such as benchmarking and planning.

First, the linkage between performance measures and agency strategic plans is often cited by the literature as important for measurement quality. Strategic planning pertains to the gap between the articulation of a vision and establishment of targets to mark progress toward that vision (Ammons, 1999). Linking with strategic goals and planning is an important step toward linking performance to budgeting (Joyce, 2003). It is expected that performance measures fitting well into agency strategic and business plans lead to quality measurement (Hypothesis 2a). In addition, whether measures used are those agreed upon by all stakeholders is argued to be important as well. This factor relates not only to goal congruence, but also might indicate whether faith in measures is gained from stakeholders. The hypothesis is that using measures agreed upon by all stakeholders increases the perception of measurement quality (Hypothesis 2b). Both factors, as Wholey (1999) would argue, are the prerequisites for useful performance measures, and "the usefulness of performance measurement will increase to the extent that the measurement systems reflect and relate to a coherent set of goals and strategies covering major agency programs and activities." Moreover, efforts to ensure the quality of measures are identified as important as well. The literature suggests that often-used quality control efforts include: comparing with the historical data, reviewing measures frequently and having agencies involved in the process. The hypothesis here is that the quality of measures is perceived high when there are efforts to ensure the quality of measures (Hypothesis 2c).

As indicated in the literature review section, resources and capabilities are often identified as important (for example, Jordan and Hackbart, 1999; Wang, 2000; Grizzle and Pettijohn, 2002). In this dissertation, this set of factors includes three dimensions: financial resources (Hypothesis 2d), the accounting and financial database/system (Hypothesis 2e), and staff experienced in handling the development of performance

measures (Hypothesis 2f). It is hypothesized that all three dimensions are positively related with the perception of measurement quality.

The last factor examined is the interpretation of measures. This factor is increasingly recognized by scholars and practitioners alike (Epstein, 1993; Hatry, Gerhart and Marshall, 1994; Wang, 2000; NAPA, 2002). This factor pertains to what is called “in-context” measurement. It is expected that it would contribute to the relevance of measures. Therefore, it is hypothesized in this dissertation that the quality of measures is perceived high when governments develop meaningful interpretation of the measures (Hypothesis 2g).

In conclusion, as Lauth (2004) concisely pointed out, “it is difficult to devise accurate measures of performance and to gain agreement from participants regarding the reliability and validity of proposed measures.” A closer examination of the process used to develop performance measures will help understand these hypothesized relationships. In short, “this concern for measuring performance should imply a concern for measuring it correctly.” (Joyce, 1993) By extensively interviewing and surveying agency personnel, this dissertation seeks to understand measurement design and quality from the people who are at the center of producing measures, that is, agencies.

2.2.The Agency Perspective

As mentioned in the literature review, most of the research on performance budgeting studied budget officers in the executive and legislative branches. Budget officers are valuable informants (Grizzle, 2001b), especially when it comes to the examination of the relationship between performance and funding at the macro level.

Nevertheless, there are reasons why we might need to take a closer look at the agency perspective.

First, *agencies are an increasingly important unit to look for effects of performance budgeting and financial management.* The traditional logic for performance budgeting is that performance information informs and even changes funding levels. Unfortunately, as we learned from the existing literature, directly linking performance to appropriation was hardly achieved.

However, focusing on what happened at the final stage of the budget process as the failure of performance budgeting could be an overstatement. This focus might run the risk of “failing to recognize the opportunities for performance informed budgeting at other stages, such as agency budget development, budget execution, and audit and evaluation.” (Joyce 2003) For instance, in the same research (2003), Joyce pointed out several potential uses of measures in agency budget preparation, such as, to build budget justifications for submission to the central budget office, to make tradeoffs between agency subunits to allocate funds strategically, and to determine the productivity of components of an agency.

This agency perspective is very important because agencies are directly responsible for two stages of the budget cycle---budget submission and execution. If agencies used performance information for budget submissions, it would have been an important manifestation of performance budgeting. In Georgia, Prioritized Program Budget (PPB) under the leadership of Governor Sonny Purdue requires three levels of budget submission: budget reduction, redistribution and enhancement. It would be interesting to see how the performance information influences these three levels of budget submission. Since traditional budgeting practices prevail in relaxed fiscal environments (for example, Lauth, 1985) and new programs are often proposed in

enhancement budgetary decisions for which performance information may not be readily available,⁸ it is hypothesized that performance measures are used least frequently in enhancement budget requests followed by redistribution and reduction budgetary requests (Hypothesis 3). Although individual agencies may vary in their practice, we nevertheless expect the hypothesized pattern to pertain.

In addition, while the legislature approves resource allocation, the discretion in funding exercised by agencies is increasingly an issue. As reported by Moynihan (2006), 7 states allow agencies to have limited discretion to switch money among programs and 1 state unlimited discretion; 13 states claimed limited discretionary power for agencies to switch between object classifications and 13 other states claimed unlimited discretion; and 11 states claimed limited⁹ discretionary power for agencies to switch between line items and 19 states claimed unlimited direction.¹⁰ In the case of Georgia, section 56 of HB 85 allows agencies the flexibility to adjust fund sources through budget amendments which increase a line item appropriation for a program, up to the lesser of \$250,000 or 2 percent of the original line item amount.¹¹ Given the movement seeking more flexibility during agency execution of the budget, it is equally important to examine how agencies use performance information for resource allocations within agencies' discretion allowed by the budget laws and procedures.

Beside budgetary uses, agencies are also the place for examining managerial uses of performance measures. Most of the uses of measures mentioned in the

⁸ As Lauth (1985) indicated, this is the effect of budget structure in limiting the opportunity for performance budgeting.

⁹ The original article published says "unlimited" twice with regard to line items. It is assumed that it is a typo. Based on the context, I believed that it should be "limited."

¹⁰ Marc Robinson and Jim Brumby (2005) argued that even in the most centralized systems a great deal of allocative decision-making necessarily takes place at the discretion of agencies within the parameters of their budget authorizations.

¹¹ Excerpted from OPB's *Prioritized Program Budget, General Preparation Procedures*, Amended fiscal year 2006 and fiscal year 2007 (Atlanta, GA: Office of Planning and Budget). Agencies are required to submit an amendment to OPB to utilize this flex language in the Appropriations Bill-HB 85; certain restrictions apply.

literature review are managerial uses, and it is observed that there is a changing expectation of performance information from budgetary uses to a range of managerial and organizational uses (Melkers and Willoughby, 2004). Therefore, it is hypothesized in this dissertation that performance measurement impacts more on management functions than on budgeting ones (Hypothesis 4). This dissertation studies a full spectrum of uses of measures by an agency and the interrelationship between managerial and budgeting uses.

The second reason for studying the agency perspective is that *agencies play an important part in implementation of performance budgeting*. Agencies are often asked to participate in the development of performance indicators. Some agencies report performance to the public on a regular basis to meet government accountability requirements. According to the report issued by Government Accounting Standard Board (1997), among the types of entities surveyed,¹² state agencies reported the highest percentage of those that say they have developed performance measures (83.3 percent), used performance measures for decision making (76.5 percent), and reported output and outcome measures (output-35.9 percent; outcome-37.13 percent¹³). A recent study (Burns and Lee, 2004) also indicates that the percentage of states that include program effectiveness estimates in budget requests for new or revised programs has increased from 24 percent in 1970 to 78 percent in 2000. It becomes more and more clear that agencies are as much of a participant as executive and legislative budget analysts in the performance movement. So, what factors contribute to agency engagement with the performance budgeting process?

¹² Other entities surveyed include: municipalities, counties, colleges and universities, school districts, public authorities, PERS, special districts and unclassified category.

¹³ The percentages used here are the averages calculated from the percentages of reporting output/outcome measures to internal management, elected officials, and citizens and media.

Previous research indicated several factors. First, the quality of measurement is one of the factors, and its impact on use is well documented. As explained above, agencies play a key role in designing measures. It is expected that participants are more likely to use measures when they perceive measures to be of high quality (Hypothesis 5). Second is whether the process values the input from agencies. Arguably, this is a way to buy in agency's support for the performance measurement system (Poister and Streib, 1999). It is expected to be positively related with use by agency of performance measures (Hypothesis 6). Third, both internal and external performance cultures are important factors. Internal performance culture (Hypothesis 7) is defined as the extent to which agencies agree that agencies should be rewarded/punished based on performance while external performance culture (Hypothesis 8) is the perception by agencies of the extent to which other participants in the process use performance indicators in their decision making (i.e., the central budget office, the Governor, the House and Senate Budget offices, and the House and Senate Appropriation Committees). Both measures are reflections of the institutionalization of a performance culture and are expected to be positively related with the use of performance measures. Lastly, the factor of agency's managerial capability is examined. While this factor is often identified as important for organizational performance in the public management literature (for instance, Meier and O'Toole, 2002), it is largely understudied in the performance budgeting literature. Its importance to performance budgeting is more often intuitively identified than tested. For instance, the quality of public management is identified by Schick (2001) as one of the two factors that determine the fate of performance budgeting (the other one is the quality of measurement). Given the recent observation that performance measures are more of a management tool than a budgeting tool, it will be critically

important to examine the impact of management quality on performance budgeting. It is hypothesized here that high managerial capacity improves budgetary uses of measures (Hypothesis 9).

The third reason for studying the agency perspective is because *it is understudied*. Despite the importance of the agency perspective noted above, there are only a very few studies specifically focusing on the use of performance measures by state agencies. Lauth (1985) demonstrated the difference of opinion about the use of performance evaluation in the Georgia budget process between agency budget officers and the analysts of the central budget office in Georgia (Office of Planning and Budgeting---OPB). The distinctiveness of state agency perspectives is further confirmed in the research done by Melkers and Willoughby (2004) and Willoughby (2004). These two studies reported different perspectives between central budget analysts and state agencies on many important questions, such as, how performance measurement is used in the states, the effects of performance measurement, factors that have a significant effect on performance measurement use, and perceptions of significant problems related to performance measurement use. Byrnes et al. (2002) surveyed 243 departments in 48 states, and found high agency's usage of performance measures where there are legislative, chief executive or other externally imposed requirements for performance measurement, and where agency capacity is high, but no statistically significant relationship with agency size, agency scope and the nature of the public service provided.

In brief, the general purpose of this dissertation is to examine performance budgeting from the perspective of state agencies. Specifically, it studies (1) the performance measurement process and the roles of agencies in designing measures,

and (2) the factors that lead to agency engagement with the performance budgeting process.

2.3. Summary Of Research Questions And Hypotheses

With these purposes in mind, the following list summarizes the specific research questions and hypotheses.

1. Who are the participants in the performance measurement and what are their roles?

This question pertains to the degree of participation and relative influence of participants in the performance budgeting process.

2. How are performance measures designed?

This question deals with the science and art involved in the design of performance measures. Specifically, it will report interview and survey findings regarding the design and adoption of performance measures.

Hypothesis 1: the design of performance measures is influenced more by political and culture factors than by rational and technical ones.

3. What conditions lead to the development of high quality performance measures by agencies?

The main purpose of this research question is to find out what it takes for agencies to perceive high quality measures. Hypotheses include:

Hypothesis 2: The quality of measures is perceived to be high when (a) the performance measures fit well into agency strategic and business plans; (b) measures used are those agreed upon by all stakeholders; (c) there are efforts to ensure the quality of measures; (d) there are financial resources to develop performance measures; (e) accounting and financial management systems are

capable of tracking and monitoring performance; (f) the entities have staff experienced in handling the development of performance indicators; and (g) the entities develop meaningful interpretation of the measures.

4. How is the implementation of performance measurement system?

This section reports elite interview and survey findings on various aspects of the performance measurement system in each phase of performance measurement system in Georgia. The purpose is to identify the strength and weakness of each aspect of the system. Elite interview information is reported to illustrate means that agencies have tried and found effective to improve the quality of measures.

5. How is performance information used?

This section reports interview and survey findings on the use of performance information. Uses are differentiated by: (a) within and outside agencies, (b) budgetary and management uses, and (c) budget reduction, redistribution and enhancement submissions by agencies. The findings are further compared with those reported in Lauth's 1985 study to see whether improvements have been made over time. Specific hypotheses include:

Hypothesis 3: Performance measures are used most frequently in agency's reduction submission, less frequently in redistribution submission, and least frequently in enhancement submission.

Hypothesis 4: Performance measurement impacts more on management functions than on budgeting ones.

6. What factors are related to the agency budgetary use of performance information?

Association tests, regression analysis and logit analysis are employed to test factors hypothesized to be related with agency budgetary uses of performance information.

Specific hypotheses include:

Hypothesis 5: High quality measurement leads to frequent uses of performance measures.

Hypothesis 6: A participative process by agencies in designing performance measurement leads to frequent uses of performance measures.

Hypothesis 7: An internal performance culture characterized by the acceptance by agencies of the principle of rewarding (or punishing) agencies/programs based on performance, leads to frequent uses of performance measures.

Hypothesis 8: An external performance culture, defined as budgetary uses by other participants in the budget process, leads to frequent budgetary use of performance measures by agencies.

Hypothesis 9: Agencies with high capacity to use measures for managerial purposes are more likely to use measures for budgetary purposes.

7. Are The Perspectives Of The Central Budget Office And The House And Senate Budget Offices Compatible With That Of Agencies?

This section examines comparatively the performance budgeting from three important perspectives: the OPB, House and Senate budget offices, and agencies. The purpose is to see how compatible the perspectives of OPB and the House and Senate Budget Offices are with that of agencies.

CHAPTER 3

RESEARCH DESIGN

3.1. Research Approach

Prior studies of state agencies mainly used multi-state survey methods. For instance, Melkers and Willoughby (2004) utilized a survey¹⁴ conducted by the Government Accounting Standard Board (GASB) and had a response rate of 35 percent from agency staff in 48 states. Byrnes et al. contacted 876 government entities that were classified as a “department” in The State Yellow Book, and had a response rate of approximately 28 percent. Although these large-scale cross-section surveys have many merits, it is difficult to achieve high response rates and to account for detailed contextual differences among states. One way to mitigate these difficulties is to conduct an in-depth single-state study. For instance, Lauth (1985) did a case study of Georgia, which achieved an 87 percent response rate from agency budget officers and provided a vivid description of Georgia budget procedures.

This dissertation is designed as a single-state analysis. This research approach is appropriate for the following three reasons. First, it helps put the research questions into contextual perspective. The context in which performance budgeting develops across states varies a great deal. Variations include the reasons why performance budgeting was initiated, the definition of the performance system, the problems performance budgeting is expected to address, the state budgeting process, the

¹⁴ The survey is a component of the multiyear effort by the GASB regarding the Service Efforts and Accomplishments (SEA) research. The mail survey of state and local government budget officers and specific agency heads was conducted in the summer of 2000. At the state level, questionnaires were sent to 121 officers in the executive and legislative budget offices of the 50 states and 434 questionnaires were sent to selected agencies—Corrections, Education, Welfare/Economic Development, and Transportation.

political and economic conditions in that state, etc. There is almost no question that could be asked of each state about performance budgeting, without the risk of different understandings of the question among states. By concentrating the efforts in one state, this dissertation mitigates this problem, and affords the opportunity to capture the performance measurement system in the context that produced and sustained it. Second, a single state study allows for full scope in-depth analysis utilizing the combination of interview and survey methods. Detailed discussion on data collection is provided in the following section. Third, an in-depth case study using both methods allows the opportunity to explore multiple factors and possible explanations, and survey findings could be better interpreted and understood by relating to findings from elite interviews.

The State of Georgia is the site for this single-state study. A study of Georgia is not uncommon. Many important aspects of the budgetary process and reforms have been explored using the Georgia experience, including but not limited to: budget reforms, performance evaluation, budget behavior, and recession (Sharkansky and Turnbull, 1969; Minnier and Hermanson, 1976; Lauth, 1978, 1985, 1987, 2002, 2003, 2004; Yu, 1996; Huckaby and Lauth, 1998; Douglas, 1999). This dissertation benefits from the insights of the Georgia budgeting experience enlightened by prior research.

Georgia is chosen for this research mainly because of its extensive history of budget reforms. Georgia broke the legislative dominance in the budgetary process and established its first executive budget system in 1931 when the Budget Bureau was created (Lauth, 1991). In 1962, the Budget Act strengthened gubernatorial power in the budget process by reconstituting the budget office in the governor's office, establishing the position of state budget officer and authorizing professional support

staff for the new agency.¹⁵ Then, Georgia was the first state to install Zero-Base Budgeting (ZBB) in 1973 (Lauth, 1978). Since fiscal year 1977, executive branch agencies in Georgia have been required to include performance evaluation measures as part of their annual budget submissions (Lauth and Rieck, 1979). To institutionalize performance budgeting efforts, Georgia passed the Budget Accountability and Planning Act of 1993 that mandates state agencies to develop strategic plans. In 1997, a new approach to budget preparation, Budget Redirection, was introduced into the budget process (Huckaby and Lauth, 1998; Douglas, 1999). In fiscal year 1998, Result Based Budgeting (RBB) was implemented in Georgia, which requires developing a purpose, goal and desired result that can be achieved for each program (Lauth, 2004). Beginning with the fiscal year 2005 budget, Georgia government began managing its resources through a Prioritized Program Budget (PPB) process. According to the guidelines issued by the Office of Planning and Budget (OPB) for the PPB submissions, the new PPB process requires that “program/subprograms core business, purpose, goals and performance measures must be defined and quantified.”¹⁶ As this research unfolds, Georgia is into its second year of budget preparation under the new process.

As many have argued, the implementation of performance budgeting takes time, and studying entities with limited experience in performance budgeting may bias the research result. For example, as Robinson and Brumby (2005, 22) observed, experienced entities examined in the series of 17 standardized case studies conducted by GASB were more likely to claim that performance measures had a substantial effect

¹⁵ Since 1972, the central budget office was known as the Office of Planning and Budget.

¹⁶ Excerpted from OPB's *Prioritized Program Budget (PPB), General Preparation Procedures*, Fiscal Year 2005 (Atlanta, GA: Office of Planning and Budget).

on budget allocations.¹⁷ Therefore, the extended history of performance-driven budget reforms in Georgia provides a relatively developed and stable environment to study performance budgeting.

In conclusion, both multi-state and single-state studies have their respective advantages and limitations. The choice of research approach rests on matching the approach with the research questions of interest. In this case, given the research questions that this dissertation intends to address, a single-state analysis is more useful.

3.2. Unit Of Analysis

The unit of analysis of this dissertation is state agencies in Georgia. As mentioned in the literature review section above, agencies are increasingly recognized as the central place where performance measures are produced and performance information is used in the budget process.

Specifically, state agency heads and agency fiscal/budget officers in all agencies, including attached agencies and authorities, were invited to complete a survey while agency fiscal/budget officers in agencies listed in the Governor's Annual Budget Report were asked to participate in an interview in addition to the survey. Agency heads set the direction for the agency and oversee the integration of performance information with the overall operations of the agency. Agency fiscal/budget officers are in charge of finance/budgets within the overall organizational structure. Both agency heads and fiscal/budget officers are best suited to provide information on (1) the process of the performance measurement system, and (2) the impacts that

¹⁷ The authors argued that the possible reason is that negative perceptions on the use and effects of performance measurement in budgeting reported might reflect the very early state of development, or even the absence, of performance measurement and performance budgeting systems in many jurisdictions.

performance budgeting in general and the design of performance measures in particular have had upon agencies.

In addition, both executive and House and Senate budget analysts were examined to assess their involvement in the design of performance measures, and to determine whether they have differing perspectives than those of state agencies as to the impacts of performance budgeting. Supplementing and comparing the perspective of agency with those of executive and House and Senate budget analysts helps place in context the perspective of agencies. Of these, state agencies are the most important for this dissertation.

3.3.Data Collection

This research collects data from three major sources---interviews, surveys and documents.

Interviews

Elite interviews were conducted with 31 out of 35 fiscal/budget officers (89 percent) associated with agencies listed in the Executive Branch section of The Governor's Budget Report (Amended FY 2005 & FY 2006),¹⁸ and 3 executive budget office directors, 6 executive budget analysts¹⁹ and 8 House and Senate budget analysts, for a total of 48 elite interviews. These elite interviews were conducted during the period from July 2005 to May 2006. The length of the interviews ranged from thirty minutes to one and one half hours. The average interview was one hour.

¹⁸ There are total 35 agencies (excluding State of Georgia General Obligation Debt Sinking Fund) listed in Executive Branch section of The Governor's Budget Report, Amended FY 2005 & FY 2006. Among the 31 agencies interviewed, two agencies have the same fiscal officer.

¹⁹ Executive budget office (that is, Office of Planning and Budget-OPB in Georgia) experienced a turnover rate (about 25%) during the data collection period of this research. Many analysts have not sat through one budget cycle. The opportunity to work in OPB tends to be attractive to new college graduates. However, they often later move onto other positions in the state government or elsewhere. That is probably why OPB has relatively high turnover rate.

All interviews were conducted following an introduction letter²⁰ sent in mid-July 2005. The then OPB director's (Mr. Timothy A. Connell) awareness of this dissertation project was mentioned in the letter in the hope of facilitating a high participation rate. Seven to ten days after the letter was sent, the office of each interviewee was contacted to schedule interviews. Agency fiscal/budget officers were interviewed first, followed by executive budget analysts and House and Senate budget analysts. At the time of interviews, most interviewees have experienced two years (FY 2005 and FY 2006) of performance measurement under Prioritized Program Budgeting (PPB).

Since the perspective of agency fiscal/budget officers pertains to the key questions examined in this research, efforts were made to reach as many agencies as possible. In the case of non-response after the initial phone call/message, at least two additional phone calls/messages on average followed. Agencies interviewed covered a variety of characteristics: small/large budget, veteran/novice in performance measurement, and agencies with focused goals/complicated agencies. Table 3.1 lists the names of agencies that participated in the elite interviews.

Elite interviews were also conducted with analysts in the central budget office (OPB). There are two groups of people in OPB relevant to this dissertation: policy analysts and policy planners. The former refers to people who use measures to make budget recommendations; the latter are people who give agencies guidance in designing measures. Unfortunately, OPB experienced substantial turnover during recent years. Many new analysts have not been through one budget cycle. Therefore, 6 out of about 23 analysts were interviewed. They tend to be senior people in OPB. In addition, three past and present OPB directors were interviewed. They are Timothy P.

²⁰ The introduction letter was written by Thomas P. Lauth, Dean, School of Public and International Affairs, University of Georgia.

Burgess (1995-1999), Timothy “Tim” A. Connell (July 2003 to June 2005), and Shelley C. Nickel (July 2005-date).

Eight House and Senate Budget offices were interviewed as well, including 7 (out of 8) House budget analysts and 1 (out of 4) Senate budget analysts. Traditionally, the Legislative Budget Office served both the House and Senate on budget issues. However, during the 2003 Session, the Senate Budget and Evaluation Office (SBEO) was created to give the Senate the independent capacity to develop the annual state budget and evaluate the programs comprising it. The traditional Legislative Budget Office now only serves the House of Representatives.

The interview protocol consisted of a set of open-ended questions. This format ensures that each important question is asked of each interviewee while the open-ended format allows interviewees to discuss what they deem to be meaningful and relevant to the research questions. In cases where the responses offered by interviewees provided unexpected information, follow-up questions were asked to probe more deeply into the responses. In general, agency officers, executive budget analysts and House and Senate analysts were asked similar but distinctive questions (see interview protocols for details) to reflect their respective positions. Electronic recording devices were employed after obtaining consent from the interviewees and information was transformed into Word documents after the sessions; otherwise, notes were prepared during and after the interviews. Confidentiality was promised in writing to each of the interviewees in the form of a signed consent form before the interviews started, as required by the Institutional Review Board, University of Georgia.

The qualitative feature of the elite interviews contributes to this research for several reasons. First, one of the primary research questions is about the process of agency developing performance measures. Interviews are believed to be the best way to

get at this kind of process question by capturing a fuller, more vivid and dynamic picture from people in different positions participating in the process. Second, the information collected via interviews provides a basis for understanding the statistical findings from the data collected through surveys. As many have pointed out, however elegant a quantitative design may be, narrative information drawn from site visits plays a major role in understanding and interpreting it. Third, the full span of interviews of people involved in the performance measurement systems gives a thorough understanding of the systems in Georgia, which would significantly reduce, if not completely eliminate, biases in responses. Given the historical background and detailed accounts of context of Georgia, its experience with performance measurement systems will be a valuable resource for other states to implement their performance budgeting systems.

Surveys

A survey instrument was mailed to (a) agency heads in all entities including large agencies, attached agencies, and authorities; (b) fiscal/budget officers in all entities; (c) executive budget analysts (OPB analysts); and (d) House and Senate budget analysts. The survey instrument was tailored slightly to account for participants' positions in the performance measurement system. Each survey was assigned a tracking number, with an option available to survey respondents to remove the tracking number appearing on the survey. This option intends to solicit responses from participants who may not be comfortable with responding to tracked surveys. Three waves of the survey were sent. The first wave was sent around mid-July, the second wave at the end of September, and the third wave around mid-December, 2005. Phone calls to non-respondents were made one month after the second wave was sent. Given that previous studies using survey instrument had the response rate around 30

percent, this research received a good response rate, 65%, on the agency side. On the other hand, the response rate from OPB is low. It is believed that the turnover rate at that office in part results in the low response rate. On a couple of occasions, phone calls and/or emails were received from OPB analysts who felt unable to complete the survey due to limited working duration with OPB. Table 3.2 presents the overall response rate (including agencies listed in The Governor's Budget Report, attached agencies, authorities, OPB, HBO and SBO).

Agencies listed in The Governor's Budget Report received an even higher response rate. The combined (agency heads and fiscal/budget officers) response rate is about 74 percent. Table 3.3 reports the response rate for those agencies.

To assess how different the agency respondents are from their non-respondents, various aspects between these two groups were compared, including (1) attached agencies/authorities vs. agencies listed in The Governor's Budget Report; (2) fiscal officers vs. agency heads; (3) total appropriation (FY 2005); and (4) state appropriation (FY2005). Results are reported in Table 3.4 and Table 3.5.

A Chi-Square test of independence was performed on data displayed in Comparison 1 since all variables involved are categorical. The P-values are 0.0028 and 0.5394 for Respondents' Category (attached agencies/authorities vs. agencies listed in The Governor's Budget Report) and Respondents' Position (fiscal officers vs. agency heads), respectively. This means that Respondents' Category is related with the choice to respond (and not to respond) to the survey while Respondents' Position is statistically independent. In addition, a T-test was performed on data displayed in Comparison 2. The P-values are 0.9625 and 0.9927 for Total Appropriation and State Appropriation, respectively. It means that the means of each type of appropriations

between respondents and non-respondents are not different in a statistically significant way.

How different are the respondents from the non-respondents? Among the four aspects examined, only one aspect is statistically significant--- attached agencies/authorities vs. agencies listed in The Governor's Budget Report. While the opinions of agencies listed in The Governor's Budget Report are over-represented in the data (in comparison with attached agencies/authorities), this may not indicate that these agencies are more inclined to respond to the survey than attached agencies and authorities. The suspected reason is that the high response rate of these agencies is mainly due to the fact that most of the Fiscal/Budget Officers in this subset were interviewed. In conclusion, the respondents are not statistically different from the non-respondents, therefore, the survey data reflect a reasonably good representation of responses from the overall target population.

While the interview information capture responses to several key questions by agencies listed in the state budget, the survey data will add to the interview data a wider perspective by surveying all entities including attached agencies and authorities. These two methods can build upon each other to offer insights that neither one alone could provide. In addition, the survey data will enable a more statistically sophisticated analysis, in addition to reporting survey results. This type of analysis is a response to the call for more statistical tests to analyze independent variables that might distinguish conditions where performance budgeting is considered effective from those not effective. The survey instruments are attached.

Documents and Statistics

Three main sources of documents were collected: (1) agency documents, (2) budgets of FY 2003, 2004, 2005, and 2006, and (3) other documents, media reports

regarding the Prioritized Program Budgeting and its performance measurement system, and agency information disclosed on the website.

Agency documents mainly include the agency strategic plan and the agency business plan. The Budget Accountability and Planning Act of 1993 mandates that state agencies develop strategic plans. Based on the FY 2006 Strategic and Business Planning Guideline, a typical agency strategic plan includes agency vision, mission, core businesses, environmental scan, strategic goals and strategic objectives. Each state agency will also prepare an annual business plan organized by program. The business plan is to report data on results and to measure performance. Both the strategic plan and the business plan are valuable information to this research, because they provide the detailed background and process information on the performance measurement system that is currently in place, and offers an opportunity to assess how well what agencies are expected to do based on the guidelines of the planning process matches up with the reality.

The second main kind of document is budgets. The total and state appropriations (original appropriation, FY 2005) information, if available, was collected. In addition, information about the number of core businesses and programs were collected from budgets.

The third kind of document is agency performance presentation, media reports regarding the Prioritized Program Budgeting and its performance measurement system and information published on the website.

Overall, interviews, surveys and documents are the three main sources of data for this dissertation. Table 3.6 represents a summary of data collection.

Table 3.1: Participating Agencies In Elite Interviews

Participating Agency	Date of Interview
Georgia Department of Agriculture	July 28, 2005
Georgia Merit System	August 2, 2005
Department of Corrections	August 2, 2005
Georgia Public Service Commission	August 4, 2005
Office of Commissioner of Insurance	August 4, 2005
State Board of Pardons and Paroles	August 9, 2005
Department of Administrative Services	August 9, 2005
Department of Human Resources	September 27, 2005
Department of Early Care and Learning	September 30, 2005
State Board of Workers' Compensation	September 30, 2005
Department of Revenue	October 4, 2005
Department of Community Health	October 5, 2005
Georgia Bureau of Investigation	October 6, 2005
Department of Banking and Finance	October 7, 2005
Department of Economic Development	October 11, 2005
Employees Retirement System	October 12, 2005
Teachers Retirement System of Georgia	October 12, 2005
Board of Regents	October 13, 2005
Department of Technical and Adult Education	October 13, 2005
Department of Public Safety	October 14, 2005
Department of Defense	October 14, 2005
Department of Law	October 17, 2005

Participating Agency	Date of Interview
Student Finance Commission	October 19, 2005
Office of Secretary of State	October 20, 2005
Department of Veterans Service	October 20, 2005
State Forestry Commission	October 21, 2005 ²¹
Department of Transportation	October 25, 2005
Department of Community Affairs	October 25, 2005
Department of Labor	December 1, 2005
Department of Natural Resources	December 8, 2005
Office of the Governor	December 21, 2005

²¹ This is a telephone interview upon the interviewee's request.

Table 3.2: Overall Response Rate Table

	State Agencies			Budget Analysts		
	Fiscal/Budget Officers	Agency Heads	Unidentifiable ²²	OPB	HBO	SBO
Surveys Sent	97	97	N/A	23	8	4
Out of Target Population ²³	8	8	N/A	N/A	N/A	N/A
Target Population	89	89	N/A	23	8	4
Response	56	52	8	4	8	2
Non-response	41	45	N/A	19	0	2
Response Rate	62.92%	58.43%	N/A	17.39%	100.00%	50.00%
	Overall State Agency Response Rate: 65.17%					

²² As mentioned before, a tracking number was assigned to each survey sent, and it appeared on the bottom-left corner of the survey. However, participants were informed in the cover letter of the survey of the right to remove the tracking number (for example, cut the corner of the page, or erase the tracking number) before returning the questionnaire, if they prefer. The idea is to solicit responses from those who may not be comfortable responding to a survey that has a tracking number. As a result, there are 8 surveys returned without tracking numbers, which are referred here as the unidentifiable. Since surveys to agencies are slightly different than those to other groups of participants, these 8 surveys are identified from agencies.

²³ Those out of target population are identified as agencies that responded by mail, email, phone call or fax, self-identifying as out of the target population. Reasons often cited include: independent 501c3 agency, do not receive State appropriations, generate their own operating funds and do not go through the state budgeting, and/or private corporations. Examples include Georgia Humanities Council, Georgia World Congress Center Authority, Georgia Ports Authority, Georgia Lottery Corporation, Council of Juvenile Court Judges and etc.

Table 3.3: Response Rate Table
--- Agencies Listed In The Governor's Budget Report Only

	Fiscal/Budget Officers	Agency heads
Sent	35	35
Non-response	6	12
Response	29	23
Response Rate	82.86%	65.71%
	Combined: 74.29%	

Table 3.4: Respondents' Category And Position Comparison

Comparison 1	Respondents' Category ---Frequency (%)		Respondents' Position ---Frequency (%)	
	Attached Agencies/ Authorities	Agencies (in Budget Report)	Agency Heads	Fiscal/Budget Officers
Non-response =0	52 (74.3%)	18 (25.7%)	37 (52.9%)	33 (47.1%)
Response=1	56 (51.9%)	52 (48.1%)	52 (48.1%)	56 (51.9%)

Table 3.5: Total Appropriation And State Appropriation Comparison

Comparison 2	Total Appropriation (Mean)	State Appropriation (Mean)
Non-response =0	\$388,000,000	\$198,000,000
Response=1	\$377,000,000	\$196,000,000

Table 3.6: Summary Of Data Collection

Interview	---Fiscal officers in large agencies (31 out of 35 fiscal officers) --- 3 executive budget office directors ---Executive Analysts (6 out of about 23 analysts) ²⁴ ---House and Senate Budget Analysts (8 out of 12 analysts) ²⁵
<i>Total interviews</i>	<i>48 interviews</i>
Survey	---52 Agency heads in all entities including large agencies, attached agencies, and authorities (about 97 agency heads) ---56 Fiscal officers in all entities (about 97 fiscal officers) ---4 Executive Analysts (about 23 analysts) ---10 House and Senate Budget Analysts (about 12 analysts)
<i>Total surveys received</i>	<i>130</i>
Documents	---Agency documents including agency strategic plan and agency business plan. ---Annual Budget Reports. ---Online information, presentations and/or media reports regarding the Prioritized Program Budgeting and its performance measurement system.

²⁴ Executive analysts include seventeen budget analysts and six policy and planning analysts.

²⁵ It includes eight House budget analysts and four Senate budget analysts.

CHAPTER 4

FINDINGS

This chapter reports findings from both surveys and elite interviews. It will start with the findings on the process of measurement design, and move on to the factors that influence the selection of one set of measures versus another. The focus of these findings is on identifying agency perception of measurement quality. Then, we report findings on the implementation of the performance budgeting system and utilization of performance measures both within and outside an agency. The key task is to address, via statistical analysis, the factors related to agency budgetary uses of performance information. While recognizing that agencies are at the center of both producing and using performance measures, the perspectives of Office of Planning and Budget (OPB) and House and Senate Budget Offices (HBO and SBO) are also reported to position the agency perspective in the context of the overall performance budgeting system. Specifically, this section reports findings on the seven key research questions identified in the Research Purposes and Questions section, including (1) Who are the participants in the performance measurement and what are their roles? (2) How are performance measures designed? (3) What conditions lead to the development of high quality performance measures by agencies? (4) How is the implementation of performance measurement system? (5) How is performance information used? (6) What factors are related to the agency budgetary use of performance information? And (7) Are the perspectives of the central budget office and the House and Senate Budget Offices compatible with that of agencies? The first six research questions are addressed using survey responses from agencies while the last research question is

addressed using survey responses from OPB and House and Senate Budget Offices in comparison with that from agencies. Elite interview information is blended with the discussion of survey results. The following reports of findings are organized by these research questions.

4.1. Who Are The Participants In The Performance Measurement And What Are Their Roles?

The performance system in Georgia involves four phases: performance initiation, measurement design, performance operation, and information utilization. The focus here is on the measurement design phase, but the key activities in the other three phases will be identified and summarized.

During the first phase, the performance system, especially performance budgeting, is initiated by the central executive budget office---the Office of Planning and Budget (OPB) in Georgia---issuing budget preparation instructions and procedures for the fiscal year. The role of OPB is to set the tone of performance measurement. For instance, both in OPB's budget preparation procedure document and their budget instruction meeting with agencies, the OPB states that the budget system should provide for performance measures to track program effectiveness and efficiency, and results measures to track the impact of the program statewide. In addition, OPB requires that each program, including subprograms, has at least one performance measure and one results measure, that measures are submitted by a certain date, and that measures are developed in conjunction with agencies' strategic and annual business plans. During budget preparation for FY 2006, OPB working with the Georgia Merit System and Georgia Technology Authority issued a guideline manual entitled *Prioritized Program Planning and Budgeting: FY 2006 Strategic and*

Business Planning Guidelines for Georgia Agencies. The highlight of this guideline manual is Georgia's Planning and Budgeting for Results Model (See Figure 4.1). This thirty-three-page document contains extensive information on the model and intends to assist agencies with their strategic and planning process.

While OPB initiates the process of performance measurement, it is agencies that carry out the design of performance measurement. During the measurement design phase, taking OPB's guidelines into consideration, agencies hold strategic planning/budget meeting(s) to discuss budget issues and measures. These meetings are often viewed as brainstorm meetings where agencies discuss what their budget issues are, what their goals are, where they stand now, and the measures that they could use. While agencies vary in terms of personnel involved in the meetings, the common practice involves three groups of participants: agency management, fiscal/budget officers, and division (program) managers. Agencies that have considerable experience with performance measurement tend to have a central analytical unit/staff, often called the Office of Strategy and Planning, participating in the process. Each of these groups plays a different role in the meeting. The agency management sets the visions and goals for the agency. The management also approves performance measures, although it often does not directly participate in the details of selecting measures. The fiscal/budget officer passes the requirement of the central executive budget office (OPB) to the agency. In the absence of a central analytical unit/staff, the fiscal/budget officer often also serves as the central keeper of performance data for the agency. The division/program managers are the main providers of information as to what measures are now being used and could be used in the future. Often time, the target performance level of each measure is decided between division/program managers and the agency management in subsequent one-

on-one meetings. Some agencies conduct focus group analysis, constituent meetings and/or customer surveys to aid measures development prior to these brainstorm meetings. Interestingly, agencies differentiate three types of measures---measures used for agency operation and management (called Informal Measures), measures submitted to the OPB that are subsequently rolled over into the official documents and computerized budget system (called Formal Measures), and measures that OPB individual analysts request when these analysts consider and recommend budget requests (often called Additional Measures). Agencies tend to have relatively more positive experience with the uses of Informal Measures than Formal or Additional Measures. This suggests that defining the unit of analysis of measures that is useful to agencies and the central budget office at the same time is difficult.

Agencies also revisit previous measures during the selection phase. While agencies more or less have a process to design performance measures, they consider that different from the process of the budget preparation. The first question asked in the former process tends to be “what measures do we use this year,” while the one asked in the budget preparation is “how much cut can we take this year.”²⁶

OPB's input in the measurement design phase is limited. OPB often times does not participate in the selection of Informal Measures. With regard to Formal and Additional Measures, depending on the working relationship with agencies and the working style of each agency and individual analyst, OPB's participation ranges from no participation at all, a one time get-together meeting, to constant exchanges between agencies and corresponding OPB analysts. Once the measures are designed, they are reviewed by the OPB (except for informal measures). In most cases, OPB analysts take

²⁶ This question asked in the budget preparation, “how much cut can we take this year,” probably reflects the consideration of revenue shortage for the past several years. It may not be the general question asked in normal budget seasons.

the Formal Measures as they are, and request Additional Measures and data as they deem necessary. Overall, citizens and legislatures rarely participate in the design phase of the process.

During the operation phase, agencies once again play the most significant role. The common activities include staff training, data collection and computerization, and evaluation of the validity of both measures and data. Utilization takes place, with a wide range of frequency and intensity, throughout the year.

It is important to distinguish between what the Georgia budget process refers to as performance measures and comprehensive performance evaluation as a tool of policy analysis. The former often are measures of workload or output; the latter aims for a more comprehensive evaluation of program performance. It would be a mistake to assume that even under the best circumstance Georgia performance measures are derived from comprehensive performance evaluation studies. Performance measures associated with annual budgeting cycles tend to be different in design from those used in comprehensive program evaluation studies conducted outside of the budget process. In this dissertation, the term, performance measures, refers to those that are associated with the Georgia annual budgeting process.

A special issue in the measurement design process is how to design measures for programs crossing organizational lines. As near as can be determined from the research, most performance measures are designed and proposed by individual agencies and programs (or subprograms) without much consideration given to measuring program performance across organizational boundaries. In addition, it seems that agencies are more concerned with the performance of programs funded by the state government and less concerned with the performance of programs funded by federal or other funding sources. Given that a significant portion of the total state

budget comes from federal and other sources²⁷, designing measures for these programs might deserve additional attention.

Overall, the participants and their activities in each phase are summarized in Table 4.1.

Survey data provide a picture that is consistent with the above information. Asked about the importance of ten groups of participants in the development of performance measurement, agency survey respondents identified agency heads (mean=8.28, on the scale of 10) and program staff (mean=7.89) as the most important participants, followed by the governor (mean=7.41) and the OPB (mean=6.63). The state auditor office and the external professionals are rated the least important. This pattern once again confirms that agencies play an important role in developing measures. The governor was identified as important in part due to his emphasis on performance-based budgeting. To illustrate this point, as one interviewee described, this governor really makes us think differently and sends the message that he cares about performance. In addition, the type of agency seems to relate with the level of participation by different groups. For example, while external professionals in general were not ranked as important participants, they were ranked as important by medical and law, and techniques intensive agencies, such as Composite State Medical Board, Georgia Cancer Coalition, Prosecuting Attorney's Council of Georgia, Governor's Office of Highway Safety, Georgia Firefighter Standards and Training, etc. Table 4.2 that is organized by the mean of importance reports the ranking of the importance of participants in the development of performance measures.

²⁷ For example, the budget recommendation made by the central budget office in Georgia for fiscal year 2004 includes about 40 percent of the total funds coming from federal and other funds.

In sum, the process of measurement design in Georgia has the following features. First, while the OPB initiates the process, it is individual agencies that take on the nitty-gritty and follow it through. Agencies play a much more significant role in designing as well as evaluating measures than previously acknowledged in most of the literature. In addition, the executive branch, including the governor and his office, generally is more active in performance measurement development than the legislative branch. The role of citizens in measurement design is among the least mentioned during elite interviews, and respondents have ambiguous and mixed feelings surrounding the function of citizens. Second, it is mostly a bottom-up process. The opinions of program managers and staff are valued, and generally are embraced by agency heads. Third, performance design is a separate kind of activity from budget preparation, although the timing of measurement design matches the budget preparation phase.

Given what we know about the process of performance measurement, the following section moves on to one critically important question---how are performance measures designed? The importance of this question has been explained in detail in the Research Purposes and Questions chapter. In brief, it pertains to the number one most mentioned difficulty in performance budgeting---measurement quality.

4.2. How Are Performance Measures Designed?

Previous research has focused on two questions about performance budgeting: to what extent do governments use performance measures, and what impacts do these measures have on decision-making? While these are very important questions, there is one important question that comes before these two questions. That is, how are performance measures designed?

The elite interviews shed light on this question. The key factors influencing the selection of one set of measures versus another set include: (1) previous measures; (2) program managers' input; (3) strategic plan, mission, and what the agency head wants to achieve; (4) data availability; (5) professional and/or national standards; and (6) concerns expressed by stakeholders.

First, designing measures is largely incremental. Interviewees often described their processes of measurement design as starting from an examination of previous measures. They contended that government services do not change significantly from one year to the next, so it makes sense to continue using these measures. In addition, the historical approach provides a level of trust and comfort that is needed to sustain the performance system. In some cases, the consistency in the measures is strongly encouraged or even required. Some agency fiscal officers believed that frequent changes in measures tend to contribute to high administrative costs and data without an historical base. To many agencies, the fact that using measures that were used last year is not only a legitimate but also a reliable way to jumpstart the design of performance measures. Performance measures are part of the institutional memory.

The second factor in deciding which measures to use is the input by program managers. As mentioned before, the process of performance design is mostly bottom-up, and program managers play a significant role in the process. Their opinions are respected in most cases by the agency management because they are perceived as the people who know most about the programs and therefore what should be measured. In addition, as most of the agency interviewees indicated, program managers' participation is critical, because their participation increases their faith in and acceptance of these measures.

Strategic plan, mission statement, and what agency heads want to achieve is another factor. The role of agency heads is important for this factor. Agency heads lead the strategic planning meetings, articulate missions and goals, and set directions for agencies. As interviewees noted, measures often grow out of the strategic plan.²⁸ To many agencies, especially those that have been doing strategic planning for many years, the strategic planning process is not only a process, it is also an action plan with measures as its manifestation. Agency heads tend to select measures that capture what he/she wants to achieve.

The factor of data availability is important to administrative convenience and feasibility. It involves three issues. First, are the desired data available? Second, in what form are the data available? Third, at what cost? In many cases, the data are not available at all, or are available only in paper version (not electronically). Many interviewees noted that the most difficult measure is customer (or citizen) satisfaction. One classic story told by some interviewees is: are you going to ask a citizen to rate government services, when he/she is pulled over to be issued a ticket? It is very difficult to validly identify the customers who would provide an evaluation of services that could become part of the performance information. The comment made by one fiscal officer captures similar opinions made by several others: “the performance system is only as good as the data itself. There is no good in collecting data that is (sic) not reliable.” To agencies, performance measurement should be the *by-product* of their work, not the *focus* of it. If a measure needs a substantial amount of administrative work in collecting data, then, as one fiscal officer straightforwardly put “we will not do it.”

²⁸ While agencies conduct a small scale of strategic planning almost every year during the budget preparation phase, they tend to organize a comprehensive strategic planning once every several years. The comprehensive strategic planning is a time when agencies do an intensive realignment of strategies and measures.

The professional and/or national standard is another factor in deciding which measures to use. Interviewees cited that the beauty of using measures associated with professional and/or national standards lies in that it allows a greater science and consistency in calculating the measures and therefore a greater opportunity to benchmark. Agencies that regularly attend professional association meetings, and measure themselves against peer agencies in other states tend to have more positive experience with performance measurement than those that do not.

There are also situations where certain measures are selected because they are frequently asked for by others in the budget cycle including the central executive budget office and the legislature. For example, the executive budget analysts in OPB frequently ask for, in addition to Formal Measures, additional performance measures related to budget issues to help them decide budget recommendations. As some fiscal officers put it, performance budgeting to them is “OPB needs such and such performance data by such and such date.” In this case, agencies will select measures they know that the OPB will ask for as long as the same budget analyst works with the agency. In addition, measures are sometimes added because some legislators who are interested in a certain policy agenda request them. The fact that some measures are asked for by others in the budget process signals agencies that these measures and their performance information are cared about. However, the drawback of this method of measure creation is that measures created in such a way are subject to frequent changes as the personnel and policy issues change.

Asked about the factors that determine the selection of measures in the survey, agency respondents ranked Reliability and Validity (mean=4.22, on the scale of 5), Intended Uses (mean=3.71), and Costs and Skills (mean=2.97) as the top three important factors. This indicates that the quality of measures and administrative

convenience are important in measure selection. Political Acceptance was ranked fourth. This is not surprising given that Georgia has a bottom-up measurement design process where program managers' opinions are well respected. Rewards/Punishment was ranked the least important among all five factors. Information from elite interviews indicates that linking performance with rewards/punishment is not a common practice in Georgia, rather, it is an exception, due to limited financial resources, not to mention performance money,²⁹ during the past several years, and distrust of the quality of measures. In addition, rewards are more likely to be practiced than punishment. Table 4.3 reports in detail factors in terms of their importance in determining which measures are to be used.

The combination of the elite interview and survey information paints a picture that developing measures is both a science and an art. It is a science because measure designers strive for measures that are reliable, valid and comparable. It is an art because measures need to be designed and communicated in such way that they are relevant to stakeholders and stakeholders have faith in the measures. The overall approach to design measures is largely a grass root approach where frontline program managers play a key role. Because of this, the process of designing measures is influenced more by technical factors than by political factors. Therefore, based on elite interviews and survey data, hypothesis 1 is not supported.

4.3.What Conditions Lead To The Development Of High Quality Performance Measures By Agencies?

As demonstrated above, measurement quality matters. Measures perceived to be valid and reliable are preferred when agencies select measures. Therefore, the

²⁹ Agencies refer as performance money the financial incentives for high program performance.

research question asked specifically in this section is: how to improve measurement quality? Table 4.4 organized in descending order of the association strength presents the associations between the perceptions of measurement quality with various aspects of performance measurement. As hypothesized in the Research Purposes and Questions chapter, it is expected that the perception of measurement quality has positive relationships with the following aspects of performance measurement: the linkage between measures and strategic plans, stakeholders' acceptance of measures, quality control efforts, financial resources for measurement, the capability of accounting/financial database, staff experience, and meaningful interpretation of measures.

Overall, the survey data confirmed all hypotheses (2a-2g) and all relationships are statistically significant (at the 0.001 level). Measurement quality has a strong (Spearman's $Rho \geq .5$) relationship with meaningful interpretation of measures, efforts to ensure quality, linkage of measures with strategic plans, and capability of the accounting and financial system. In other words, agencies are most likely to perceive high measurement quality when they believe that their measures are meaningful and well connected to the overall strategic plan, and their accounting and financial system is actually capable of monitoring performance. Financial resources, staff experience and measure agreement have medium association strength with measurement quality. The general pattern of this list indicates that the top three features of measurement quality are: meaningfulness, relevance to strategic plans and feasibility. This goes back to the questions often asked by agency fiscal/budget officers when they talked about measurement quality: what are you trying to get out of these measures? What do they mean to you? Each measure needs to have a purpose. Interviews suggest that some agencies get funded based on criteria, such as the square footage of their

facilities, and they do not perceive high measurement quality. In addition, the importance of technical and administrative capability demonstrated by its ranking suggested that having good measures is one thing; monitoring performance of these measures is another.

Although the findings confirm the hypothesis that using measures accepted by all stakeholders improves an agency's perception of measurement quality, their association is the weakest on the list (Spearman's $Rho=.377$). One interpretation is because of the largely bottom-up measurement process. The quality of measurement is mainly in the hands of program managers and agencies, and the remaining stakeholders mainly review measures.

Overall, *it is meaningfulness, relevance, and feasibility that drive measurement quality*. The following comments made by fiscal/budget officers serve to further illustrate the complexity of designing performance measures and the solutions agencies adopt to improve measurement quality.

What I did is I took a copy of last year's performance measures. I contacted each division, and showed them what they have done last year. Then I said, do you want to revise anything we did last year. I also asked them, is there any measure they do not want to use anymore due to one reason or another. Also, I asked them, is (sic) there any new ones they would like to use. It turned out that there were no new ones, but there was one or two discarded.... It (developing measures) is an incremental thing.

Developing measures is a team effort within the agency. Communication is important. We pull together all division directors, discuss things that happened in the last year, and then brainstorm to develop the measures. We also review business and strategic plans. Our philosophy of developing measures is to combine what we have already been doing with what could be done. Overall, it is a bottom-up process. The role of OPB is of instructor; changes in measures have to be approved.

In the past, we develop measures based on what we have. Now, we have become more sophisticated, involving both management and outsiders. The agency gets together, meets and talks about what measures we need. Program representatives are the group of people who actually select measures. The role of OPB is to give guidance.

Basically, each division sets their own measures. They are people that know most about what their divisions are doing.... The agency head pretty much sets directions. Each division director then takes the directions set by the agency head, incorporating them into their work.

We start with the business missions and goals. We update the things that have been accomplished and what are the next steps that we want to add to our plans. After we finish that planning phase, the very next step is to do the same thing with performance measures. Our performance measures are divided by core programs. So we look at each program and follow the OPB requirement to have results measures and performance measures.

It (the selection of measures) is in the hands of divisions. However, the way it is structured is we have to use the structure set by OPB. We are not allowed to use our way. The governor sets the initiatives. We have to link our activities to one of his initiatives. We cannot do initiatives that are different from the governor's ones. Who can quarrel with that? It is predetermined.

OPB gives advice and suggestions. For our agency, I did not recall they (OPB) needed anything else when they looked at our measures. I did not recall they needed us to change anything or had any problem with what we turned in, so they act like a review process. They could tell us something different, but they have not.

House and Senate budget offices do not play a role in selecting performance measures. Our discussion with them has been, after we submitted the budget document, why is this going down, why is that going up, so it is just after the fact and reactive to what we have turned in.

We have one outside facilitator in the process of selecting measures, facilitating the discussion and process. Instead of the commissioner doing this, he would say this is what we are going to do with measures this year. This is a paid professional service.

Originally, the measures came out of the strategic planning process. We began to do strategic planning process starting (19)91 formally. The top two or three layers of management involved in the development, including agency head, division directors, assistant division directors and a few staff. The developing of the strategic plan is a group process with the board ultimately approving it. We have modified them maybe two or three times. When we originally developed the strategic plan, we actually went out and met with about half of the agency staff to develop the strategic plan and to talk about the performance measures. In the last few years, there has been modification of the strategic plan which was conducted by this high level team.

Measures are developed based on what the commissioner would like to know, what the OPB would ask for and what the House and Senate budget office would ask for. So, they are created as a reactive response to all.

Measures are developed by our staff in conjunction with our peer agencies in other states.

We take a body of knowledge, people with experience, then we have people with less experience exchanging ideas and thoughts, both young and older in the workforce. When you have a team with ideas, you put ideas on the table, and no one has agenda for themselves, and the commissioner makes it known that we want the best on the table, then I think that we have a 90 percent plus chance that these are the best measures. We are constantly looking at these measures. We review them at least twice a year.

One particular measure in and of itself cannot be said to be appropriate. It got to be what that measure tells in the context of the entire program that is going on.

Some of performance target levels are pure guesswork, some of them are hoping to increase from what it is now. So, we set a goal that is a little bit more, meaningful yet accomplishable. Normally, the management of each working units that the performance measures are associated with decides target levels.

Measures should focus on who are your customers, citizens, ____ (names of agency's clients) ____, governor, they all have the same goal, but they all see things a little bit different. We have to make sure that the performance measures are reaching all the customers. In addition, we should understand from what perspectives your measures ought to be described.You always walk the fine line.

Developing measures is a two-way street of communication within the agency. We discuss and come to an agreement. I think that it is collaborative and it is together. We work together to get it done. It is not something anyone feels bad about it. It is a joint effort within the agency.

The bottom line is that we embrace performance at the beginning, involving all partners in the process.

4.4. How Is The Implementation Of Performance Measurement System?

During the course of elite interviews, the point often mentioned by interviewees is: performance budgeting in theory and in concept is great, however, what breaks down is its implementation. Therefore, what are the elements of the implementation of performance budgeting? The survey instrument traces every step of the implementation (from the Performance Initiation Phase to the Performance Operation Phase) and attempts to identify the strength and weakness of the implementation.

Table 4.5 that is organized by three phases of the implementation process presents the agency respondents' perceptions about what is important in each phase of the process.

During the performance initiation phase, the key task is to set a performance tone for the overall government system. The survey responses from the agency participants suggest a greater commitment to performance measurement in the executive branch (mean=3.693, 3.922, 4.087, respectively) than in the legislative branch (mean=3.105, 3.281, respectively). In other words, agencies from the very beginning perceive that the legislature is not strongly committed to the performance measurement system. However, while agencies are more committed to performance measurement in general, they are ambivalent about the relationship between performance and rewards/punishments (mean=3.518). Elite interviews provide insights on the possible reasons, including concern about measurement quality and the belief that some performance outcomes are outside of the agency's control. In short, this performance initiation phase is pretty much an executive branch-led process with limited participation from the legislative branch, and therefore the performance culture within agencies, to use a fiscal officer's comment, "is there but is not there" at the same time.

During the measurement design phase, agencies indicate that they are clear about the objectives of programs (mean=4.217). In addition, the performance measures fit well into agency strategic and business plans (mean=4.164). This finding reflects the Georgia requirement that there be a linkage between strategic/business plans and performance measures. However, agencies also identified that resources are limited in developing performance measures. To many agencies, performance measurement is an additional workload without additional financial resources to conduct it. In addition, designing measures that different groups of stakeholders have

faith in is still difficult---only 18.97 percent of respondents strongly agree that measures used are those agreed-upon by all stakeholders. Moreover, agencies are struggling with the number of measures, which coincides with information obtained from elite interviews. Interviewees often cited the tension between a few important measures (such as WIGs---Widely Important Goals) versus many ad hoc measures. While many interviewees seem to favor the approach of a few important measures, they also recognize the potential problem of unmeasured program outcomes.

During the performance operation phase, the weakest links in the system are the accounting/financial system (mean=3.009) and feedback frequency (mean=3.228). This is also confirmed by elite interviews. Some interviewees identified once a year as their feedback frequency, especially for Formal Measures and Additional Measures they report to OPB, while they often indicated higher frequency for Informal Measures used within the agency.

Overall, the weakest links in the implementation of the performance measurement system are: legislative participation and acceptance, inadequacy of financial resources, lack of measures that reflect various stakeholders' interests and program outcomes, an accounting/financial system not geared toward performance monitoring, and insufficient frequency of performance feedback. Interestingly, it seems that as the phases of performance measurement implementation goes from performance initiation, to measurement design and performance operation, the weakest links are more and more technical in nature. This might indicate that the toughest links are the ones during the performance initiation phase where the key task is to get everyone on board for performance budgeting and to build a performance culture.

Upon the recognition of the difficulties associated with the implementation of the performance budgeting system, what are the ways that agencies have tried and found effective to improve the quality of measures and the experience of performance measurement? The elite interviews identified several ways.

First, establish a management culture that values the policy accent of performance measurement. Agencies experienced in performance measurement tend to perceive that a performance measurement system is not only a system for practical purposes, i.e., to quantify outcomes, track performance, and aid decision-making, but also a system with a policy accent. The policy questions are: what is the public good, and which public goods are so important that we need to measure, track, and improve them? Elite interviews suggested that agencies asking these questions in their strategic planning and/or regular agency meetings tend to have more active involvement in performance issues. These questions are very important because they point to the end (mission) of government programs. As one interviewee noted, beginning with the end (mission) in mind helps define what ought to be measured. The policy nature of performance measurement signals that if we want to implement a successful performance budgeting system, agency management needs to frame the discussion in terms of exactly what is it that governments intend to achieve.

Second, involve people in the process, especially program managers, as a way to have them buy into the idea of performance decision-making. As mentioned above, program managers' input is second only to Previous Measures as one of the most-mentioned factors in deciding what measures to use. Given the fact that the process of developing measures is bottom-up, the quality of measures recommended by program managers is the key to measurement quality. Agencies having positive experience with program managers' participation tend to have the following features: direct service

provision, few core businesses, frequent communication between management and program personnel, and regular feedback on performance from programs to agency management. Elite interviews suggested that the more agencies involve front-line program managers and staffs in the process, the better the perceived quality of measures.

Third, work together with the central budget office is important. In the case where agencies have good working relationship with OPB, these agencies tend to have fewer complaints about the performance measurement system, especially when agencies have the same OPB analyst for several years. Agencies view this stability and the familiarity of the analyst with the agency as important. In addition, senior analysts are better able to provide guidance on performance measures. Unfortunately, OPB experienced a substantial turnover in personnel in recent years. While the benefits of working together with the central budget office are visible, the benefits are only available to very few agencies.

Fourth, talk about, periodically post, publish, circulate and review performance information. As one fiscal office vividly pointed out, you are not likely to get a question regarding the quality of performance measures until you post the performance information in the coffee room. It is not too difficult and costly to talk about, post, publish, and circulate performance information once an agency has it. The common ways include: posting in common areas in the office building or on the Internet, publishing performance newsletters and flyers, circulating information as part of existing periodic reports, talking about performance during a designated time during a meeting, and having directors periodically review performance measures. Their experience has been that “small things help.”

Fifth, institutionalize the performance review process by having a central analytical staff/unit within an agency. Although agency fiscal/budget officers tend to be the central facilitator of the performance measurement system, his/her function in the performance measurement system tends to be more procedural than analytical. Performance data need to be looked at, reviewed, and analyzed, and performance measures need to be assessed. Having a central analytical staff / unit within an agency facilitates this function. As one interviewee expressed, we are humans, and if we do not see this (performance measurement) is being looked at very carefully, we would only devote a limited amount of energy to it. The quality of measures is perceived high when the central analytical staff / unit takes an active role in introducing to agency management new feasible measures, staying in touch with professional associations, reviewing literature on service provision, regularly analyzing, reporting, and circulating performance information, and assisting program managers with performance measurement needs. The presence of a central analytical staff / unit is a reflection of an institutionalized performance environment, which helps make the discussion of performance and their measures a year-round process. The combination of the techniques (talk about, post, publish, and/or circulate performance information) creates a constant flow of feedback that was often cited by interviewees as a mechanism to improve measurement quality and maintain a performance culture.

Sixth, keep measures in manageable number and analyze data within a context. As one fiscal officer vividly described, the problem with performance measures is not lack of measures, but too many measures. The effort should focus on finding a few best measures. In addition, agencies found it helpful to document and analyze data by comparing longitudinally (with historical data) and cross-sectionally (with same

functional area in other states). Doing so increases the perception of reliability and validity of the data, and gives meaningful interpretation of the information.

Lastly, use performance information to create excitement for employees. Some elite interviewees pointed out that the traditional thinking about performance information is to use it for improving decision making at the management level. However, a successful performance system should incorporate performance information into the daily operation in such a way that creates excitement for, to quote, the “little guys,” by which they mean front line employees. Ways identified to create excitement include: reachable goals, honorary mention (sometimes rewards) for high performance, posting performance information, round-table discussion of performance, etc. These interviewees view this approach as a way to create a self-motivated bottom-up type of performance culture.

The following quotations³⁰ illustrate the difficulties in performance implementation and the partial solutions adopted by agencies.

Difficulties in defining performance measures include: (a) it takes time; (b) too many measures due to OPB’s requirement of the sub-program level measures, which creates too much information flow and paper work; (c) shortage in workforce; (d) hard to find what measures are; (e) hard to decide what you are trying to show; (f) difficulty to convince other people to buy in the fact that this (performance measurement) is important; (g) limited resources for performance measurement.

Our (performance measures) quality ensuring efforts are talking about it, and getting the history.

The key to performance measurement system is how to make the system work for the little guys, the low level employees. Let’s why we have more positive experience. A system that works for the little guys creates excitement. Another way to create excitement is to post the measures and their performance. So that everyone sees them, and may talk about them.

(Difficulties in selecting measures) there are people who do not care about performance anyway; it is not easy to have the right measures; the data

³⁰ Except for those noted otherwise, comments are drawn from elite interviews with agencies.

is (sic) always a concern involving two issues—data availability and data quality. (From OPB)

The confidence in measures and their performance information depends on the types of measures. We ensure the quality of measures by publishing data and conducting trend analysis.

We ensure the quality of measures by having directors review the measures.

We spend a lot of time on the results measures. What are results of your work? Well, the results go back to your mission. Began with the end, the mission, in mind. That would help you define what those measures are and define that for you.

It is difficult to have meaningful and comparable measures. Plus, it is difficult to take a performance measure and turn it into a performance plan. You got be able to take these numbers and transition them into a performance plan someone has to carry out. You got to know what we are looking for in that measure.

Performance measures, the ones that count things, that is easy, because you can come up with numerous ways to count things, count what we do, and count activities. That is the results side that is probably more difficult. For the results measures, you really have to ask yourselves. We do it in a collaborative fashion when we all look at them together. And we all discuss: is it proving we are doing something, is it proving our existence, is it proving we are making a difference. These are the questions we ask. ...We have two or three meetings a year just on this strategic plan and the measures. I mean two or three different days. ...When there is a difference in opinion, the commissioner would work it out with the program managers as to what the final would be...We use executive review and frequent feedback as measures of quality control and awareness.

We seek to gain more knowledge of each program, and have an office to consolidate the measures and information for the overall agency. ...It helps with from crunching the numbers to understanding what these numbers really mean.

Our quality feature of measures are to look at historical data, look at other states and federal data, see how well others are doing, and see whether we are missing the mark.

How to increase measure quality? Be consistent. One data point may not make much sense, but if you go back to prior years and have several years, it makes sense.

4.5. How Is Performance Information Used Both Within And Outside An Agency?

Lauth did a comprehensive study in 1985 as to the use of performance information at each of the four stages of the budget cycle in Georgia. Twenty years later, 2005, what is the current status of Georgia state government utilizing performance information? Is the government making progress after twenty years? Table 4.6 reports the survey findings and is organized in ascending order by the mean of agreement level to the statements.

First, the findings clearly confirm that agencies are the place to look for the effects of performance information, and echo the observation that performance information has its strongest impact at the agency level (Willoughby and Melker, 2000). The mean of the uses of performance information within an agency is 3.325 on the scale of 5 versus 2.761 outside an agency.

Second, on the enduring theme of performance-based resource allocation, the findings once again exhibit the difficulties of using performance indicators to influence resource allocation. As the stages of the budget process progress from budget preparation (means of improving strategic planning and of justifying budgetary request submission =3.473, 3.447, respectively), executive budget review (mean of OPB reviewing performance information=3.169), legislative review (mean of House and Senate Budget Offices reviewing performance information=2.67) to budget approval (average of means of House & Senate Appropriations Committees=2.451), the influence of performance information in budgetary decisions declines. This finding is similar to the general pattern observed by Lauth in his 1985 study. As one fiscal officer described, "I have sat through three budget cycles. The decision in this agency as to what should be funded versus what should not is pretty much founded on the measures. Are we getting what we should get from this program? And then make

decisions accordingly. Once it gets away from here. The question becomes: is this something that the governor wants to support and how much heat it is going to bring to the governor. Some politics gets into it there, because each legislator is responsible to the people in their area, and every cut affects individuals in small areas where the hurt is felt more than the overall view.” What happens at the legislative side is more political.

Nevertheless, the findings in this dissertation in comparison with those presented in Lauth’s 1985 research are promising for proponents of performance budgeting. This dissertation found that the percentages of agency fiscal/budget officers strongly agreeing or somewhat agreeing that performance information is used in respective decision making stages are: 60 percent of agency fiscal officers (versus 40 percent in the 1985 study) believed that performance information is used in agency deliberation of budget requests, 44 percent (versus 37 percent in 1985) in OPB’s deliberation of budget recommendations, 39 percent (versus 32 percent in 1985) in the Governor’s budget recommendation, 24 percent (versus 20 percent in 1985) in House and Senate Budget Offices’ consideration of budget recommendations, and 20 percent (versus 4 percent in 1985) in the legislature’s determination of final appropriations. Therefore, from the perspective of state agencies, there has been an increase in the use of performance information for budgetary purposes in Georgia state government during the past twenty years, especially during agency preparation of the budget and the legislative review of the budget.

Moreover, performance information is used slightly more in budget enhancement requests (mean=3.178) than in reduction requests (mean=3.157) and redistribution requests (mean=3.029). Hypothesis 3 is not confirmed by the survey

data.³¹ One interpretation is that in Georgia the current procedure of budget preparation considers the redistribution as part of the base budget and the redistribution is optional. However, in the cases of budget enhancement and reduction, agencies are required to identify and justify a 2 percent reduction and 4 percent enhancement of the total state general funds in the base budget. As the Prioritized Program Budget (PPB) General Preparation Procedure requires, “proposed reductions should focus on opportunities for enhanced efficiencies in administrative and program overhead charges and eliminating unnecessary, ineffective or inefficient programs,” while “enhancement requests will be evaluated based on the effectiveness, value and cost benefit of the proposed addition.”³² Therefore, the implication is that performance information might have a greater impact on enhanced or reduced budget items that tend to receive greater scrutiny than the base budget.

Third, both survey data and elite interviews indicate that there are wider uses of performance information in the management setting (Hypothesis 4 is confirmed). The uses for performance management (mean=3.786 and 3.699, respectively) are high on the list, followed by communication (mean=3.580), benchmarking (mean=3.545), and strategic planning (mean=3.473). This pattern in general echoes the findings from other states, with the exception of benchmarking. The use of benchmarking, an indicator of measurement maturity, is the second to the least frequent use of performance information among the states (Melkers and Willoughby, 2004). In addition, one possible reason for the relatively high mean of budget submission and strategic planning uses is due to the OPB’s procedural requirement to link these two.

³¹ This relationship between performance information and types of requests is not as clear in elite interviews as in survey data. Interviewees tend not to see differing impact of performance information on types of requests.

³² Excerpted from OPB’s *Prioritized Program Budget (PPB), General Preparation Procedures*, Amended Fiscal Year 2006 and Fiscal Year 2007 (Atlanta, GA: Office of Planning and Budget).

Moreover, while some elite interviewees described making the performance system exciting for the “little guys” as a way to improve performance culture, the survey result does not show that state agencies are taking advantage of this benefit. The performance system is not often used to motivate agency personnel (mean=3.264). This indicates that traditional thinking about the performance system still prevails: the concept of performance is viewed more as something useful to decision making at the management level, rather than a mechanism to create a performance culture.

Overall, the uses of performance information in Georgia have been focused on managing and improving performance with modest realignment of resource allocation decisions. In other words, the focus is on improving performance by informing and strengthening management, not so much by budgeting per se. The elite interviews suggested several reasons for this observation. The often mentioned reasons are: politics, especially on the legislative side; reliability and validity of the data; government performance culture in general; and the unfairness of budgeting based on performance due to the unsettled relationship between resources and performance.³³ The following comments³⁴ made by interviewees further explain the current status of the uses of performance information and the difficulties in using it, especially in the budgetary setting.

Performance information changes the dialogue and language, and makes the participants more informed (From OPB).

We use performance information in monthly reports. Definitely, we watch for trends. Something goes down, something goes up. You ask why. It is on the individual program level. After they review the data, the program managers would take whatever actions they need to take based on what they were seeing. ...(asked about the ability of program managers to adjust the budget

³³ In terms of the unfairness of budgeting based on performance, agencies commented that sometimes the performance has limited relationship with what agencies do, because it is subject to many other non-agency related factors.

³⁴ Except for those noted otherwise, comments are drawn from elite interviews with agencies.

based on performance) not by themselves. They recommend it to the commissioner, and then we would take whatever actions that need to be taken.

We do not see its (performance information) connection with the budget. In our case, it is hard to use information such as fine collections as indicators of performance. For instance, less fines may mean less violations or less diligence in regulating (omitted, the agency's core business). In addition, the agency has no control over the fine trend. In some cases, revenue decreases are caused by law sunset.

The difficulty (of performance utilization) lies in how to present the results of the performance measures in such a way that not only the legislators but also the general public understand the value of it.

The best use of performance measures would be for internal management, used by division directors. It has no bearing on budgetary decisions, regardless of reduction, redistribution or enhancement...We do not think that performance information relates to OPB's recommendation, because we have never been asked about performance related questions.

For each of the division managers, they ask, is this the program that is worth continuing? We get asked about whether this program is providing the same benefits to the citizens of the state of Georgia as this program does, relatively speaking. The performance measures help these program managers make these decisions.

This governor made this (performance budgeting) his very high priority. In the budget meeting with him, questions he asked are, where is your outcome, where are your measures, show me why you should still exist, show me what you are doing. And because he is asking these questions, he makes this one of highest priorities. This is the words he uses. Show me your data, show me your number, show me your proof. Not only in budget meetings, when he calls agency heads together in his regular meetings, he says that we are going to look at data, your performance data. He says that every time. He makes it a clear focus. So, as long as this governor is around, it is going to be a very high priority. For next governor, who knows! To what extent you talk about it makes it important. Now, with our agency, as long as she is here, she is going to continue to ask for monthly reports and look at performance data, no matter who is governor. As far as it is important to every agency, it is kinda dependent upon who is the governor.

Our managers understand the importance of the measures, because they know that our commissioner looks at the reports once a month. That makes it a big deal. It is not like that we wait to the end of the year to collect this.

We use performance measures to determine where our resources ought to be shifted to....With the measures and information, it may heighten the awareness of shifting resources. I think that that is where the performance and result measures are really important. That is, to determine where your resources is needed. We also use performance measures to evaluate people in

that program. There is a connection between how well the program is doing and how well the people are doing. For instance, when we have slippages in some performance areas, we ask why. Is the manager not capable, or is it because we have not allocated the resources in the way we should have? So, we may have some slippages, but it may not be because the manager is not capable. It may be because we as an agency have not shifted resources to that area. Or the legislature has not given us sufficient funding to do the program in the way it should be done. We may tell OPB that. We have done that before. We told the governor. You know what Governor Purdue did. He funded the program. When he saw our measures not at the level it should be, we told him that, and we demonstrated that.... We have also taken some disciplinary actions with our managers because we have seen some slippages in our performance measures. We have certain coaching sessions.

The culture change is the most important factor in performance system. Once the state government culture changes, that is very important, in my opinion, what is extremely important is the change of culture. I have been with the state for 30 years. I have seen a lot. Governor Sonny Purdue, Zell Miller makes us think differently. More importantly on informal basis, Governor Sonny Purdue is taking us to a new level when he is saying that we are going to do programmatic budgeting. It is really forcing the agencies to think differently and changing the culture in the state. That is really big. It is going to take time, and it would not happen overnight.

I am collecting data that the agency does make use of in the first place, even if we do not have to do this for OPB, we would still have the reports done.

The state has Result-based budgeting, but it is really not budgeting based on performance. It only looks at selected measures at the system level, nothing on a (more detailed level). All money is not allocated on performance. It is not like that they give money because you have done well, or take your money away because you have not done well. There is no direct relationship. Just the fact that they are in the same book as the budget tells us that there is a relationship, but one does not affect another.

We do not really use measures internally for management, nor internal resource allocation, because of the nature of matching fund. We do not have much flexibility. If I did that, I would be taking state money and losing federal matching money.

Are there programs funded based on these measures? I do not think so. It is all political decisions. If the program is popular, it is popular. There have been cuts in the budget that took place in the governor's office. But, after it gets to the House and Senate, they put it back. It happens because it is political... I do not think that programs are protected from cuts just because it performs well. If there is a need to cut, it is cut.

Is legislature interested in this kind of performance data? They enjoy looking at them. If it supports their position, then they use it. If it does not,

then they find ways to say that it is not that important. It is human nature. The legislature folks are no different.

We are constantly told that performance measures will impact your budget, but it has never occurred. We keep providing performance information. Until now, the governor's office may include some in the governor's book along with budget recommendations, but they have never come in and adjusted your funding. What adjusts your funding are issues, such as your manpower, or something that hits the public or the newspaper hard enough you may have to direct some resources in that area.

We do use performance information. And we have to because of the limited resources in terms of the appropriated dollars.

If you ask me how they (OPB) base these numbers here (pointing to budget numbers) on those numbers there (pointing to performance numbers), they do not. If they do, I would like to hear that. Yes, they do look at them, but there is no linkage. ...We think that we are just being hypocrites when we say we do performance budgets. ...But, to all fairness, for the past several years, we started hearing at committee hearings more questions about performance. But it is not institutionalized.

The problem is that I did not see any reflective thinking of performance information. Reflective thinking demonstrates that performance is part of the culture. It is hard to move bureaucracy. Another problem is how we use performance information. If an agency missed the target, is it because of missing managing or goals too high?

Talking back and forth between the fiscal office and the research person (the planning or strategy person) is important for the development and understanding of measures....This (he pointed to performance information) is not crap on a piece of paper, we look at these things regularly.... They (OPB and the Governor) said that that is how they are going to budget, we are going to do in that way. We love that. We know our business....Some people are afraid of it (performance budgeting). To me, there is nothing to be afraid of as long as you know what that figure means when you make that measurement. Performance measures should be related to budgetary decisions. Whether we are budgeted in this way or not, we think performance is important. We use them for everything.

I would take the budget issues I was given in front of me, and look into performance measures to see whether these would address the issue at hand, what measures I could get from the department out of the system, that is the budget net, and help me substantiate what the department is requesting. ... Sometimes, what is submitted to the Budget Net is fine for that program, but it does not address the issue that agencies are asking for the funding for. (From OPB)

The role of ____ lie in educating legislators about the value of performance/evaluation information, not trying to link the performance with unit of appropriations because legislators are in charge of the latter function. If

legislators do not incorporate performance/evaluation information due to lack of the information, it is my problem; if they do not deem performance/evaluation information necessary or appropriate, it is not my problem. My job is to provide information. (From House and Senate Budget Offices)

Difficulties with performance measurement system: not comprehensive. Two or three performance measures for each program are not sufficient; hard to obtain valid information; hard to have reliability and validity. (From House and Senate Budget Offices)

(Recommendations for better performance system) Look at measures before the budget process. The starting question should not be: here is the money, how could we use performance measures to support the request of money. Rather we should start with the strategic plan, then develop measures, get the measures approved and lastly budget... vision of governor... make it a year-round type of thing... reward not only highest performers, but improvements at every level... be aware of multiple factors influencing the cause, when interpreting performance measures.

Based upon these observations about the uses of performance information, what are the factors related to the agency budgetary use of performance information? The following section reports more quantitative analysis of the data to respond to this question.

4.6. What Factors Are Related To The Agency Budgetary Use Of Performance Information?

Since agencies are directly responsible for two phases of the budget cycle (budget submission and budget execution), their budgetary use of performance information is as important as budgetary uses by executive budget officers and legislatures. This section attempts to test hypotheses regarding factors related to the agency budgetary use of performance information. It was hypothesized in the Research Purposes and Questions chapter that budgetary uses are positively related to (1) measurement quality, (2) a participative performance measurement process, (3) an internal performance culture characterized by tendency to reward/punish based on

performance, (4) an external performance culture defined as the perception by agencies that other participants in the budgetary process use performance measures when making resource allocation decisions, and (5) a managerial capability characterized as the ability of management to transform performance measures to performance plans.

The first three factors are drawn directly from the survey, while the remaining two factors, external culture and managerial capability, are created by factor analysis. External culture measures the perception by agencies of the extent to which measures are used in the funding decisions by OPB, the Governor, the House and Senate budget Offices, the House Appropriation Committee, and the Senate Appropriation Committee.³⁵ The factor of managerial capability is derived from the factor score of six managerial uses of measures: to control program, benchmark data, motivate agency personnel, communicate the agency's programs to stakeholders, determine how well the agency/program is performing, and determine how to improve performance.³⁶

These factors are analyzed in their relationships with the dependent variable --- budgetary uses of measures by agencies. This dependent variable is derived from the factor score of four budgetary uses by an agency: to justify budget submission, allocate funds, reduce overlapping service, and improve strategic planning.³⁷ A principal factor was performed in defining the dependent variable. Only one factor generated with Eigenvalue larger than 1 (2.53), and the scale reliability coefficient of

³⁵ The principal factor analysis of external culture generates only one factor with Eigenvalue larger than 1. Its Eigenvalue is 4.31 and the scale reliability coefficient (alpha test) is 0.9623.

³⁶ The principal factor analysis of managerial capability generates only one factor with Eigenvalue larger than 1. Its Eigenvalue is 3.9 and the scale reliability coefficient (alpha test) is 0.9010.

³⁷ There are ten uses listed in the survey. These are the four budgetary uses. In Georgia, strategic and business planning is a concept closely related with the budgetary procedure, as the OPB instruction mandates. This is why improving strategic and business planning is grouped with budgetary uses. A factor analysis of these 10 uses coincides with this categorization.

this factor via Alpha test is 0.8852. Table 4.7, in the descending order of association strength, presents the findings on the relationships between the factor score of budgetary uses and five aspects of the performance system discussed above. In addition, agency characteristics are examined and used as control variables in later regression analysis.

The overall observation from the survey result is that all hypotheses related to the agency budgetary use of performance information (Hypothesis 5-9) are confirmed and the relationships are statistically significant (at .05 level). First, managerial capability has the strongest relationship with budgetary uses by agencies. It means that the capability of management to transform performance measures into performance plans and actions has the strongest positive impacts on budgetary uses. This important finding concurs with the observation made by Allen Schick (2001, 58).

Earlier performance budgeting, like other previous budget innovations, assumed that budgeting drives management; if the budget is oriented to performance, managers will drive their organizations to performance. This reasoning led government to single out budgeting for reform without bothering to change other managerial behavior or incentives. But this approach was congenitally flawed, for it failed to recognize that budgeting is shaped by the managerial context within which resources are allocated and services provided....Only if government entities are managed on the basis of results will they be able to allocate resources on this basis.

Given the recent trend that there is a changing expectation of performance information from budgetary uses to a range of managerial and organizational uses (Melkers and Willoughby, 2004), the positive impact of performance management on performance budgeting is noteworthy. This finding indicates that performance management is prerequisite and instrumental for performance budgeting.

External performance culture also has a strong (Spearman's $Rho \geq .5$) positive impact on budgetary uses. This finding coincides with the findings by Lauth (1985) and elite interviews conducted in this research. The budget process is a loop. One

missing part would lead to rippling impact on the remaining parts of the loop. As indicated here, if agencies perceive that other participants in the process (i.e., OPB, the Governor, the House and Senate Budget offices, and the House and Senate Appropriation Committees) treat performance seriously and use measures in funding decisions, then they will also increase their own budgetary uses of performance information. Strong and consistent support from all government stakeholders across branches is critical for performance measurement in budgeting (Wang, 2000). The importance of external performance budgeting culture lies in that, as GAO (2005a) concisely pointed out, “infusing a performance perspective into budget decisions may only be achieved when the underlying information becomes more credible, accepted, and used by all major decision makers.”

Measurement quality is in the expected direction and impact. Its impact is modest and statistically significant. It indicates improving measurement quality, in which agencies play a key role, contributes to measurement utility. Given that the relationship is only modest, it confirms that having quality measurement is one thing; using measures for budgeting is another (Lauth, 1985). Quality measurement is a necessary but not sufficient condition for budgetary uses. Also having modest relationship with budgetary uses is a participative process, which means that involving agencies and valuing their input will have a positive impact on overall budgetary uses by agencies.

The positive impact of an internal performance culture on budgetary uses is only significant at .1 level, and the impact is weak. One interpretation, as elite interviews suggested, is that agencies feel strongly that program performance is not so much in their control. For example, agency fiscal officers indicated that programs designed to help students’ achievement do not determine student performance, due to

non-program related factors such as family environment. This concern is also reflected in that more than a quarter of (26 percent) the survey respondents are undecided on the statement that the agency should be rewarded/punished based on its performance. This finding confirms what many have suspected: the budget implication of good/poor performance is not always clear.

Similar to the factor of internal performance culture, agency operation characteristics are not strongly related to budgetary uses of measures. Interestingly, having appointed agency management could be modestly related to increased budgetary uses³⁸ in agencies. One interpretation is that appointed agency management is in the direct span of control by the governor. Given that the current governor is perceived as pro performance based budgeting, his call for performance may lead to increased budgetary uses by agencies within his direct control. Another interpretation could be the different incentive systems. As interviewees indicated, the ultimate test of performance in agencies with elected heads is the reelection by voters, not performance measures. This indicates that the structure of the agency might be a factor.

To further test the factors related to budgetary uses of performance information within agencies, a regression model was developed using the variables³⁹ discussed above. Also included in the analysis are the variables that capture the characteristics of survey respondents.⁴⁰ Table 4.8 represents the regression outputs organized by the

³⁸ The correlation coefficient between budgetary uses and appointed agency management is 0.296 and is statistically significant at .05 level.

³⁹ The factor of number of programs is not included in this regression analysis, since the analysis has already included number of core businesses that measures a very similar concept.

⁴⁰ Since agency characteristics are only available for agencies listed in Governor's Annual Budget Report, it limits the number of observations entering in the regression analysis. Therefore, a regression analysis without agency characteristics was run as well. The result is fairly similar to that of the fully specified model with agency characteristics.

beta of variables of agency performance process.⁴¹ Overall, the model explains about 89 percent of the variance in the dependent variable. The results show that the general pattern remains the same in that managerial capability, external performance culture and measurement quality are still the top three factors that positively relate to budgetary uses of measures by agencies. Specifically, one unit increase in managerial capability, external performance culture and measurement quality, respectively, would lead to 0.82, 0.26, and 0.25 increase in budgetary uses by agencies. These impacts amount to 24 percent, 7.6 percent, and 7.5 percent, respectively, of the range of values in the dependent variable.⁴² In addition, the impact of managerial capability is more than three times the impact of external performance culture or measurement quality. This indicates that for agencies to use measures for budgetary purposes, whether agencies are managed based on performance is critically important.

Recognizing that the opportunities for performance informed budgeting come in many ways (Joyce, 2003), this dissertation disaggregates the factor of budgetary use of measures (the dependent variable in the regression) back into its four components including: budget submission, funds allocation, overlapping service reduction and improvement of strategic planning. The purpose of doing so is to see how aspects of the agency performance process impact specific budgetary uses. Since all four variables of specific budgetary uses come directly from the survey items, they are ordinal variables. Therefore, a logit model is applied while the specification of the model remains the same as that of the regression model.

Table 4.9 presents the ordered logit analysis outputs. The first thing noticed is that managerial capability is important for all budgetary uses. Second, external

⁴¹ The common problem with this kind of model is multicollinearity. Participative process and internal performance culture have reversed signs, but they are not statistically significant at .05 level.

⁴² The value of the dependent variable, budgetary uses, ranges from -1.89 to 1.53.

performance culture positively relates to decisions subject to outside review (budget submission) and tough decisions (overlapping services reduction), but is not statistically significant for within-agency decisions such as allocating funds between programs and improving strategic planning. Third, measurement quality contributes to some internal agency functions (the improvement of strategic planning) and tough decisions (overlapping services reduction), but is not statistically significant for budget submission and allocating funds between programs. Interestingly, all top three factors are positively related with overlapping services reduction. One interpretation is that the toughest decision—service/budget reduction---takes the most out of the surrounding support system, and demands the most serious justifications. Overall, the general pattern does not deviate from what was found in the association test and regression analysis, that is, managerial capacity, external performance culture and measurement quality are important for budgetary uses of measures by agencies.

4.7. Are The Perspectives Of The Central Budget Office And The House And Senate Budget Offices Compatible With That Of Agencies?

In order to assess how compatible opinions of agency are with those of OPB and House and Senate Budget Offices, a series of comparison⁴³ tables are presented on the topics including: (1) who are the participants in selecting measures, (2) factors important in developing measures; (3) implementation of the performance system; and (4) uses of performance measures.

Table 4.10 and Table 4.11 below report who are the participants in selecting measures, and factors important in developing measures. These tables are organized

⁴³ Compared with the target population of state agencies, the target population of OPB and House and Senate Budget Offices is limited. As indicated in the research design chapter, there are 106 agency respondents (65 percent response rate), 4 OPB respondents (17 percent), and 8 House budget office respondents (100 percent) and 2 senate budget office respondents (50 percent).

in the descending order of mean rating by agencies. In terms of the participants of designing measures, the ranking by OPB respondents are very similar to that of agencies: agency head and staff are perceived as the most important participants in selecting measures. OPB respondents rated themselves as the next important before the governor, and downplayed the roles of the appropriation committees, citizens and elected officials. It is understandable since, compared with agencies, OPB analysts are less likely to be in contact with citizens and legislature, and therefore their perception of participation by these groups is low. The same logic seems to apply to the ranking by the House and Senate Budget Offices. They rated agency's engagement below appropriation committees, governors, and elected officials.

In terms of the factors influencing the development of measures, all three groups are in agreement with each other: they all rated reliability and validity of measures as the No.1 factor.

Table 4.12 reports the comparative findings on the implementation of the performance system. The purpose of doing so is to see whether these three groups have a similar understanding of the strength and weakness in the implementation of the performance budgeting system. The table is also organized in descending order of mean of variables ranked by agencies.

First, the findings suggest that OPB analysts are less satisfied with the overall implementation of the performance budgeting system than agency and House and Senate Budget Offices. The mean of means of ranking by OPB in each of the three phases (3.04 during the performance initiation phase, 2.88 during the measurement design phase, and 2.33 during the performance operation phase) is considerably lower than those by the other two groups. Second, there are considerable differences among the responses by these three groups. For instance, agencies believe that the

performance system has the commitment of agency management while OPB analysts think exactly the contrary. Agencies believe that they are clear about the objectives of programs while both OPB and House and Senate Budget Offices disagree. OPB analysts believe that agencies/programs should be rewarded/punished based on performance while both agencies and House and Senate Budget Offices are undecided. These differences suggest that there might be two types of disagreements in the understandings of these three groups of respondents. One is a philosophic conflict as to whether programs should be rewarded or punished based on performance; the other is that each group is likely to believe that their own group has more commitment to performance budgeting than other groups of participants in the process. The philosophic conflict is an open question, while the second type of disagreement indicates that there might be a communication gap among groups. Therefore, the real problems in the implementation of the performance system may not only be whether each group of participants in the budget process uses measures, but also whether they communicate to other groups of participants what they do. Communicating thoughts and demonstrating work on performance budgeting is important in building the overall performance culture.

The final comparison among these three groups is about uses of performance measures. Table 4.13 that reports the findings is organized by three categories (specific uses, funding decisions, and participants) and by agency's ranking in descending order. The findings follow. First, the general pattern of the findings is that performance measures are used in somewhere between 25 and 50 percent of decisions. Agencies are reported to use measures more frequently than OPB and House and Senate Budget Offices. Second, all three groups reported the use of measures more for managerial purposes than budgetary purposes. However, OPB and House and Senate

budget Offices are much less confident than agencies in the extent to which measures are used to determine and improve performance. Third, just as agencies, House and Senate Budget Offices are more likely to use performance measures for budget enhancement and reduction than for budget redistribution. OPB is most likely to use them for budget reduction. The general pattern, however, remains consistent across groups of participants. Fourth, in terms of budgetary uses, there is a “perception deficit.” The evidence is that: except for House and Senate Budget Offices’ respondents, both agencies and OPB respondents reported to have more frequent uses of measures within their own field than their perception of other participants using measures. The implication, therefore, is that if each group of participants perceives, as shown here, that they use measures more frequently than others, they may not have the impetus to do more. In the long run, this “perception deficit” may translate into cynicism and inertia toward performance budgeting. The difference of opinion in uses of measures once again indicates the possibility of understanding/communication gap among groups.

Figure 4.1: Georgia's Planning And Budget For Results Model

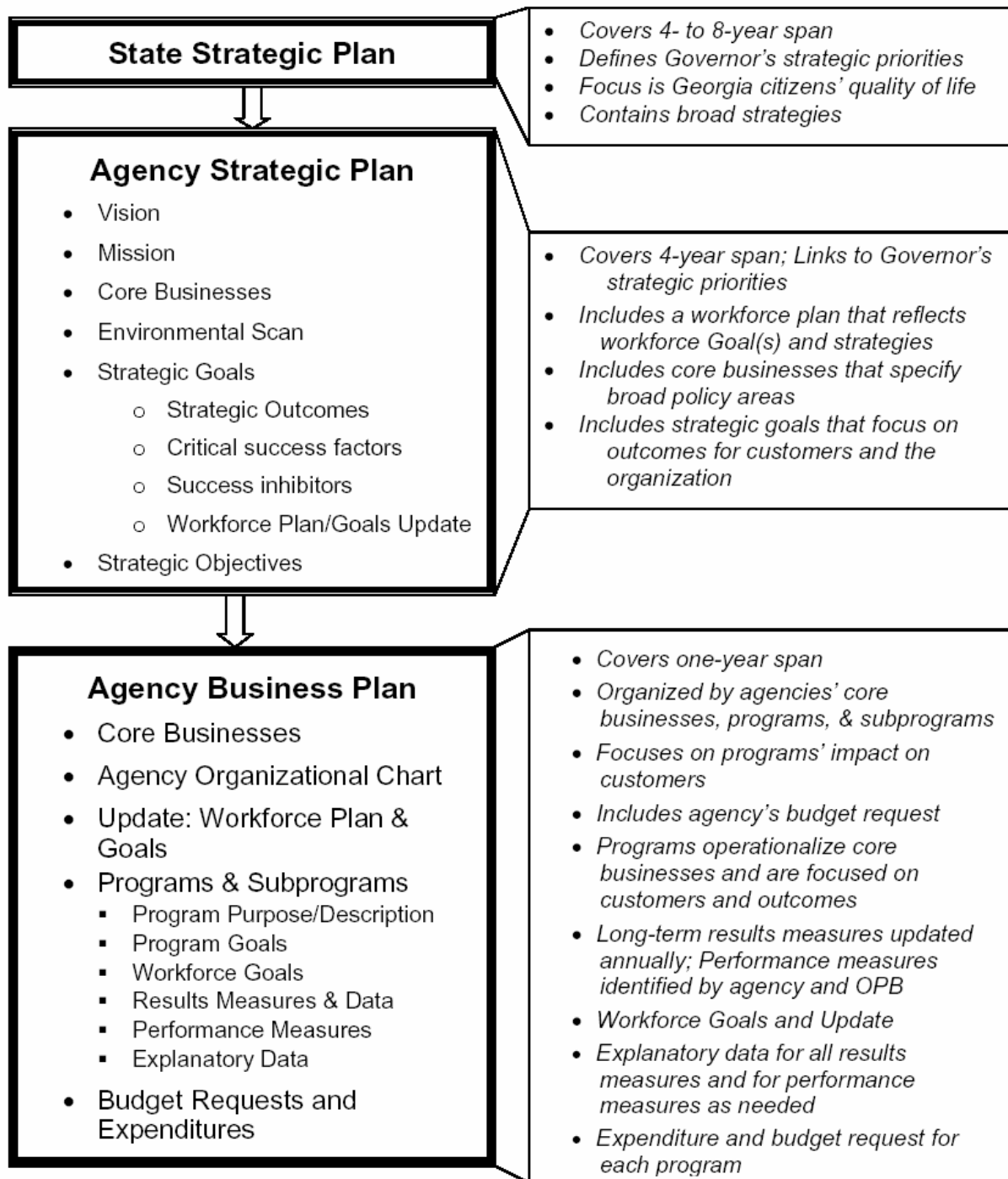


Table 4.1: Key Participants And Activities In Performance Budgeting Process

Phases	Key Participants	Key Activities
Performance Initiation	Central Executive Budget Office	<ul style="list-style-type: none"> • Communicate governor's performance initiatives; • Set the minimum requirement of performance measurement and reporting; • Put together a financial/budget system to consolidate and process performance information.
Measurement Design	Individual Agencies (including agency management, fiscal/budget officers, and division/program managers) and Central Executive Budget Office	<p>---Individual agencies:</p> <ul style="list-style-type: none"> • Set agency missions and goals to relate to measures; • Revisit past year experience of measurement; • Hold strategic planning/budget meeting(s) to discuss measures; • Performance target negotiation; • Fulfill the requirements of the Central Executive Budget Office. <p>---Central Executive Budget Office:</p> <ul style="list-style-type: none"> • Functions in various capacities depending on the working relationship with agencies and the operational style of each agency.
Performance Operation	Individual Agencies	<ul style="list-style-type: none"> • Staff training; • Data collection and computerization; • Data analysis; • Evaluation of the validity of both measures and data.
Information Utilization	Individual Agencies, Central Executive Budget Office, and Legislature	<ul style="list-style-type: none"> • Utilization takes place, with a wide range of frequency and intensity. In comparison with Central Executive Budget Office, and Legislature, Individual agencies use performance information most frequently.

Table 4.2: The Importance Of Participants In The Development Of Performance Measures
(1=the least important, 10=the most important).

Importance	Agency Head (%)	Agency and Program Staff (%)	Governor (%)	OPB (%)	House & Senate Budget Offices (%)	Appropriation Committees (%)	Citizens (%)	Elected Officials (%)	External Professionals (%)	State Auditor Office (%)
1	2.68	1.75	5.45	2.65	3.7	4.55	19.09	16.36	36.7	23.15
2	1.79	2.63	1.82	2.65	7.41	5.45	10.91	16.36	18.35	21.3
3	1.79	6.14	2.73	4.42	9.26	15.45	10.91	22.73	5.5	20.37
4	0.89	3.51	2.73	9.73	17.59	15.45	10	9.09	4.59	14.81
5	2.68	2.63	7.27	7.96	18.52	20	5.45	10.91	6.42	5.56
6	9.82	3.51	10.91	13.27	23.15	14.55	8.18	3.64	4.59	7.41
7	6.25	9.65	12.73	17.7	7.41	11.82	8.18	4.55	9.17	1.85
8	4.46	17.54	12.73	23.01	8.33	2.73	10	8.18	5.5	2.78
9	35.71	18.42	16.36	10.62	0.93	6.36	4.55	2.73	4.59	0.93
10	33.93	34.21	27.27	7.96	3.7	3.64	12.73	5.45	4.59	1.85
Number of Responses	112	114	110	113	108	110	110	110	109	108
Mean	8.28	7.89	7.41	6.63	5.12	5.09	4.95	4.06	3.63	3.20

Table 4.3: Factors Important For Selecting Measures
(1=the least important, 5=the most important).

Importance	Reliability and Validity		Intended Uses		Costs and Skills		Political Acceptance		Rewards/ Punishment	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
1	4	3.57	2	1.74	21	18.26	36	31.3	42	36.84
2	11	9.82	15	13.04	20	17.39	36	31.3	24	21.05
3	6	5.36	29	25.22	28	24.35	21	18.26	22	19.3
4	26	23.21	37	32.17	33	28.7	6	5.22	14	12.28
5	65	58.04	32	27.83	13	11.3	16	13.91	12	10.53
Sum	112	100	115	100	115	100	115	100	114	100
Mean	4.22		3.71		2.97		2.39		2.39	

Table 4.4: Factors Influencing Measurement Quality

The relationship of Measurement Quality with⁴⁴:	Association strength (Spearman's Rho)	Significance level (Fisher Exact test)⁴⁵
Meaningful interpretation of the measures	0.871	0.000
Efforts to ensure the quality of measures	0.608	0.000
The linkage with agency strategic and business plans	0.592	0.000
Performance oriented accounting and financial system	0.540	0.001
Financial resources for measurement	0.484	0.000
Staff experience in measurement	0.469	0.000
Agreed-upon measures	0.377	0.000

⁴⁴ The relationships of measurement quality with agency characteristics (namely, number of core businesses, state appropriation, number of programs, and whether the agency has an appointed head) are examined as well, but all factors examined are not statistically significant (significance level ranging from .22 to .84).

⁴⁵ Five categories of Measurement Quality were collapsed into three categories: disagree with high quality of measures, undecided and agree with high quality of measures. The Fisher exact test is a 3x5 test.

Table 4.5: The Implementation Process Of The Performance Measurement

To what extent do you agree with the following statements?	Strongly disagree =1 (%)	Some- what Disagree= 2 (%)	Undecided =3 (%)	Some- what Agree =4 (%)	Strongly Agree =5 (%)	Mean (Freq. scale of 5)	Total Responses (n)
Performance Initiation Phase							
High Commitment of General Assembly	9.65	14.91	42.98	20.18	12.28	3.11	114
High Commitment of House and Senate Budget Office	7.89	11.4	42.98	20.18	17.54	3.28	114
Reward/punish agencies based on performance	6.25	11.61	25.89	36.61	19.64	3.52	112
High Commitment of OPB	7.02	7.02	24.56	32.46	28.95	3.69	114
High Commitment of Agency Staff	5.22	8.7	8.7	43.48	33.91	3.92	115
High Commitment of Agency Management	6.96	6.09	5.22	34.78	46.96	4.09	115
Measurement Design Phase							
Financial resources for measurement development	14.78	28.7	15.65	24.35	16.52	2.99	115
Using agreed upon measures	5.17	21.55	12.93	41.38	18.97	3.47	116

To what extent do you agree with the following statements?	Strongly disagree =1 (%)	Some- what Disagree= 2 (%)	Undecided =3 (%)	Some- what Agree =4 (%)	Strongly Agree =5 (%)	Mean (Freq, scale of 5)	Total Responses (n)
Balanced measures	3.51	10.53	21.93	47.37	16.67	3.63	114
Our opinions valued by others in the performance measurement process	6.14	12.28	11.4	50	20.18	3.66	114
High measurement quality	5.17	13.79	12.93	40.52	27.59	3.72	116
Staff experience in measurement development	10.34	10.34	5.17	43.97	30.17	3.73	116
Meaningful interpretation of the measures	5.22	13.04	11.3	42.61	27.83	3.75	115
Efforts to ensure the quality of measures	5.17	2.59	10.34	38.79	43.1	4.12	116
The linkage with agency strategic and business plans	3.45	6.03	5.17	41.38	43.97	4.16	116
Agencies' knowledge of programs objectives	3.48	3.48	3.48	46.96	42.61	4.22	115
Performance Operation Phase							
Performance-oriented accounting and financial system	19.3	21.05	18.42	21.93	19.3	3.01	114

To what extent do you agree with the following statements?	Strongly disagree =1 (%)	Some- what Disagree= 2 (%)	Undecided =3 (%)	Some- what Agree =4 (%)	Strongly Agree =5 (%)	Mean (Freq, scale of 5)	Total Responses (n)
Sufficient frequency of performance feedback	9.65	20.18	20.18	37.72	12.28	3.23	114
Targets set for each performance indicator for every reporting period	4.39	17.54	14.04	50.00	14.04	3.52	114
Comfortable with the intended uses of measures	9.65	12.28	14.04	39.47	24.56	3.57	114
Periodic review of the appropriateness of measures	5.31	10.62	7.08	53.1	23.89	3.80	113
Seeking explanations for unusual and unexpected outcomes	6.14	5.26	9.65	39.47	39.47	4.01	114

Table 4.6: The Use Of Performance Information Both Within And Outside An Agency

Statements	Strongly disagree =1 (%)	Some- what Disagree =2 (%)	Undecided =3 (%)	Some- what Agree =4 (%)	Strongly Agree =5 (%)	Mean (Freq, scale of 5)	Total Responses (n)
Uses Of Performance Information <u>Within</u> An Agency: Overall Mean=3.33							
To reduce overlapping services	22.52	21.62	20.72	21.62	13.51	2.82	111
Used in Budget Redistribution Request	24.51	15.69	14.71	22.55	22.55	3.03	102
To allocate funds between programs	18.26	18.26	19.13	26.96	17.39	3.07	115
Used in Budget Reduction Request	21.57	16.67	14.71	18.63	28.43	3.16	102
Used in Budget Enhancement Request	17.82	21.78	13.86	17.82	28.71	3.18	101
To control agency/program	13.51	19.82	20.72	27.03	18.92	3.18	111
To motivate agency personnel	11.82	17.27	23.64	27.27	20.00	3.26	110
To justify budget request submission to OPB	12.28	15.79	11.40	35.96	24.56	3.45	114
To improve strategic planning	8.93	20.54	12.5	30.36	27.68	3.47	112

Statements	Strongly disagree =1 (%)	Some- what Disagree =2 (%)	Undecided =3 (%)	Some- what Agree =4 (%)	Strongly Agree =5 (%)	Mean (Freq, scale of 5)	Total Responses (n)
To benchmark data	8.04	16.07	14.29	36.61	25.00	3.54	112
To communicate the agency's programs to stakeholders	8.04	13.39	17.86	33.93	26.79	3.58	112
To figure out how to improve performance	6.19	13.27	15.04	35.40	30.09	3.70	113
To determine how well the agency/program is performing	6.25	8.04	16.96	38.39	30.36	3.79	112
Uses Of Performance Information <u>Outside</u> An Agency: Overall Mean=2.76							
Use by House Appropriations Committee	23.76	35.64	20.79	11.88	7.92	2.45	101
Use by Senate Appropriations Committee	23.76	35.64	19.80	12.87	7.92	2.46	101
Use by House and Senate Budget Offices	18.00	32.00	26.00	13.00	11.00	2.67	100
Use by the Governor	16.04	21.70	22.64	18.87	20.75	3.07	106
Use by the central budget office	11.32	24.53	19.81	24.53	19.81	3.17	106

**Table 4.7: Factors Influencing Budgetary Uses Of Measures By Agencies
(Spearman Correlation Coefficients)**

The Relationships of Budgetary Uses with:	Association Strength	Significance Level	Number of Observation
Agency Performance Process			
Managerial Capability	0.687	0.000	102
External Performance Culture	0.528	0.000	95
Measurement Quality	0.404	0.000	108
Participative Process	0.238	0.014	106
Internal Performance Culture	0.185	0.060	104
Agency Operation Characteristics			
Appointed Agency Management	0.209	0.164	46
State Appropriation FY05	-0.055	0.626	82
Number of Core Businesses	-0.067	0.658	46
Number of Programs	-0.073	0.630	46

Table 4.8: Factors Influencing Budgetary Uses Of Measures By Agencies (Regression Analysis)

Dependent Variable=Budgetary Uses of Measures by Agencies

Independent Variables	Beta	Coefficient	P> t
Agency Performance Process			
Managerial Capability	0.832	0.816	0.000
External Performance Culture	0.263	0.260	0.023
Measurement Quality	0.250	0.251	0.007
Participative Process	-0.188	-0.169	0.058
Internal Performance Culture	-0.010	-0.008	0.909
Respondents Characteristics			
Time Spent on Performance Measurement (%)	-0.344	-0.014	0.001
Private Sector Experience (Yes=1)	0.078	0.158	0.269
Level of Highest Education (1=high school)	-0.047	-0.072	0.544
Agency Operation Characteristics			
Appointed Agency Management	-0.040	-0.053	0.625
State Appropriation 05	0.076	7.35E-11	0.335
Number of Core Businesses	0.037	0.030	0.614
_cons	.	0.269	0.595
Number of obs		37	
Prob > F		0.000	
R-squared		0.894	
Adj R-squared		0.847	

Table 4.9: Factors Influencing Budgetary Uses Of Measures By Agencies (Logit)

Dependent Variables	Budget Submission	Allocate Funds Between Programs	Reduce Overlapping Services	Improve Strategic Planning
Independent Variables	Coefficient	Coefficient	Coefficient	Coefficient
Agency Performance Process				
Managerial Capability	3.038***	2.368***	3.946***	4.933***
External Performance Culture	1.237**	0.755	1.143**	0.486
Measurement Quality	-0.271	0.110	1.621***	1.894***
Participative Process	-0.134	-0.402	-1.253**	0.691
Internal Performance Culture	0.907*	0.026	-0.298	-0.824*
Respondents Characteristics				
Time Spent on Performance Measurement (%)	-0.078***	-0.033*	-0.092***	-0.026
Private Sector Experience (Yes=1)	0.057	0.197	1.538**	2.105**
Level of Highest Education (1=high school)	0.495	0.043	-0.271	-1.350*
Agency Operation Characteristics				
Appointed Agency Management	0.498	-0.053	-1.093*	-0.480
State Appropriation 05	-3.070E-10	-5.530E-12	3.160E-10	2.010E-09**
Number of Core Businesses	-0.126	0.262	0.086	-0.002
Number of obs	39	40	39	41
LR ch	57.280	42.700	65.050	69.280
Prob>chi2	0.000	0.000	0.000	0.000
Pseudo R2	0.498	0.352	0.527	0.579

Note: ***<=0.01 level, **<=0.05 level, *<=0.1 level.

Table 4.10: Participants In Selecting Measures (The Comparative View)
Mean (Scale of 10, 1=least important; 10=most important)

Variable	Agency	OPB	House and Senate Budget Offices
Agency Head	8.28	9.00	6.70
Agency and Program Staff	7.89	9.25	6.00
Governor	7.41	6.25	7.00
OPB	6.63	8.50	6.40
House and Senate Budget Offices	5.12	5.67	5.70
Appropriation Committees	5.09	3.67	7.00
Citizen	4.95	3.33	4.20
Elected Officials	4.06	1.00	6.90
Professional	3.63	4.00	3.40
State Audit Office	3.20	4.67	4.10

Table 4.11: Factors In Determining Measures (The Comparative View)

Mean (Scale of 5, 1=least important; 5=most important)

Variables	Agency	OPB	House and Senate Budget Offices
Reliability and Validity	4.22	4.25	4.00
Intended Uses	3.71	3.75	3.50
Costs and Skills	2.97	3.50	3.10
Political Acceptance	2.39	2.50	2.90
Rewards/Punishments	2.39	1.00	1.50

Table 4.12: The Implementation Process Of The Performance Measurement (The Comparative View)

Statements	Mean (1=Strongly Disagree; 5=Strongly Agree)		
	Agency	OPB	House and Senate Budget Offices
Performance Initiation Phase	3.60⁴⁶	3.04	3.72
High Commitment of Agency Management	4.09	2.75	3.80
High Commitment of Agency Staff	3.92	3.00	3.90
High Commitment of OPB	3.69	3.25	3.90
The agency/program should be rewarded/punished based on its performance	3.52	3.50	3.40
High Commitment of House and Senate Budget Office	3.28	3.00	3.70
High Commitment of General Assembly	3.11	2.75	3.60
Measurement Design Phase	3.75	2.88	3.51
Agencies' knowledge of programs objectives	4.22	2.75	3.50
The linkage with agency strategic and business plans	4.16	3.75	4.20
Efforts to ensure the quality of measures	4.12	2.50	3.80
Meaningful interpretation of the measures	3.75	3.50	3.50
Staff experience in measurement development	3.73	3.50	3.00

⁴⁶ The highlighted number is mean of means in each phase by each group of participant.

Statements	Mean (1=Strongly Disagree; 5=Strongly Agree)		
	Agency	OPB	House and Senate Budget Offices
High measurement quality	3.72	2.25	3.40
Our opinions valued by others in the performance measurement process	3.66	2.50	3.78
Balanced measures	3.63	3.00	3.50
Using agreed upon measures	3.47	2.75	3.30
Financial resources for measurement development	2.99	2.25	3.10
Performance Operation Phase	3.52	2.33	3.40
Seeking explanations for unusual and unexpected outcomes	4.01	3.25	3.70
Periodic review of the appropriateness of measures	3.80	2.25	3.90
Comfortable with the intended uses of measures	3.57	1.75	3.50
Targets set for each performance indicator for every reporting period	3.52	2.50	2.90
Sufficient frequency of performance feedback	3.23	2.00	3.40
Performance-oriented accounting and financial system	3.01	2.25	3.00

Table 4.13: Uses Of Performance Measures (The Comparative View)

To what extent do you (or you perceive other participants) use performance measures for the following purposes? (1=Never, 2=<25% of decisions, 3=25%-50% of decisions, 4=50%-70% of decisions, and 5=>75% of decisions)	Agency	OPB	House and Senate Budget Offices
By Specific Uses	3.40	2.68	2.53
Determine Performance	3.79	3.00	2.89
Improve Performance	3.70	3.00	2.78
Benchmark Data	3.63	3.25	2.78
Communicate Programs to Stakeholders	3.58	3.00	2.67
Improve Strategic Planning	3.47	2.25	2.33
Budget Submission	3.45	2.50	2.80
Motivate Agency Staff	3.26	2.75	2.33
Control Agency/Program	3.18	2.00	2.25
Allocate Funds	3.07	2.75	2.22
Reduce Overlapping Services	2.82	2.25	2.22
By Funding Decisions	3.12	2.67	2.03
Budget Enhancement Request/Recommendation/Consideration	3.18	2.50	2.20
Budget Reduction Request/Recommendation/Consideration	3.16	3.00	2.00
Budget Redistribution Request/Recommendation/Consideration	3.03	2.50	1.89
By Participants	2.76	2.60	2.92
Budgetary Use by State Agency	N/A	2.50	3.00
Budgetary Use by OPB	3.17	N/A	3.00
Budgetary Use by Governor	3.07	2.50	3.10
Budgetary Use by House and Senate Budget Offices	2.67	2.67	N/A
Budgetary Use by Senate Appropriation Committee	2.46	2.67	3.00
Budgetary Use by House Appropriation Committee	2.45	2.67	2.50

CHAPTER 5

DISCUSSION

Clearly, the overall findings in the previous chapter indicate that the design of performance measures is largely an agency-centered process, and managerial capability, external performance culture and measurement quality are the top three factors in budgetary uses of measures by agencies. This chapter incorporates the findings and discusses their implications for managing performance budgeting system primarily from the perspective of agencies. The following discussion begins with pros and cons of this agency-centered measurement design process, followed by the discussion on how to manage the performance system by examining the roles of the central budget office, the governor, public managers, the legislature and citizens. This chapter concludes with observations as to the past, present and future of performance budgeting.

5.1. Advantages And Disadvantages Of The Agency Centered Process Of Measurement Design

The findings suggest that the process for developing measures is largely agency-centered and bottom up. This arrangement is mainly due to practical reasons. Both surveys and elite interviews suggested why other participants are not as well suited for this task as agencies.

First, why not OPB? While OPB serves an important role in setting the performance tone and dealing with the logistics of performance information flows, it has limited staff. In Georgia, there are approximately eight policy planners who deal

with giving guidance in designing measures and 23 policy analysts who use measures to make budget recommendations. Many of them are new staff due to the high turnover rate.⁴⁷ On the other hand, there are about 200 agencies in Georgia, including attached agencies and authorities, and about 280 programs identified in the Governor's Annual Budget Report. As one agency budget officer described, OPB is overwhelmed by the number of performance measures that they receive, not to mention suggesting which measures are better or analyzing performance information in any detail. In addition, the OPB is not involved with the daily operation of programs, and therefore it does not have program expertise that agencies do. Moreover, elite interviews suggest that the OPB views itself to function more as an adviser than as a decision maker when it comes to developing measures or setting performance targets. As one OPB interviewee mentioned, "I do not see OPB coming in, on behalf of agencies, setting or adjusting performance measures or targets."

Why not House and Senate Budget Offices or the legislature? House and Senate Budget Offices face the similar difficulties that the OPB faces when it comes to designing performance measures. The difference is that the legislative budget offices have even more limited staff. In Georgia, there are about eight House budget analysts and four Senate budget analysts. The General Assembly is even less equipped to help design measures because it only meets for 40 legislative days each year. More importantly, individual legislators are understandably more concerned with what happens in their jurisdictions than statewide program performance.

Therefore, the advantages of this agency-centered process of measurement design are visible. The workload of measurement design is spread among all agencies.

⁴⁷ OPB is believed to be a good training ground for college graduates. After several years of working with the OPB, these graduates are highly welcome by agencies to work on fiscal affairs. Agencies tend to be able to offer more competitive salary than OPB does.

Agencies presumably know best about their programs and therefore the measures. In addition, not only are agencies best suited for designing measures, it is also needed to have them design measures. One comment made by a fiscal/budget office captures the need expressed by many: if we did not assign agencies to design measures, then we probably would end up in a situation where agencies are held accountable for measures they have little or no faith in. This agency-centered process mitigates this concern. More importantly, involving agencies helps early intervention of measurement quality. As Wholey (1999) concisely pointed out, usually “quality control does not get much attention in the early stages of developing and implementing a performance measurement system. Only after performance data are reviewed do potential users begin raising questions about the information’s validity, reliability, relevance and usefulness. *It is preferable to consider ways to ensure reasonable quality of the performance measurement process from the beginning* ---to help build accuracy and usefulness into the design of the measurement system and into the training of personnel.” In short, how to ensure reasonable measurement quality? Train agency staff and program managers to empower them to design good measures, and encourage them to proactively pay attention to measurement quality from the very beginning of the performance system.

As demonstrated above, most arguments for agencies developing measures are practical reasons. To some interviewees, this approach raises the legitimacy question. These interviewees expressed concerns with this agency-centered approach. The basis for the concerns is that agencies would not select measures and set targets that they cannot achieve. The underlying critical question is: how can the legislature budget based on agency-self-developed measures? This is where the main disadvantage of this

agency-centered approach comes in: the trust by other participants in performance measures and targets is hard to maintain.

Unfortunately, there is no perfect solution. Asked about how to deal with this trust issue, interviewees responded in four ways. The first is trusting agencies. It was argued that most government employees have good will. As agency interviewees often say, when you have a team together designing measures, you have a good chance of getting it right and reasonable. In addition, given the increasing opportunity for benchmarking, the chance of manipulation might be getting smaller. The second suggested solution is asking for additional measures. Some interviewees indicated that they would ask for their own measures relevant for budget issues at hand, ask agencies to compile, and evaluate these measures by themselves independently. The third is that budgeting should be based on comprehensive evaluations (the evaluation model) rather than two or three performance measures (the performance model), not to mention this agency-led measurement design. For interviewees of this opinion, they do not trust the meaningfulness of a couple of performance measures for resources allocations. Instead, they proposed a segmental evaluation model where programs take turns being fully evaluated at the interval of 3-5 years. The fourth, also the most mentioned solution, is engaging the central budget office more actively in the process. Details follow.

As shown in this dissertation, the central budget office (OPB in Georgia) is important for measurement design: it is ranked second in terms of its impact on designing performance measures. As indicated in the comments made by agency fiscal/budget officers, agencies expect OPB to serve several roles. To summarize the comments, the OPB is viewed as: an instructor to give guidance; an outsider reviewer to give assessment on whether what agencies say the agency would measure makes

sense; a keeper for tracking performance process procedures and comparing them with practices in other agencies and states; an educator to agencies on how to design measures that work via ongoing training excises; and a consultant to give advice and suggestion. The interviews with agencies show that dissatisfaction emerges when the central executive budget office does not give sufficient guidance, does not offer enough feedback, and/or dictates too much. It is hard to walk the fine line between guiding measurement design and not “dictating” too much. This dissertation finds that the keys for the central executive budget office to fulfill these roles is to have coordinated performance guidelines and electronic data processing systems, maintain good communication between individual analysts and agencies, and build a continuously mutually trustful working relationship. The general consensus is that the central executive budget office should assist agencies in performance measurement design by empowering agencies.

Overall, the majority responses are of the opinion that this agency-centered process of measurement design is necessary and effective while the limitation of this approach should be recognized and managed.

5.2. The Focal Point Of The Performance Budgeting System

While the focus of this dissertation is on the perspective of state agencies, the findings once again confirm that a performance budgeting system is not a piecemeal project. Although most prior studies of performance budgeting often occur at the level of central budget analysts or legislative budget analysts, and this dissertation adds the perspective of agencies, there should be a central focal point for managing the performance budgeting system. Where is the central focal point in Georgia? Agencies, OPB, House and Senate Budget Offices, and/or the General Assembly? The current

situation seems to be that there is no clearly defined focal point for the performance budgeting system and that participants expect others to be the initiator in the “budget for performance” talk. Where should it be? This question is important because the momentum of performance budgeting system depends on the capability of the unit at the focal point to generate and sustain the spirit of performance-based government. The elite interviews suggest that the central budget office might be the place.

The strength of the central budget office lies in that it represents a government-wide focal point of institutional capability. Its functions are both budgeting and management. It is at the center of the network with agencies, the governor, the House and Senate Budget Offices and the legislature. It initiates the annual budget process and is in charge of the budgeting/financial database in the state. In addition, it provides instructions to agencies of strategic planning, and maps the overall presentation of plans, measures and budgets (an example would be Georgia’s Planning and Budgeting for Results Model (figure 4.1) in the *Prioritized Program Planning and Budgeting: FY 2006 Strategic and Business Planning Guidelines for Georgia Agencies*, prepared by the OPB). The recent development at the OPB is to strengthen the provision to agencies of guidance in performance design, and to encourage agencies having relatively reliable measures and data to use performance information. The role of the central budget office should be further recognized and strengthened, so that the situation of no clearly defined central focal point could be mitigated.

Specifically, OPB could perform two main functions to lead the movement of performance budgeting. First, OPB provides more feedbacks to agencies on performance budgeting and management. For example, in reference to the federal experience, among the 234 programs assessed for the fiscal year 2004, OMB provided more than 80 percent of their recommendations to agencies on improving program

design and management, and the remaining 20 percent on program funding (GAO, 2004). As demonstrated in this dissertation, OPB's own use of measures and feedback to agencies are believed to be critical to stimulate agency interests in budgetary use of measures. Therefore, the exchange between the central executive budget office and agencies holds the promise to create and sustain the performance culture within agencies by providing external motivation for performance budgeting. Second, the central executive budget office discusses with the legislative budget offices and the legislature performance budgeting related issues. The interviews suggested that in cases where an executive budget analyst talks about program performance with legislative analysts, the bearing of performance on budgeting appears to be higher than otherwise. This finding seems to coincide what GAO found at the federal level. In their recent report, GAO (2005b) found that most of congressional committee staff GAO spoke with expressed the view that "PART would more likely inform their deliberations if OMB consulted them early on regarding the selection and timing of programs, the methodology and evidence to be used and how PART information can be communicated and presented to best meet their needs." This closed nature of the current performance budgeting within the executive branch in part explains the indifference toward performance budgeting in the legislative branch. Although the central budget office has provided performance related information to various parties via various channels, the central budget office is expected by interviewees to do more to be the "initiator" in the performance budgeting talk with the legislative analysts and the legislature. In short, the success of the central budget office functioning as the focal point of the performance budgeting system lies in its ability to communicate with agencies and legislatures in a way that takes into account how performance information might fit in the decision needs of key participants in the budget process.

5.3. The Impact Of Gubernatorial Leadership And Its Limitations

Clearly, the central budget office as the institutional focal point of the performance budgeting system cannot successfully fulfill these tasks without the support of the leadership. One of the findings of this dissertation is that a performance-oriented governor matters to performance budgeting. As some of the comments by agency budget officers cited above indicate, Governor Perdue is often described as a governor who is interested in performance. One of his missions is to ensure that the state is a good steward of the public treasury by creating a results-oriented government where productivity and results carry a higher priority than the politics-of-the-day.⁴⁸ Instead of focusing on how agencies are organized and how much money is needed for continuation budgets, the Prioritized Program Budget (PPB) format⁴⁹ under his leadership intends to identify and analyze programs that support agency business plans.⁵⁰ More importantly, the performance tone goes beyond formal documents to meetings with agency heads and informal talks with agencies and other participants, which is often cited by agencies as a demonstration that this governor takes performance seriously. Gubernatorial support is important to the overall performance-oriented government agencies.

However, it seems that this impact has not penetrated the legislative side since legislative budget analysts interviewed do not see much difference in performance budgeting by the General Assembly. The recent research by Bourdeaux (2006) on the legislature coincides with this finding. In the same research, Bourdeaux argued that

⁴⁸ The mission statement is extracted from <http://www.gov.state.ga.us/vision.shtml>, accessed on April 19, 2006.

⁴⁹ Beginning with the FY 2005 budget, Georgia state government began managing its resources through a Prioritized Program Budget (PPB) process; a process where budgets identify and analyze programs that support departmental business plans. The purpose of this new process is to assist agency heads track program performance and expenditures at program levels.

⁵⁰ Extracted from OPB's *Prioritized Program Budget (PPB), General Preparation Procedures*, Fiscal Year 2006 (Atlanta, GA: Office of Planning and Budget).

institutional arrangements that require joint executive and legislative responsibility for budgeting are critical to integrate performance information into appropriations processes. Moreover, the effectiveness of gubernatorial leadership becomes complicated in Georgia since it is one of only 12 states that have seven or more popularly elected agency heads (Lauth, 1991). The observation is that agencies with elected heads are less likely to perceive that other participants in the budgetary process use performance for budgetary purposes. The finding suggests that agencies with elected heads are more likely than their counterpart to indicate that, in the descending order of association strength,⁵¹ the governor, OPB, House and Senate Budget offices, House Appropriation Committee and Senate Appropriation Committee are not using performance information for budgetary purposes. In addition, some agencies with elected heads indicated that they face a different incentive system (election as performance test, not performance measures). In short, agencies with elected agency heads introduce into the governor-led performance budgeting a different set of incentive and management mechanisms.

Moreover, elite interviews also suggest the fragility of leadership as governors change periodically. The concern has been: who knows what happens to the performance system when the next governor comes along. In addition, even if the system continues to have governors who make performance based budgeting one of their priorities, it does not necessarily guarantee the vitality of the performance system. As one fiscal/budget officer characterized, the state government has more changes in performance budgeting procedures than the number of governors. The performance system changes as the administration changes hands, which is deemed inefficient and

⁵¹ Association strength tests are derived from Spearman's rho, while significance levels are derived from fisher exact tests due to small sample in cells (<5). The relationships with the governor, OPB and House and Senate Budget Offices are significant at .05 level.

confusing by interviewees. For advocates of performance budgeting, how to have effective continuation of performance budgeting system becomes an increasingly important issue. Nevertheless, the overall finding indicates that gubernatorial support is important.

5.4. The Relationship Between Performance Budgeting And Performance Management And The Role Of Public Managers

Both previous research and this dissertation found that performance measurement is more of a management tool than of a budgeting tool. This seems to conform to the hierarchical uses of performance information: from performance measurement, performance management to performance budgeting. Interviews confirm that agencies are of three types: those with no uses of performance information, those with managerial uses of performance information and those with both managerial and modest budgetary uses. It seems to suggest that performance management is the intermediate link that connects performance measurement to performance budgeting. Just as Allen Schick (2001) cautioned the field, “the great mistake of the performance measurement industry is the notion that an organization can be transformed by measuring its performance....This optimism is not justified, for organizations-public and private alike- can assimilate or deflect data on performance without making significant changes in their behavior. Performance information can affect behavior only if it is used and it is used only when there are opportunities and incentives to do so.” Performance management is important in affecting behavior. Performance management precedes performance budgeting.

This relationship between performance management and performance budgeting points to the importance of management. The roles of public managers in

performance budgeting are two-fold: commitment and capability. In terms of commitment, support from agency management is as important as gubernatorial leadership. Interviews suggested that the perception of agency staff about the commitment of management to performance comes from whether or not performance is inquired by the management. This observation fits what DeHaven-Smith and Jenne (2006) refer to as “management by inquiry” where administrative behavior oriented toward performance is encouraged by frequent, highly formalized meetings of top executives, middle management and line personnel, inquiring into the operations and performance. Several agency fiscal/budget officers indicated that even if OPB or the governor did not ask for measures as part of the budget submission, they would still collect and use performance information because their agency heads pay attention to performance. This suggests that for agencies to focus on performance, the support from immediate agency management may be more effective than that from the governor. Just as Laurence E. Lynn⁵² commented, the effectiveness of government as well as its reputation in most part depends on the quality and capability of public managers.

In terms of capability, as demonstrated in this dissertation, agencies with a high level of managerial uses of measures, an indication of agencies’ capability to transform performance information into performance plan, are more likely to use performance information for budgetary uses as well. An effort to improve performance budgeting should start along with an effort to improve performance management. Again, agencies are at the center for improving performance management. In sum,

⁵² Extracted from the comments made by Laurence E. Lynn, Jr. on the 2005 annual spring banquet with School of Public and International Affairs, University of Georgia on April 29, 2006.

measurement by itself does not improve performance;⁵³ this dissertation suggests that management plays a significant role.

5.5. The “Muted” Legislature And The Role Of Citizens

Although management, as demonstrated in this dissertation, is important for budgetary uses of measures by agencies, it is only a partial solution to performance budgeting, because it is constrained by the environment in which it operates. Ultimately, it is the legislature that is in charge of taking (or not taking) performance information into consideration of appropriations. Many prior research pointed to the lack of engagement by the legislature in performance budgeting. It seems that this is where the role of citizens comes in. Simply put, the role of citizen in performance budgeting lies in that citizens are most effective in changing legislators' budgetary behavior, an area on which, as previous research described, performance information has muted impact. As Bourdeaux (2006) indicated, “legislators need to be convinced that a positive disposition toward and use of a performance system is politically beneficial,” and citizens play a significant role in restructuring the incentive system that individual legislators face and fostering an institutional focus on performance on the legislative side. As many interviewees noted, the strength of public demand for performance is the key to the fate of performance budgeting.

However, citizens are the least mentioned during the interviews. Yang and Holzer (2006) called to increase citizens' participation in performance measurement to improve their trust in governments. Nevertheless, as explained in previous sections, citizens seldom participate in performance measurement. The limited participation by citizens (or customers) found by this dissertation includes: focus group studies and

⁵³ Excerpted from the foreword by Dianne Feinstein, Mayor, City and County of San Francisco, to Paul D. Epstein's 1984 book.

surveys. At some occasions, interviewees described how a program was proposed to be consolidated based on cost-benefit standards, then affected citizens called their legislators, and put it back on, citing how inconvenienced these citizens would be without the program. At other occasions, interviewees described how performance measures are not that relevant to popular programs. These are real dilemmas. Citizens are certainly entitled to express opinions, and the responsiveness to public demands is an important element of public services. The question becomes: what are the mechanisms available to properly deal with the conflict between performance information and public demands? And how to make citizens informed about performance? Both are important questions. The partial solution to the first question might be improving performance via management instead of budgeting, while the partial solution to the second question might be media. Eventually, the performance measurement system needs to involve citizens to deal with these kinds of dilemmas, because performance measurement system should become “an ongoing participatory process in which governments and citizens are both transformed.” (Yang and Holzer, 2006) Performance measurement system leaving out citizens’ participation cannot achieve its full potential. The research on performance budgeting begs response to the question—what is the role of citizens in performance budgeting?

5.6. The Performance Budgeting System

The discussion so far has been focused on the roles of the central executive budget office (CEBO), the governor, public managers, the legislature and citizens. Since the performance budgeting system is a systematic activity, each group of participants is an integral part of the system. The discussion here attempts to propose a model to evaluate the sustainability of performance budgeting by linking key factors

of the system with participants mainly responsible for that factor. Incorporating both survey and interview data, the findings suggested five key factors for the performance system: public demand, leadership, managerial capability, measurement quality and communication, and the five factors are organized in Figure 5.1.

As the figure shows, the demand of citizens for performance is the foundation of the performance budgeting system. Without citizens' awareness of performance and voting accordingly, legislators will be reluctant to act for the sake of program performance. Leadership is the nexus where public demands are transformed into strategic plan and commitment. As demonstrated in this dissertation, both gubernatorial and the central budget office leadership matter to performance budgeting. In addition, managerial commitment and capability to manage based on performance is critically important, especially for budgetary uses of measures by agencies. Measurement quality, widely known to contribute to the use of performance measures, is largely dependent on the capability of agencies and the central budget office. Lastly, all participants of the performance budgeting system need to communicate with each other to avoid the situation of "perception deficit." Communication is also the key to both an internal and external performance culture.

5.7. Performance Incentives And Political Constraints

The idea of a performance incentive line item in the budget is one that has attracted some interests. Agencies (programs) that meet performance targets (or perform above the system mean) earn performance incentive funds. Some agency interviewees thought that this idea might work, compared with performance linked to the base budget. However, it faces the challenges of sustainability and legitimacy. First, interviewees suspected that the performance line idea might not be sustainable when

resources are tight. As an agency budget officer described, “when you have a budget cut and the economy goes into the tank, the first place they take away money from is where? There! The extra line.” Second, there is a legitimacy concern with the relationship between incentives and budgeting. Some interviewees believe that it is just another way for some agencies to get more money. In addition, a few interviewees believe that giving performance money is not legitimate at all. They maintained that improving performance is what governments are supposed to do and therefore extra incentives are not legitimate. Interviewees of this opinion contended that agency performance should be self-monitoring and should not be induced by money. Some agencies in Georgia have been trying to experiment with the performance line idea this year with OPB and the General Assembly.

The overall response has been that state government believes that some forms of incentive (not necessary financial incentives) for performance is healthy while safeguards to prevent manipulation are in order. As one agency fiscal budget officer commented, when the money is linked with performance measures, the stake might be a little bit too high, which might trigger more manipulation in performance information. Interview respondents seem to be more comfortable with the idea that the performance *informs* budgeting than with the idea of performance money. Often cited reasons include the inevitability and desirability of politics, and the unsettled relationship between performance and resources. The former reflects the idea that politics cannot and should not be completely taken out of resources allocation decisions because program performance is not the only criterion by which to judge governments. The latter reflects the dilemma: should we take resources away from a poorly performing program that is in need, or should we add resources to a highly performing program that is not in need? This idea of budgeting based upon

performance information without special incentives is consistent with the argument made by Kelly and Rivenbark (2003): an informed decision translates to the "best" decision.

5.8.Georgia' Past, Present, And Future Of Performance Budgeting

Georgia has come a long way with regard to performance based budgeting. Between 1985 (Lauth's study) and now (2005 when this dissertation collected its data), Georgia passed the Budget Accountability and Planning Act of 1993 that mandates state agencies to develop strategic plans, introduced Budget Redirection in 1997 designed to achieve both managerial and policy objectives within a constricted fiscal environment (Lauth, 2004), implemented Result Based Budgeting (RBB) in FY 1998 that requires developing a purpose, goal and desired result that can be achieved for each program (Lauth, 2004), and adopted a Prioritized Program Budget (PPB) in FY 2005 that requires the definition and quantification of goals and performance measures that intends to bring state spending in alignment with policy and state culture change. Do these reforms make any difference? In comparison of this dissertation's findings with Lauth's findings in 1985, Georgia has made some progress, especially at the agency level and on the legislative side.

Today, we estimate that approximately 10 percent of state agencies (about 2-3 agencies) are actively using performance measures within and outside the agencies for both managerial and budgetary purposes; approximately another 10 percent of state agencies are very pessimistic about the utilization of measures in the state. The remaining 80 percent of agencies believed that staying on the course of performance measurement is a right direction while recognizing that there are many issues that need to be addressed. One question raised repeatedly by elite interviewees is: if we do

not do performance budgeting, what is a better practical alternative to hold governments accountable? They maintained that there are currently no better alternatives and the public demands performance, therefore, let's stay the course and improve performance budgeting.

What does the future hold for performance budgeting in Georgia? Take a look at the following sample of comments made by elite interviewees.

I was around in 1993 when the first legislation was passed, requiring us to do a strategic plan and requiring us to turn in measures. There was a good focus on that in 93, 94, and 95 when it was new. Then it backed off. We had a changing governor. ...This governor made this his very high priority. ...So, as long as this governor is around, it is going to be a very high priority. For the next governor, who knows....I do not see how you can govern without it (performance). Politics is going to always be there. But data is (sic) data. The facts of data help you with the politics. I mean, if you got your fact, you got your data and you got your proof that helps you when the politics is negative or positive. It gives you a tool.

It (performance budgeting) is in the political philosophy of the individuals in control. It can be continued or turned around. But my opinion is that performance budgeting is the way budgeting ought to be done. The state is getting there slow. It would fade, it would come back, it would fade again, it would come back again. But if you really want to know what you really have done, you got to look at performance. It is the right way.

It (the ups and downs of performance budgeting) does go cyclically like that. ...Would it (performance budgeting) thrive? Yes, I think it has, started probably since Jimmy Carter, in one form or another. You know, there are different forms. ZBB, RBB, .. you know, there is always bbb somewhere, because the public demands it. You cannot just paddle along without showing any results. If somebody told me that our division is doing what we suppose to do, but just cannot measure it. Well, my response would be let's stop doing it, to see what would happen. If you cannot show me what you are doing has any results, why should we fund it?

At some point, do I think performance budget would go away? Yes. But there would be another round. ... Seem to me performance budgeting is the catchword right now. Yep, there will be change and something else would do its round.

It will come and go. I have been around since PPB. The first book (sic) I read from graduate school is the science of muddling through, and quite frankly, this is probably one of the seminal writings because it describes better and better what was going on every day. Again, it gets into what will sell, what people get interested in. But its coming and going does not necessarily say we

cannot use performance measures. But the first thing is that we need to decide what is it that we really want to measure. What do we think really is a success. Yes, it (performance budgeting) would run its course.

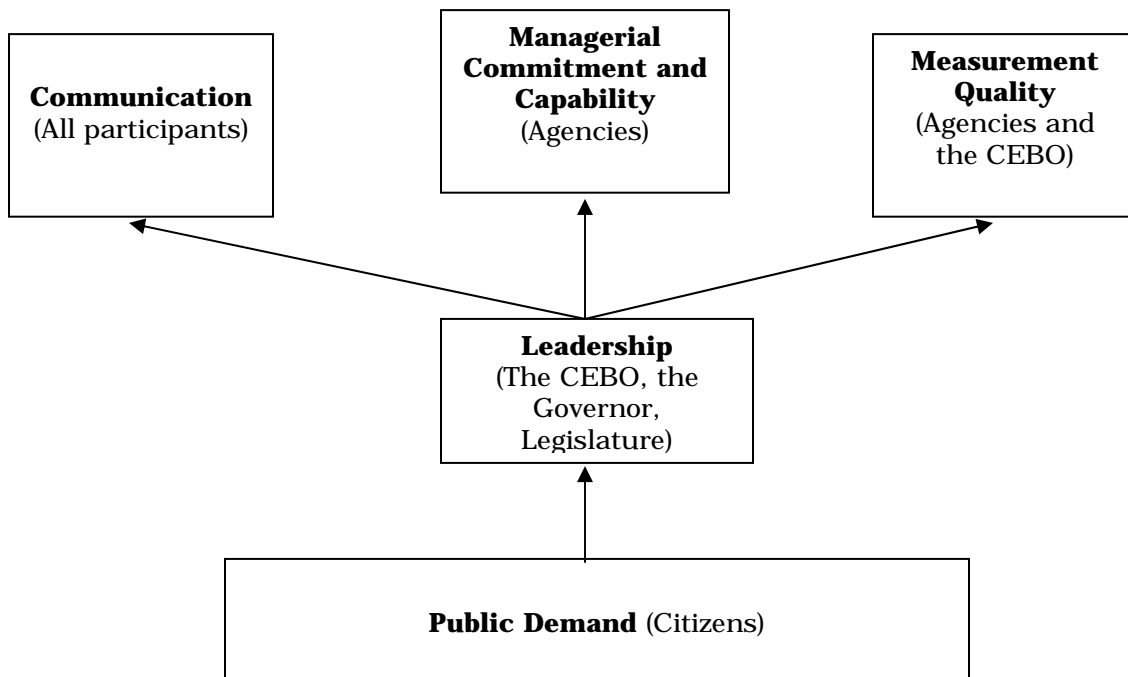
The sentiment reflected in these comments about performance budgeting is mixed. Advocates of performance budgeting believe that better public policy decisions will emerge whenever decisions about allocating resources among competing agencies and programs are informed by evidence about the performance of programs. Indeed, governor Sonny Perdue has asserted the importance of performance budgeting in Georgia as a means of making better use of limited state resources and improving the quality of government services and activities. Based upon our interview evidence, many agency budgeters perceive that he is serious about linking budgeting and performance and the Office of Planning and Budget, Georgia's central budget office, clearly has articulated the governor's position.

Nevertheless, there remains inevitable skepticism about the extent to which resource allocations are, or can be, influenced by performance information. The mention of passing fads by interviewees is one manifestation of this skepticism. At the micro-technical level, there are well-known problems associated with designing and implementing valid and reliable indicators of performance, even when participants in the budgeting process are well intentioned and committed to that objective. Perhaps of greater importance, at the macro-political level there may be disincentives for various participants in state government to be interested in performance budgeting. For them, resource allocations based upon traditional shares of budget allocations, or based upon factors other than actual program performance, may seem preferable.

As Aaron Wildavsky (1964) many years ago reminded us, rational budgeting based upon program evaluation may be perceived by some participants in the budgetary process as politically irrational. Performance budgeting will always operate

within such a political context. The challenge for advocates of performance budgeting is to advance this approach to resource allocation to a point where policy decisions that are fundamentally political will nevertheless be informed by the best available evidence about program performance. It may be difficult to achieve more than that. The future of performance budgeting in Georgia will depend not only on how well issues related to measurement are resolved, but also upon how much support it receives from various stakeholders such as career administrators, elected policy makers and external attentive publics.

Figure 5.1: The Performance Budgeting System (State Government)



CHAPTER 6

CONCLUSION

The idea of performance budgeting has been around in various forms. This dissertation addressed two main research questions: the roles of agencies in the performance measurement system, and the factors that lead agencies to embrace performance budgeting.

Performance measurement has been identified as the most critical and most difficult aspect of performance budgeting. This dissertation has demonstrated that the effort to improve performance measurement should concentrate on agencies. Agencies are at the center of producing measures, and the bottom up process of measurement design places the issue of measurement quality largely in agencies' hand. This dissertation found that, first, agencies are in charge of the selection of measures, the determination of targets, the collection of data and the review of the appropriateness of measures. Agencies are ranked among a range of options the most important participant in the development of performance measures. The participant often viewed as instrumental to this agency-centered measurement process is the central budget office. Second, an agency's task of measurement design is not easy. The selection of performance measures is both political and technical, and both art and science. The key factors influencing the selection of one set of measures versus another include: previous measures; program managers' input; the strategic plan, mission, and what the agency head wants to achieve; data availability; professional and/or national standards; and concerns expressed by stakeholders. This dissertation found that the design of performance measures is influenced more by rational and technical factors

than by political and culture ones. This probably is due to the bottom up process driven by program managers. Third, meaningfulness, relevance, and feasibility of the measurement drive its quality. Agencies need to design measures with special attention paid to: what exactly do measures mean to programs? Overall, the role of the agency in designing measurement is critical. However, an agency-centered measurement process needs to be managed to ensure the high level of trust in measurement by other participants in the process.

With regard to the second main research question, agency performance budgeting, as Joyce (2003) maintained, “is rarely transparent to individuals outside of that agency. Yet,...the agency is at the center of efforts to both produce and use performance information in the budget process.” This dissertation has evaluated performance budgeting at the state agency level. The findings indicate that first, performance measures have wider application within agencies than outside agencies. Second, use of performance measures decline as stages of the budget cycle unfold. Third, it is confirmed again that performance measures are more used for managerial purposes than budgetary ones. Fourth, over the past 20 years, Georgia has been making some progress in using performance measures. Improvements are especially visible at the agency level and on the legislative side. Fifth, there is probably a “perception deficit,” in the sense that both agencies and OPB respondents reported more frequent use of measures within their own sphere than their perceptions of other participants using measures. More importantly, this dissertation demonstrated that agencies are not only the affected in the performance budgeting movement; they also impact the success of performance budgeting. The findings suggest that the top three factors to affect performance budgeting on the agency side are: managerial capability

to manage agencies based on performance, the external performance culture and measurement quality.

In brief, the major contribution of this dissertation research has been to demonstrate the importance of the agency role and perspective in performance budgeting. Past research has focused mostly on the roles and perspectives of executive and legislative budget analysts in the performance budgeting process. Now, the place of agencies in the total performance budgeting system has been demonstrated and better understood.

Looking to the future, additional research is needed on whether and how performance incentive systems work for improving agency and program performance, how performance measurement that improves management might be extended to improving resource allocations, and how public knowledge about government performance and citizen participation in the process translates into greater public support for performance budgeting.

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APPENDICES

APPENDIX A:

INTERVIEW COVER LETTER, PROTOCOLS AND THE SIGNED CONSENT FORM

[fill in the appropriate date]

[fill in the appropriate name]
[fill in the appropriate title]
[fill in the appropriate address]

Dear [fill in the appropriate name],

Thank you for participating in the State Government Performance Measurement System Project. Your knowledge and expertise will be combined with that of other state employees to enhance understanding of the recent developments and effects of performance measurement system in the state of Georgia.

Your participation will involve participating an interview that asks for information on your experience of performance measurement system. The interview is expected to take approximately 30-45 minutes.

Your participation in this study is completely voluntary, and imposes no risk, either personal or professional, to you. Your responses will be confidential, and will not be released in any individually identifiable form without prior consent, unless otherwise required by law. Results of this research will only be reported in aggregate form. The primary interest is in the perspective of state agency, not individual responses.

If you have any questions do not hesitate to contact me by telephone (770) 963-1077. You can also write to me at: Ms. Yi Lu, researcher, State Government Performance Measurement System Project, School of Public And International Affairs, 104 Baldwin Hall, University of Georgia, Athens, GA 30602-1615. Thank you again for the invaluable help that you are providing by participating in this research project.

Sincerely,

Yi Lu, Researcher
Department of Public Administration and Policy
University of Georgia

Additional questions or problems regarding your rights as a research participant should be addressed to The Chairperson, Institutional Review Board, University of Georgia, 612 Boyd Graduate Studies Research Center, Athens, Georgia 30602-7411; Telephone (706) 542-3199; E-Mail Address IRB@uga.edu.

Interview Protocol---State Agencies

1. Describe the process of selecting your agency's performance measures. Who are the agency personnel participating in the process (agency director's support)? What are roles of OPB, House/Senate Budget office, General Assembly..?
2. What performance measures do you use? Why did you select these measures? Is it agency-specific or developed by OPB? How closely are performance measures linked with program objectives and strategic plans? How are data collected? How are targets established? How are breakouts, if any, decided? In your view, what are the difficulties in defining performance measures? (resources, skills, technologies, political factors, culture factors)? What does it take to develop good performance measures? Give me an example of measures that make a difference.
3. How would you define the quality of measures? What have you done to ensure the quality of measures? How often do you seek feedback on program performance? How often do you refine and redefine your measures of performance? What is your level of confidence in the quality of the measures? What is your perception of the level of confidence in the quality of the measures by others, such as OPB, and House/Senate Budget Office?
4. What are your needs for information on performance? How does your agency actually use performance measures? In your judgment, are they the best uses that could be made out of these measures? What are the other uses of measures?
5. To what extent do performance measures influence how much the agency request in budget reduction/budget redistribution/enhancement under PPB, respectively? Do you think to what extent the funding level recommended by OPB is influenced by performance measures? To what extent should budget decision be directly linked to performance measures?
6. How are performance measures used for management, planning and communication?
7. In your view, what are the difficulties in using performance measures (resources, skills, technologies, political factors, culture factors)? Does your agency offer incentives to achieve better program/agency performance? If so, what are the process and the feedback?
8. What efforts have been made or should be made to improve the selection of measures? What efforts have been made or should be made to increase the proper use of measures? In general, do the impacts of performance measurement system match up the cost of its implementation?

Interview Protocol--Executive Budget Analysts

1. Describe the process of selecting performance measures. Who are the OPB personnel participating in the process (OPB director's support)? What does OPB do in the process? What are roles of agency, House/Senate Budget Office, General Assembly..?
2. What performance measures do you use? Why did you select these measures? What is your assessment (a) of the relationship between performance measures and strategic plan, and (b) of the appropriateness of the process of data collection, and target and breakouts establishment? In your view, what are the difficulties in defining performance measures (resources, skills, technologies, political factors, culture factors)? What does it take to develop good performance measures? Give me an example of measures that make a difference.
3. How would you define the quality of measures? What efforts are put in place to ensure the quality of measures? How often do you seek performance feedback and update performance measures? What is your level of confidence in the quality of the measures? What is your perception of the level of confidence in the quality of the measures by others, such as agencies and House/Senate Budget Office?
4. What are your needs for information on performance? How does OPB actually use performance measures? In your judgment, are they the best uses that could be made out of these measures? What are the other uses of measures?
 - 4.1. To what extent do performance measures influence how much you recommend in budget reduction/budget redistribution/enhancement under PPB, respectively? To what extent should budget decision be directly linked to performance measures?
 - 4.2. How are performance measures used for management, planning and communication?
5. In your view, what are the difficulties in using performance measures (resources, skills, technologies, political factors, culture factors)? Does you support the idea of offering incentives to achieve better program/agency performance? What is your experience with the process and the feedback of incentive system, if any?
6. What efforts have been made or should be made to improve the selection of measures? What efforts have been made or should be made to increase the proper use of measures?

Interview Protocol--House And Senate Budget Analysts

1. Describe the process of selecting performance measures. Who are the House/Senate Budget Office personnel participating in the process? What does House/Senate Budget Office do in the process? What are roles of agencies, OPB, General Assembly..?
2. What performance measures do you use? Why did you select these measures? In your view, what are the difficulties in defining performance measures? What does it take to develop good performance measures? Give me an example of measures that make a difference.
3. How would you define the quality of measures? What efforts are put in place to ensure the quality of measures? How often do you seek performance feedback and update performance measures? What is your level of confidence in the quality of the measures? What is your perception of the level of confidence in the quality of the measures by others, such as agencies and OPB?
4. What are your needs for information on performance? How does House/Senate Budget Office actually use performance measures? In your judgment, are they the best uses that could be made out of these measures? What are the other uses of measures?
 - 4.1. To what extent do performance measures influence how much you consider funding for agencies in budget reduction/budget redistribution/enhancement under PPB, respectively? To what extent should budget decision be directly linked to performance measures?
 - 4.2. How are performance measures used for management, planning and communication?
5. In your view, what are the difficulties in using performance measures? Does you support the idea of offering incentives to achieve better program/agency performance? What is your experience with the process and the feedback of incentive system, if any?
6. What efforts have been made or should be made to improve the selection of measures? What efforts have been made or should be made to increase the proper use of measures? In general, do the impacts of performance measurement system match up the cost of its implementation?

**Interview for State Government Performance Measurement System Project
(Signed Consent Form)**

I, _____(participant's name)_____, agree to participate in a research study titled "Performance Measurement System Project" conducted by Yi Lu, School of Public and International Affairs, University of Georgia (770-963-1077), under the direction of Dr. Thomas P. Lauth, School of Public and International Affairs, University of Georgia, 204 Candler Hall, Athens, Georgia, 30602 (706-542-2059). I understand that my participation is voluntary and that I am free to withdraw without penalty.

The purpose of this research is to enhance the understanding of the recent developments and effects of performance measurement system in Georgia. I am participating in my capacity as a public official of Georgia state government. I will receive no direct benefits for participation.

If I volunteer to take part in this study, my participation will involve participating an interview that asks for information on my experience of performance measurement system. The interview is expected to take approximately 30-45 minutes at a time convenient to me and at location of my choosing. I may be contacted in the future for follow-up interview and/or survey.

No risk, either personal or professional, is expected. My responses will be confidential, and will not be released in any individually identifiable form, unless otherwise required by law. I understand that the interview will be recorded only if I agree to do so. Otherwise, notes will be taken during the interview. The tapes will be erased after three years from the date the interview is recorded. Results of this research will only be reported in aggregate form with those of all other respondents.

The investigator will answer any further questions about the research, now or during the course of the project (770-963-1077).

I understand that I am agreeing by my signature on this form to take part in this research project and understand that I will receive a signed copy of this consent form for my records.

Yi Lu
Name of Researcher
Telephone: 770-963-1077
Email: Luyi@uga.edu

Signature

Date

Name of Participant

Signature

Date

Please sign both copies, keep one and return one to the researcher.

Additional questions or problems regarding your rights as a research participant should be addressed to The Chairperson, Institutional Review Board, University of Georgia, 612 Boyd Graduate Studies Research Center, Athens, Georgia 30602-7411; Telephone (706) 542-3199; E-Mail Address IRB@uga.edu

APPENDIX B:

SURVEY COVER LETTER AND INSTRUMENTS

Dear [fill in the appropriate name],

You are invited to participate in a research study titled "Performance Measurement System Project" conducted by Yi Lu, School of Public and International Affairs, University of Georgia, under the direction of Dr. Thomas P. Lauth, 706-542-2059, School of Public and International Affairs, University of Georgia, 204 Candler Hall, Athens, Georgia, 30602.

The purpose of this research is to enhance the understanding of the recent developments and effects of performance measurement system in Georgia. With your help and that of other state employees we hope to contribute to the knowledge and practice of this important theme in public budgeting---performance budgeting and management.

Your participation will involve completing the attached survey that asks for information on your experience of performance measurement system. Your participation in this study is completely voluntary. You may choose not to participate without penalty, or skip any questions you feel uncomfortable answering. The completion of the survey is expected to only take approximately 15 minutes, but the collective contributions will yield very valuable information.

Your participation imposes no risk, either personal or professional, to you. The number that appears on the bottom-left corner of the survey is to avoid sending a follow-up request to you even though you might already have returned your questionnaire. All participants remain completely confidential except as required by law. If you prefer to remove the corner of the page before you return the questionnaire, you may of course do so. Please be assured that the results of this research will only be reported in aggregate form and will not be released in any individually identifiable form without prior consent.

If you have any questions please do not hesitate to contact me by telephone (770) 963-1077 or by email luyi@uga.edu. You can also write to me at: State Government Performance Measurement System Project, School of Public And International Affairs, 203 Candler Hall, University of Georgia, Athens, GA 30602-1492. Thank you again for the invaluable help that you are providing by participating in this research project.

Sincerely,

Yi Lu, Researcher
School of Public and International Affairs
University of Georgia

Additional questions or problems regarding your rights as a research participant should be addressed to The Chairperson, Institutional Review Board, University of Georgia, 612 Boyd Graduate Studies Research Center, Athens, Georgia 30602-7411; Telephone (706) 542-3199; E-Mail Address IRB@uga.edu.

Survey---State Agencies

Instruction: Please check the answer that is closest to your opinion.

- 1.** To what extent are the following types of measures used in your decisions?

Needs Measures: Assessment of public service needs

Workload Measures: Volume of work.

Efficiency Measures: Volume of work in relation to time and resources.

Effective Measures: Degree to which program goals are accomplished.

Outcome Measures: Degree to which social objectives are achieved.

	Never	< 25% of decisions	> 25% but < 50% of decisions	> 50% but < 75% of decisions	> 75% of decisions
Needs Measures	_____	_____	_____	_____	_____
Workload Measures	_____	_____	_____	_____	_____
Efficiency Measures	_____	_____	_____	_____	_____
Effective Measures	_____	_____	_____	_____	_____
Outcome Measures	_____	_____	_____	_____	_____

- 2. Rank** the following factors in terms of their importance in determining which measure(s) are to be used? (1=the most important; 5=the least important).

- _____ Political acceptance of measures
 _____ The costs and skills involved in data collection and management
 _____ Reliability and validity of measures
 _____ The intended uses of performance measures
 _____ The rewards (punishment) associated with meeting (not meeting) measures

- 3. Rank** the importance of these participants in the development of performance measures (1=the most important; 10=the least important).

- _____ Elected officials
 _____ Appropriation committees
 _____ House/Senate Budget Office
 _____ Office of Planning and Budget (OPB)
 _____ The state auditor office
 _____ Governor
 _____ Agency head
 _____ Agency and program staff
 _____ Citizens
 _____ External professionals

- 4.** To what extent do you agree with the statements about developing performance measures?

	Strongly disagree	Somewhat disagree	Undecided	Somewhat agree	Strongly agree
(a) The performance measures fit well into agency strategic and business plans.	_____	_____	_____	_____	_____
(b) Measures used are those agreed-upon by all stakeholders involved.	_____	_____	_____	_____	_____
(c) There are efforts to ensure the quality of measures.	_____	_____	_____	_____	_____
(d) There are financial resources to develop performance measures.	_____	_____	_____	_____	_____
(e) The accounting and financial system is capable of performance monitoring.	_____	_____	_____	_____	_____

Continued	Strongly disagree	Somewhat disagree	Undecided	Somewhat agree	Strongly agree
(f) We have staff experienced in handling the development of performance indicators.	_____	_____	_____	_____	_____
(g) We develop meaningful interpretation of the measures.	_____	_____	_____	_____	_____
(h) In general, the quality of measures is high.	_____	_____	_____	_____	_____

5. To what extent do you agree with the following statements about the commitment that the performance measurement system receives?

It has the commitment of:	Strongly disagree	Somewhat disagree	Undecided	Somewhat agree	Strongly agree
(a) Agency management.	_____	_____	_____	_____	_____
(b) Agency staff/Program personnel.	_____	_____	_____	_____	_____
(c) Central budget office (OPB).	_____	_____	_____	_____	_____
(d) House/Senate Budget Office.	_____	_____	_____	_____	_____
(e) The General Assembly.	_____	_____	_____	_____	_____

6. To what extent do you agree with the following statements about the overall performance measurement system?

	Strongly disagree	Somewhat disagree	Undecided	Somewhat agree	Strongly agree
(a) Our opinions on performance measurement are valued by others in the process.	_____	_____	_____	_____	_____
(b) The agency is clear about the objectives of programs.	_____	_____	_____	_____	_____
(c) The performance measures are balanced to assess various aspects of program outcomes.	_____	_____	_____	_____	_____
(d) Targets are set for each performance indicator for every reporting period.	_____	_____	_____	_____	_____
(e) The frequency of feedback on program performance meets our needs.	_____	_____	_____	_____	_____
(f) We review the appropriateness of measures periodically.	_____	_____	_____	_____	_____
(g) We are comfortable with the intended uses of measures.	_____	_____	_____	_____	_____
(h) We seek explanations for unusual and unexpected outcomes.	_____	_____	_____	_____	_____
(i) The agency/program should be rewarded/punished based on its performance.	_____	_____	_____	_____	_____

7. To what extent do you use performance measures for the following purposes?

	Never	< 25% of decisions	> 25% but < 50% of decisions	> 50% but < 75% of decisions	> 75% of decisions
(a) To justify budget request submission to OPB.	_____	_____	_____	_____	_____
(b) To allocate funds between programs.	_____	_____	_____	_____	_____

Continued

	Never	< 25% of decisions	> 25% but < 50% of decisions	> 50% but < 75% of decisions	> 75% of decisions
(c) To reduce overlapping services.	_____	_____	_____	_____	_____
(d) To improve strategic planning.	_____	_____	_____	_____	_____
(e) To control agency/program.	_____	_____	_____	_____	_____
(f) To benchmark data.	_____	_____	_____	_____	_____
(g) To motivate agency personnel.	_____	_____	_____	_____	_____
(h) To communicate the agency's programs to stakeholders.	_____	_____	_____	_____	_____
(i) To determine how well the agency/program is performing.	_____	_____	_____	_____	_____
(j) To figure out how to improve performance.	_____	_____	_____	_____	_____

8. In your deliberation over the level of funding to be requested for FY 2006 under the Prioritized Program Budget System, to what extent did you take performance information into account in budget reduction/ redistribution/enhancement decisions?

	Never	< 25% of decisions	> 25% but < 50% of decisions	> 50% but < 75% of decisions	> 75% of decisions
Budget Reduction	_____	_____	_____	_____	_____
Budget Redistribution	_____	_____	_____	_____	_____
Budget Enhancement	_____	_____	_____	_____	_____

9. In your opinion, when determining the level of funding, to what degree do Office of Planning and Budget (OPB), governor's office, House/Senate Budget Office, the House Appropriations Committee, and the Senate Appropriations Committee, respectively, take performance information into account?

	Never	< 25% of decisions	> 25% but < 50% of decisions	> 50% but < 75% of decisions	> 75% of decisions
OPB	_____	_____	_____	_____	_____
Governor's office	_____	_____	_____	_____	_____
House/Senate Budget Office	_____	_____	_____	_____	_____
House Appropriations Committee	_____	_____	_____	_____	_____
Senate Appropriations Committee	_____	_____	_____	_____	_____

10. What percentage of your working time are spent on performance measurement and management related issues? _____ percent

11. How many years have you been working in your current job? _____ Year(s)

12. Have you ever worked in the private sector? Yes _____ No _____

13. What is the highest level of education you have attained? _____ Major: _____

You are encouraged to share your experiences and thoughts on page 4 of this survey!

***** **THANK YOU FOR YOUR TIME AND PARTICIPATION!** *****

If you would like to receive a summary of the results of this research, please provide your mailing address (or attach your business card).

Please return the survey to: Ms. Yi Lu, State Government Performance Measurement System Project, School of Public and International Affairs, 203 Candler Hall, University of Georgia, Athens, GA 30602-1492. (Stamped return envelope provided)

Please share your experiences and thoughts on performance budgeting and management (such as, how does your office decide performance measures, how are performance targets determined, what make a performance budgeting system work, what are the difficulties in its implementation, your prediction of the future of performance budgeting and management...). Thank you for contributing to the knowledge and practice of this important theme!

Survey---Executive Budget Analysts

Instruction: Please check the answer that is closest to your opinion.

1. To what extent are the following types of measures used in your decisions?

Needs Measures: Assessment of public service needs

Workload Measures: Volume of work.

Efficiency Measures: Volume of work in relation to time and resources.

Effective Measures: Degree to which program goals are accomplished.

Outcome Measures: Degree to which social objectives are achieved.

	Never	< 25% of decisions	> 25% but < 50% of decisions	> 50% but < 75% of decisions	> 75% of decisions
Needs Measures	_____	_____	_____	_____	_____
Workload Measures	_____	_____	_____	_____	_____
Efficiency Measures	_____	_____	_____	_____	_____
Effective Measures	_____	_____	_____	_____	_____
Outcome Measures	_____	_____	_____	_____	_____

2. **Rank** the following factors in terms of their importance in determining which measure(s) are to be used? (1=the most important; 5=the least important).

_____ Political acceptance of measures

_____ The costs and skills involved in data collection and management

_____ Reliability and validity of measures

_____ The intended uses of performance measures

_____ The rewards (punishment) associated with meeting (not meeting) measures

3. **Rank** the importance of these participants in the development of performance measures (1=the most important; 10=the least important).

_____ Elected officials

_____ Appropriation committees

_____ House/Senate Budget Office

_____ Office of Planning and Budget (OPB)

_____ The state auditor office

_____ Governor

_____ Agency head

_____ Agency and program staff

_____ Citizens

_____ External professionals

4. To what extent do you agree with the statements about developing performance measures?

	Strongly disagree	Somewhat disagree	Undecided	Somewhat agree	Strongly agree
(a) The performance measures fit well into agency strategic and business plans.	_____	_____	_____	_____	_____
(b) Measures used are those agreed-upon by all stakeholders involved.	_____	_____	_____	_____	_____
(c) There are efforts to ensure the quality of measures.	_____	_____	_____	_____	_____
(d) There are financial resources to develop performance measures.	_____	_____	_____	_____	_____
(e) The accounting and financial system is capable of performance monitoring.	_____	_____	_____	_____	_____

Continued	Strongly disagree	Somewhat disagree	Undecided	Somewhat agree	Strongly agree
(f) We have staff experienced in handling the development of performance indicators.	_____	_____	_____	_____	_____
(g) We develop meaningful interpretation of the measures.	_____	_____	_____	_____	_____
(h) In general, the quality of measures is high.	_____	_____	_____	_____	_____

5. To what extent do you agree with the following statements about the commitment that the performance measurement system receives?

It has the commitment of:	Strongly disagree	Somewhat disagree	Undecided	Somewhat agree	Strongly agree
(a) Agency management.	_____	_____	_____	_____	_____
(b) Agency staff/Program personnel.	_____	_____	_____	_____	_____
(c) Central budget office (OPB).	_____	_____	_____	_____	_____
(d) House/Senate Budget Office.	_____	_____	_____	_____	_____
(e) The General Assembly.	_____	_____	_____	_____	_____

6. To what extent do you agree with the following statements about the overall performance measurement system?

	Strongly disagree	Somewhat disagree	Undecided	Somewhat agree	Strongly agree
(a) Our opinions on performance measurement are valued by others in the process.	_____	_____	_____	_____	_____
(b) Agencies are clear about the objectives of programs.	_____	_____	_____	_____	_____
(c) The performance measures are balanced to assess various aspects of program outcomes.	_____	_____	_____	_____	_____
(d) Targets are set for each performance indicator for every reporting period.	_____	_____	_____	_____	_____
(e) The frequency of feedback on program performance meets our needs.	_____	_____	_____	_____	_____
(f) We review the appropriateness of measures periodically.	_____	_____	_____	_____	_____
(g) We are comfortable with the intended uses of measures.	_____	_____	_____	_____	_____
(h) We seek explanations for unusual and unexpected outcomes.	_____	_____	_____	_____	_____
(i) Agencies should be rewarded/punished based on performance.	_____	_____	_____	_____	_____

7. To what extent do you use performance measures for the following purposes?

	Never	< 25% of decisions	> 25% but < 50% of decisions	> 50% but < 75% of decisions	> 75% of decisions
(a) To justify budget submission to the legislative body.	_____	_____	_____	_____	_____
(b) To allocate funds between programs/agencies.	_____	_____	_____	_____	_____

Continued

	Never	< 25% of decisions	> 25% but < 50% of decisions	> 50% but < 75% of decisions	> 75% of decisions
(c) To reduce overlapping services.	_____	_____	_____	_____	_____
(d) To improve strategic planning.	_____	_____	_____	_____	_____
(e) To control agency/program.	_____	_____	_____	_____	_____
(f) To benchmark data.	_____	_____	_____	_____	_____
(g) To motivate agency personnel.	_____	_____	_____	_____	_____
(h) To communicate the agency's programs to stakeholders.	_____	_____	_____	_____	_____
(i) To determine how well the agency/program is performing.	_____	_____	_____	_____	_____
(j) To figure out how to improve performance.	_____	_____	_____	_____	_____

8. In your deliberation over the level of funding to be recommended for FY 2006 under the Prioritized Program Budget System, to what extent did you take performance information into account in budget reduction/ redistribution/enhancement decisions?

	Never	< 25% of decisions	> 25% but < 50% of decisions	> 50% but < 75% of decisions	> 75% of decisions
Budget Reduction	_____	_____	_____	_____	_____
Budget Redistribution	_____	_____	_____	_____	_____
Budget Enhancement	_____	_____	_____	_____	_____

9. In your opinion, when determining the level of funding, to what degree do Office of Planning and Budget (OPB), governor's office, House/Senate Budget Office, the House Appropriations Committee, and the Senate Appropriations Committee, respectively, take performance information into account?

	Never	< 25% of decisions	> 25% but < 50% of decisions	> 50% but < 75% of decisions	> 75% of decisions
State agencies	_____	_____	_____	_____	_____
Governor's office	_____	_____	_____	_____	_____
House/Senate Budget Office	_____	_____	_____	_____	_____
House Appropriations Committee	_____	_____	_____	_____	_____
Senate Appropriations Committee	_____	_____	_____	_____	_____

10. What percentage of your working time are spent on performance measurement and management related issues?----- percent

11. How many years have you been working in your current job? _____ Year(s)

12. Have you ever worked in the private sector? Yes _____ No _____

13. What is the highest level of education you have attained? _____ Major: _____

You are encouraged to share your experiences and thoughts on page 4 of this survey!

***** **THANK YOU FOR YOUR TIME AND PARTICIPATION!** *****

If you would like to receive a summary of the results of this research, please provide your mailing address (or attach your business card):

Please return the survey to: Ms. Yi Lu, State Government Performance Measurement System Project, School of Public and International Affairs, 203 Candler Hall, University of Georgia, Athens, GA 30602-1492. (Stamped return envelope provided)

Please share your experiences and thoughts on performance budgeting and management (such as, how does your office decide performance measures, how are performance targets determined, what make a performance budgeting system work, what are the difficulties in its implementation, your prediction of the future of performance budgeting and management...). Thank you for contributing to the knowledge and practice of this important theme!

Survey---Legislative Budget Analysts

Instruction: Please check the answer that is closest to your opinion.

1. To what extent are the following types of measures used in your decisions?

Needs Measures: Assessment of public service needs

Workload Measures: Volume of work.

Efficiency Measures: Volume of work in relation to time and resources.

Effective Measures: Degree to which program goals are accomplished.

Outcome Measures: Degree to which social objectives are achieved.

	Never	< 25% of decisions	> 25% but < 50% of decisions	> 50% but < 75% of decisions	> 75% of decisions
Needs Measures	_____	_____	_____	_____	_____
Workload Measures	_____	_____	_____	_____	_____
Efficiency Measures	_____	_____	_____	_____	_____
Effective Measures	_____	_____	_____	_____	_____
Outcome Measures	_____	_____	_____	_____	_____

2. **Rank** the following factors in terms of their importance in determining which measure(s) are to be used? (1=the most important; 5=the least important).

- _____ Political acceptance of measures
 _____ The costs and skills involved in data collection and management
 _____ Reliability and validity of measures
 _____ The intended uses of performance measures
 _____ The rewards (punishment) associated with meeting (not meeting) measures

3. **Rank** the importance of these participants in the development of performance measures (1=the most important; 10=the least important).

- _____ Elected officials
 _____ Appropriation committees
 _____ House/Senate Budget Office
 _____ OPB
 _____ The state auditor office
 _____ Governor
 _____ Agency head
 _____ Agency and program staff
 _____ Citizens
 _____ External professionals

4. To what extent do you agree with the statements about developing performance measures?

	Strongly disagree	Somewhat disagree	Undecided	Somewhat agree	Strongly agree
(a) The performance measures fit well into agency strategic and business plans.	_____	_____	_____	_____	_____
(b) Measures used are those agreed-upon by all stakeholders involved.	_____	_____	_____	_____	_____
(c) There are efforts to ensure the quality of measures.	_____	_____	_____	_____	_____
(d) There are financial resources to develop performance measures.	_____	_____	_____	_____	_____
(e) The accounting and financial system is capable of performance monitoring.	_____	_____	_____	_____	_____

Continued	Strongly disagree	Somewhat disagree	Undecided	Somewhat agree	Strongly agree
(f) We have staff experienced in handling the development of performance indicators.	_____	_____	_____	_____	_____
(g) We develop meaningful interpretation of the measures.	_____	_____	_____	_____	_____
(h) In general, the quality of measures is high.	_____	_____	_____	_____	_____

5. To what extent do you agree with the following statements about the commitment that the performance measurement system receives?

It has the commitment of:	Strongly disagree	Somewhat disagree	Undecided	Somewhat agree	Strongly agree
(a) Agency management.	_____	_____	_____	_____	_____
(b) Agency staff/Program Personnel.	_____	_____	_____	_____	_____
(c) Central budget office (OPB).	_____	_____	_____	_____	_____
(d) House/Senate Budget Office.	_____	_____	_____	_____	_____
(e) The General Assembly.	_____	_____	_____	_____	_____

6. To what extent do you agree with the following statements about the overall performance measurement system?

	Strongly disagree	Somewhat disagree	Undecided	Somewhat agree	Strongly agree
(a) Our opinions on performance measurement are valued by others in the process.	_____	_____	_____	_____	_____
(b) Agencies are clear about the objectives of programs.	_____	_____	_____	_____	_____
(c) The performance measures are balanced to assess various aspects of program outcomes.	_____	_____	_____	_____	_____
(d) Targets are set for each performance indicator for every reporting period.	_____	_____	_____	_____	_____
(e) The frequency of feedback on program performance meets our needs.	_____	_____	_____	_____	_____
(f) We review the appropriateness of measures periodically.	_____	_____	_____	_____	_____
(g) We are comfortable with the intended uses of measures.	_____	_____	_____	_____	_____
(h) We seek explanations for unusual and unexpected outcomes.	_____	_____	_____	_____	_____
(i) Agencies should be rewarded/punished based on performance.	_____	_____	_____	_____	_____

7. To what extent do you use performance measures for the following purposes?

	Never	< 25% of decisions	> 25% but < 50% of decisions	> 50% but < 75% of decisions	> 75% of decisions
(a) To provide performance information for the General Assembly.	_____	_____	_____	_____	_____
(b) To allocate funds between programs/agencies.	_____	_____	_____	_____	_____

Continued

	Never	< 25% of decisions	> 25% but < 50% of decisions	> 50% but < 75% of decisions	> 75% of decisions
(c) To reduce overlapping services.	_____	_____	_____	_____	_____
(d) To improve strategic planning.	_____	_____	_____	_____	_____
(e) To control agency/program.	_____	_____	_____	_____	_____
(f) To benchmark data.	_____	_____	_____	_____	_____
(g) To motivate agency personnel.	_____	_____	_____	_____	_____
(h) To communicate the agency's programs to stakeholders.	_____	_____	_____	_____	_____
(i) To determine how well the agency/program is performing.	_____	_____	_____	_____	_____
(j) To figure out how to improve performance.	_____	_____	_____	_____	_____

8. In your deliberation over the level of funding for FY 2006 under the Prioritized Program Budget System, to what extent did you take performance information into account in budget reduction/ redistribution/enhancement decisions?

	Never	< 25% of decisions	> 25% but < 50% of decisions	> 50% but < 75% of decisions	> 75% of decisions
Budget Reduction	_____	_____	_____	_____	_____
Budget Redistribution	_____	_____	_____	_____	_____
Budget Enhancement	_____	_____	_____	_____	_____

9. In your opinion, when determining the level of funding, to what degree do Office of Planning and Budget (OPB), governor's office, House/Senate Budget Office, the House Appropriations Committee, and the Senate Appropriations Committee, respectively, take performance information into account?

	Never	< 25% of decisions	> 25% but < 50% of decisions	> 50% but < 75% of decisions	> 75% of decisions
State agencies	_____	_____	_____	_____	_____
OPB	_____	_____	_____	_____	_____
Governor's office	_____	_____	_____	_____	_____
House Appropriations Committee	_____	_____	_____	_____	_____
Senate Appropriations Committee	_____	_____	_____	_____	_____

10. What percentage of your working time are spent on performance measurement and management related issues?----- percent

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