

# **Missouri House of Representatives**

## **Performance and Oversight Reviews**

### **Suggested Guidelines and Procedures**

#### **for**

### **Appropriations Committees**

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## Overview

These Guidelines and Procedures are the Missouri House of Representatives' first step in revising the House Appropriations Committee process to focus hearings on agency performance, oversight and accountability. These procedures and guidelines are intended to assist members and staff when moving from talk to action. Moving from talk to action means revising the current way in which House members review agency budget information when making budget recommendations. It also means revising the current way in which House Budget Analysts review budget data and then present the data to members.

Missouri House members now base decisions using an incremental budgeting model. Resources are added for specific expenses as needed—new prison, increased rent, added caseload. This traditional approach is flawed because it assumes past decisions remain appropriate and are not typically subject to major revision. Performance-based budgeting focuses on accountability and spending results. It is a budgeting model where resources are allocated based on government goals and quantifiable measures. These government goals are goals established for essential services—not for services that a government would *like to do* or *might do* but for those services that are determined to be a core government function.

Implementing performance-based budgeting will not be a “from scratch” exercise for members and staff. Agency budgets contain varying levels of performance data. However, a process must be initiated to ensure that House members are using this information when making budget decisions. As members move closer toward performance-based decisions, it is important that performance measures are accurate and selected measures truly measure the program they are intended to measure.

Basing decisions on performance means members and staff **must challenge agencies** as to the validity of their programs and the performance measures the agencies have selected to measure their program's success. To successfully implement performance budgeting

in Missouri, House Appropriations staff must identify programs not meeting performance goals. Members must be willing to recommend negative actions when a program is not meeting performance projections or if the program isn't a core government service.

### ***Purpose of Appropriations Committees***

House Appropriations committees are assigned the responsibility of reviewing state agency operating budgets to report funding recommendations to the Budget Committee. Appropriations committees hold hearings where agency personnel request funding for state agency programs and services. Traditionally, Appropriations committees review funding levels and recommend incremental program increases and decreases.

House Appropriations committees are a key component in the effort to successfully implement performance-based budgeting. Under performance budgeting, members not only need to gain an understanding of how programs work, but determine if programs are efficient and effective. In order to determine how programs are performing, the focus of committee work must review not only financial information but performance information.

### ***How does this fit with the statutory requirements to implement performance-based budgeting?***

The Budget Director is required by statute to implement a performance-based budgeting system that establishes goals and objectives, and provides detailed performance outcome information for each program and fund (33.210 RSMo). General Assembly members are required to consider performance measures when approving appropriation levels. Hearings that focus on performance are a critical step in meeting the statutory requirement. *Appendix A* summarizes the statutory requirements relating to performance-based budgeting.

## ***What are Performance and Oversight hearings?***

Performance hearings focus on performance, accountability, and oversight. Agencies set standards for performance for each program. Program performance is monitored against that standard and resource reallocations or adjustments occur when standards are not met.

Questions to ask when determining performance:

What does the program do?

Is this an essential service of the state—does it fit the core functions of government?

How well does the agency do it?

What are the costs to the State?

## ***What can we expect to accomplish this year?***

Changing the Appropriations Committee process to focus on program performance will take the efforts of several future General Assemblies; it will not happen overnight. This year the House of Representatives can continue building a solid framework for successful implementation.

At a minimum, Appropriations committee members can accomplish the following during the FY 08 budget process:

- ❖ Hold “results” hearings where performance measures are reviewed and discussed;
- ❖ Identify if performance measures are appropriate and if there are other measures the department should be presenting;
- ❖ Collect and review baseline expenditure and performance data; and
- ❖ Review administrative costs, reallocating unnecessary costs to direct services.

## ***How do we recognize performance?***

We recognize performance by using performance measures or indicators. These are measurable terms that tell us whether conditions exist or not. Performance measures are indicators that quantify the success of an agency, division, or program. For each measure, we present a picture of where we've been and where we're headed if we stay on our current course. These pictures are called baselines. They allow us to define success as doing measurably better than the baseline.

### ***Good measures are:***

**S**pecific  
**M**easurable  
**A**ttainable  
**R**elevant  
**T**imely

The stories behind the baselines help tell us what's going on in an agency. Why do these baseline pictures look the way they do? What are the causes and forces at work? Digging behind the pictures helps Committee members get a handle on what's going on in the agency. Performance measures should be easily understood and represent a meaningful result.

## ***Where do we start?***

Members can begin by focusing committee discussions on program performance.

Appropriations Committee members can begin by:

- reviewing agency program description forms rather than budget book financial information (*Appendix C*);
- focusing on performance measures and performance data; and
- reviewing current and projected trends of performance data.

Committees should review the following performance information found on the program description forms in the budget books:

- Performance measures used by each agency when considering whether agency programs are successful.
- Agencies should identify the most important measures and respond to legislative inquiries such as:
  - Why are these measures important? Why does the agency believe they measure the success of the program? Are there other measures that are appropriate? Are the measures accurate? How is data collected and by whom? How are agencies assured that data is accurate?
- How Missouri citizens benefit from the program and explain why the agency believes the program is efficient or effective.
- Historical trends with data trended forward to project appropriation need and unit cost through FY 09.
- How program compares with other states and other state agencies providing similar services.
- Program eligibility and current cost and eligibility containment efforts.
- Cost effectiveness of each program or service on a per-unit basis.

***Appropriate questions for a Performance and Oversight Hearing***

Agencies should respond to the following questions:

- What is your program/division/department purpose? What basic societal needs or problems was the agency created to address? Does what you are doing need to be done? Who else does this?
- What are your target populations and what changes, if any, are anticipated within the next five years? What is the level of citizen demand and public need for your program? What are the most significant indicators of citizen demand and public need? What trends have been identified?
- What major issues, conditions, or problems are relevant to the delivery of your program? [e.g., economic conditions, population shifts, technological advances, geographical changes, statutory changes, governmental regulations, competitive organizations, environmental issues]
- What conditions could affect or alter key elements of your program?

- What relationships exist between your programs, other agencies, and other initiatives with related target populations? What opportunities exist for improving coordination or eliminating duplication between programs? What opportunities are available that have not been previously explored?
- What progress has been made toward achievement of desired outcomes and objectives depicted in your budget? How reliable are annual performance projections included in the budget? How do you collect the data presented?
- What are your anticipated resource needs for FY 08? What new resources are you requesting for FY 08 and how will this impact the measures presented on the program description forms?

*Appendix C* provides a listing of questions to be used by Appropriations Committee members during hearings. The listing is intended to be used as a quick reference tool.

### ***Report to Budget Committee***

Appropriations committee recommendations are to be compiled and presented to to the Budget Committee using the template presented in *Appendix D*. The Committee Report is divided into three sections: recommendations relating to performance; recommendations relating to oversight responsibilities; and recommendations relating to program funding. Similar to a conference committee report, committee members have the opportunity to sign the report presented to the Budget Chairman.

The following was copied from the bill summary available on-line:

Act provides that the Budget Director must develop and implement a performance-based budgeting system that establishes goals and objectives, provides detailed measures of program and fund performance against attainment of planned outcomes, and provides for program evaluation. The Governor may consider outcome measures used for each program and fund as compared with the attainment of the established goals and objectives of the program and fund over the past three fiscal years in preparing budget recommendations to the General Assembly. The General Assembly shall consider such outcome measures and attainment of goals and objectives for each program and fund in approving appropriation levels for each program and fund.

The General Assembly shall consider such outcome measures and attainment of goals and objectives for each program and fund in approving appropriation levels for each program and fund.

The Governor's budget recommendations, which are annually submitted to the General Assembly, shall include all outcome measures and attainment of established goals and objectives of each program and fund for the past three fiscal years and the projected outcome measures for each program and fund for the current fiscal year and the next two fiscal years, the most recent reports done by the State Auditor's office, and any evaluations done by the Oversight Division of the Committee on Legislative Research.

The act requires a performance based budgeting review of each Department and agency at least once every five years, beginning after January 1, 2005. The chairpersons of the House Budget Committee and Senate Appropriations Committee and the Director of the Division of Budget and Planning shall review the outcome measures used for programs and funds within the department, division or agency being reviewed.

This act also creates the Missouri Sunset Act. Each new program enacted into law will sunset after a period of not more than six years. A program may be re-authorized for a period of up to twelve years. The Committee on Legislative Research may recommend to the general assembly that existing programs also be sunset.

Two years before a program is scheduled to sunset, the agency responsible for administering the program is required to submit certain information regarding the public need for the program to continue in existence to the Committee. The Committee shall then hold public hearings and issue a report to the general assembly with recommendations on whether the program should continue, be reorganized, sunset or consolidated within state agencies not under review. Any recommendations that do not require statutory change shall be presented to the state auditor and used by the auditor in

its next scheduled audit of the program to see how the agency has implemented the recommendations.

Programs that have been inactive for the two-year period prior to the scheduled sunset may be exempted from reporting, hearing and evaluation requirements. During each legislative session, Committee staff shall monitor legislation affecting programs that have undergone review and periodically report to the Committee any proposed legislative changes that would modify prior recommendations. Nothing in this act precludes the general assembly from terminating a program at an earlier date.

A program that is sunset shall continue in existence until September first of the following year. Any moneys remaining after sunset shall be transferred to general revenue. Property and records shall either go to the office of administration or a designated state agency. Bond indebtedness and other written obligations shall remain in effect until the terms are completed and paid in full.

The Committee may inspect the records of any state agency and shall have the full cooperation of state agencies and officials. Any state employee displaced by the sunset of a program shall be assisted by the state in relocating the displaced employee.

***Important questions to ask during Appropriations Committee Hearings--***

Are we measuring the right thing?

What are the annual and long term goals for the program in terms of outcome measures?

Has the relationships between the inputs, output measures, and outcome measures been adequately demonstrated?

How is the data collected and by whom?

How is the agency assured that the data is accurate?

If appropriate data is not collected, what resources would be required to collect it?

How efficient is the program (i.e. the ratio of the inputs to the output/outcome measures)?  
Does a comparison group for the program exist?

What would be the impact if the program didn't exist?

Are any program activities not captured by the current measures?

***Efficiency vs. Effectiveness--***

Effectiveness measures show whether a program is having the ultimate desired result. Why was the program established: to change behavior? (Are fewer people smoking?); to have a specific, positive effect on students/clients/Missourians? (Are students learning more? Do job training recipients have better jobs after completing training?); to improve compliance with regulations? (Do streams meet safety guidelines?), etc. Effectiveness measures should answer these basic questions. They should tell us if the program is successfully doing what it was established to do.

Efficiency measures are internally focused. Efficiency measures should show how quickly/cheaply/accurately the product or service is being made/delivered. While important, they are secondary to effectiveness measures. That is because you can have a program that is completely ineffective but extremely well-run. Such a program should be eliminated/changed even though it has excellent efficiency measures.

**COMMITTEE ON APPROPRIATIONS - *Committee Name***  
**Recommendations to Budget Committee**  
*Today's Date*

- I. Recommendations related to Performance Review
  - a. *Programs which have excelled in performance and should be recognized, possibly for expanded funding*
  - b. *Programs in which performance measures need to be strengthened*
  - c. *Programs that are performing poorly and should be scrutinized further, possibly for funding reductions*
  
- II. Recommendations related to Oversight Review
  - a. *Organizational Structure - recommendations for improving the organizational structure of each department*
  - b. *FY07 Pay Plan Distribution - recommendations resulting from review of employees receiving a pay increase of 6% or greater*
  - c. *Efficiencies - recommendations on any programs/functions that could benefit from privatization, consolidation, etc.*
  
- III. Recommendations related to Funding Review
  - a. *Funding priorities*
  - b. *Recommendations regarding core funding, including recommended core reductions*
  - c. *Recommendations regarding the funding of new decision items*

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