Performance Based Budgeting

Performance Audit
Issued May 23, 2012
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May 23, 2012

The Honorable John A. Alario, Jr.,
President of the Senate
The Honorable Charles E. “Chuck” Kleckley,
Speaker of the House of Representatives

Dear Senator Alario and Representative Kleckley:

This report provides the results of our performance audit on performance based budgeting in Louisiana.

The report contains our findings, conclusions, and recommendations. Appendix A contains the Office of Planning and Budget’s response to this report. I hope this report will benefit you in your legislative decision-making process.

We would like to express our appreciation to the management and staff of the Office of Planning and Budget and to legislative staff for their assistance during this audit.

Sincerely,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/ch

PHB2012
Executive Summary

This report provides the results of our performance audit of Louisiana’s performance based budgeting (PBB) process in executive branch agencies. We conducted this audit because the results of previous performance audits we have conducted on the relevance and reliability of performance information suggest that the awareness and use of PBB has decreased. The purpose of the audit was to identify the status of Louisiana’s PBB process and evaluate what improvements could be made to increase its effectiveness. The audit objectives and results of our work are as follows:

Objective 1: What is the status of Louisiana’s PBB process?

Results: Louisiana has often been cited as a best practice state for PBB. However, many of the functions outlined in state law and cited as best practices are no longer being performed. In addition, performance information is not always used by stakeholders when making budget decisions, which is the primary purpose of PBB.

Objective 2: How can Louisiana increase the effectiveness of its PBB process?

Results: State leaders need to decide whether PBB is a meaningful process that should be continued. If the process is no longer valuable, then current requirements in state law should be revised. If the governor, legislators, and agency heads believe PBB is useful and worth the time and resources, then there are four critical areas the state should address to improve the process. Based on the results of our survey and best practices research, we identified the following four areas where Louisiana can make improvements to increase the effectiveness and usefulness of its PBB process:

1. Increasing awareness of PBB and its value for decision-making
2. Developing relevant and meaningful performance information
3. Ensuring that performance information is reliable
4. Presenting clear and concise performance information to leaders for decision-making
**Background**

**Definition of Performance Based Budgeting.** Performance based budgeting (PBB) is budgeting that links allocated funds to measurable results. Performance budgets use missions, goals, and objectives to explain how and why public funds are spent. PBB is a way to allocate resources to achieve specific objectives based on measured results.

PBB began with the enactment of the federal Government Performance Results Act (GPRA) of 1993. The purpose of the act was to improve the effectiveness of federal programs by holding agencies accountable for results. Like the federal government, many states enacted legislation requiring PBB for their state agencies. In 2008, the National Association of State Budget Officers reported that 25 states were using PBB. Another act, the GPRA Modernization Act of 2010, was recently enacted that includes enhanced reporting by federal agencies of their performance.

**Louisiana’s PBB Legal Authority.** Louisiana enacted its own legislation in 1997 that contained similar requirements to GPRA. Title 39 contains the primary requirements related to Louisiana’s PBB process. LA R.S.39:87.1 states that, “It is the intent of the legislature that performance-based budgeting practices be established throughout Louisiana state government [and that] the legislature recognizes the value of relating funding to expected performance in order to ensure efficiency and economy in the expenditure of funds.” These statutes assign key responsibilities to the Division of Administration (DOA), including DOA’s Commissioner and Office of Planning and Budget (OPB); the Legislature; the Legislative Fiscal Office (LFO); and the Louisiana Legislative Auditor (LLA), as well as the state’s executive agencies. Exhibit 1 outlines the entities involved in Louisiana’s PBB process.

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**Exhibit 1**
Key Entities Involved in PBB

<table>
<thead>
<tr>
<th>Executive Branch</th>
<th>Legislative Branch</th>
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<tbody>
<tr>
<td>Division of Administration</td>
<td>Legislature</td>
</tr>
<tr>
<td>Office of Planning &amp; Budget</td>
<td>Joint Legislative Committee on the Budget</td>
</tr>
<tr>
<td>Executive Agencies</td>
<td>Legislative Auditor</td>
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<tr>
<td></td>
<td>Legislative Fiscal Office</td>
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</tbody>
</table>

*Source:* Created by LLA staff based on review of state legal statutes related to PBB.
OPB has primary responsibility for the implementation of PBB in the executive branch. This responsibility includes budget-related services such as financial analysis and operating budget development, monitoring, and control as well as policy development, planning, and accountability services. According to OPB, it uses performance information when developing the executive budget. OPB must also maintain the statewide performance database, the Louisiana Performance Accountability System (LaPAS), and integrate performance information into the budget development process.

Until 2001, OPB had a separate section devoted to reviewing performance information. According to OPB, currently the budget analysts, who have other duties, are now responsible for reviewing performance information as well. OPB also previously provided training on PBB to agency staff on the strategic planning process; however, this class is now taught through the Comprehensive Public Training Program (CPTP).

**Louisiana’s PBB Process.** Louisiana’s PBB process involves several steps and authorizes various activities by specific entities. Exhibit 2 on the following page summarizes the key steps in the process.
Exhibit 2
Key Requirements of Louisiana’s Performance-Based Budgeting Process

- **Agencies** must create 5 year Strategic Plans and revise them at least every 3 years.
- **Agencies** must submit annual Operational Plans – the principal budget request form – to DOA which are consistent with their Strategic Plans.
- **DOA** must consider Operational Plans in preparing the Executive Budget and Supporting Documents.
- **Agencies** must submit quarterly Performance Progress Reports (PPRs) to the JLCB, LFO, LLA, and DOA through LaPAS.
- **Did the agency submit its PPR?**
  - **Yes**: The **Commissioner of Administration** and the JLCB must establish guidelines in calculating performance variances.
  - **No**: LFO must notify the JLCB of the deficiency. LLA must, by September 1st of each year, provide the JLCB with a summary assessment of agencies deficient in their capacity to produce PPRs.

- **Agencies** must identify performance indicators (PI) that measure their progress in achieving goals and objectives over the lifetime of each Strategic Plan. Agencies must also submit documentation to the DOA regarding the validity, reliability, and appropriateness of each PI and the method used to verify and validate the PIs.
- **The Commissioner of Administration** must decide which performance information is appropriate to be included in the Executive Budget and the Supporting Document.
- **LFO** must provide the JLCB with a summary report to note variances of 5% or more within 30 days of receipt of the PPR.
- **Post year-end PPR review**: 1. The JLCB may impose a reward/penalty. 2. The **Commissioner of Administration** may recommend a reward/penalty to the JLCB.
- The **JLCB** may: 1. Require the agency to appear before them with an explanation and plan for completion. 2. Notify the governor and recommend a freeze of agency expenditures.

Source: Created by LLA staff based on review of state legal statutes related to PBB.
Objective 1: What is the status of Louisiana’s PBB process?

Louisiana has often been cited as a best practice state for PBB. However, many of the functions required by law and cited as best practices are no longer being performed. In addition, performance information is not always used by stakeholders when making budget decisions, which is the primary purpose of PBB. These issues are summarized below.

**Louisiana’s PBB process is not always followed.**

Louisiana’s PBB process, as described in law, has elements of best practice models for PBB in state government. For example, in its 2008 report on *Legislating for Results*, the National Conference for State Legislatures (NCSL) cited Louisiana’s requirement that the LFO routinely produce summary performance progress reports for the Joint Legislative Committee on the Budget (JLCB) as a best practice. In addition, the report also cited the periodic, results-focused reviews by the JLCB Performance Subcommittee as a best practice. However, many of these practices are no longer being carried out and some of the requirements outlined in state law are ambiguous.

**Some functions are not being carried out.** Many of the functions outlined in state law and considered a best practice are no longer being carried out. For example, LFO’s summary reports have not been produced since 2003; the Performance Subcommittee of the JLCB no longer holds meetings; and rewards and penalties for significantly exceeding or missing performance targets are no longer applied. In addition, many of the legislators who developed and supported PBB are no longer in office. In our discussions, we did not find strong advocates for the importance of performance criteria in the budget process, or a process to educate new legislators.

**Some legal requirements are ambiguous.** Some of the legal requirements related to PBB are ambiguous and open to interpretation. As a result, entities have interpreted these requirements in ways that may be inconsistent with the legislature’s original intent. For example, R.S. 39:87.3(E) requires the head of each agency to “develop a plan for the monitoring and evaluation of the agency's progress in ensuring that performance data are maintained and supported by agency records.” However, according to OPB, the agencies are not submitting such a plan. In accordance with R.S. 39:31(E), agencies are required to submit documentation to DOA on each performance indicator. However, these sheets may not fulfill the requirement of the plan required above.

R.S. 39:87.3(E) also requires that the LLA annually “provide the JLCB with a summary assessment of those agencies which are deficient in their capacity to execute the requirements…relative to production of performance progress reports.” Performance progress reports are not physical reports. Instead, agencies are required to enter performance information quarterly into LaPAS which serves as the progress report. Because no physical report exists,
LLA currently fulfills this requirement by using a risk-based approach in conducting periodic audits of the relevance and reliability of select performance information reported to LaPAS. In addition, we are required to conduct audits of performance information at the request of JLCB; however, we have not routinely received such requests.

Performance information is not always used by stakeholders when making budget decisions.

We interviewed management and finance personnel at 22 state agencies to determine how they use the performance information that they collect. While 20 (91%) agencies stated that they used performance information internally for measurement and decision-making, only eight (36%) agencies stated that they have used performance information to justify their requests for funding. According to 12 (55%) agencies, they did not believe the information was used by the legislature when it made budget decisions.

We conducted a telephone survey of state legislators to determine how they use performance information in the budget process. A total of 88 of 144 (61%) legislators responded to our survey. Based on the results of our survey, although performance information is presented during the budget process, many legislators reported that they were not familiar with the concept of PBB. Exhibit 4 summarizes legislative responses to questions about familiarity with and use of PBB.

Exhibit 4
Legislative Survey Results

<table>
<thead>
<tr>
<th>Familiar with PBB? (88 legislators)</th>
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</thead>
<tbody>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>19</td>
</tr>
<tr>
<td>22%</td>
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</table>

<table>
<thead>
<tr>
<th>If familiar or somewhat familiar, do you use it? (60 legislators)</th>
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<tr>
<td>Yes</td>
</tr>
<tr>
<td>14</td>
</tr>
<tr>
<td>23%</td>
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</tbody>
</table>

Note: The calculations in this exhibit are based on rounded numbers.
Source: Prepared by LLA using data from the legislative survey.
As the exhibit shows, 69 (78%) legislators are not familiar or only somewhat familiar with PBB. Only 14 (23%) of the legislators who were familiar or somewhat familiar with PBB indicated that they use performance information regularly. Common reasons cited by all 88 respondents for not using performance information are as follows:

- Measures are not relevant - 26 (30%)
- Do not know where information is available - 24 (27%)
- Do not trust accuracy - 21 (24%)
- Too much information - 13 (15%)
- Lack of historical data or context - 11 (13%)
- Not user-friendly - 8 (9%)

For performance information to be effective, all stakeholders must determine what role, if any, performance information should play in the budget process and make appropriate changes to legislation to clarify and streamline requirements for responsible entities. Our survey results and research on best practices identified four critical areas where Louisiana can improve on the value and use of the performance information it currently collects to increase its effectiveness in the budget process. These areas are summarized in the next objective.
Objective 2: How can Louisiana increase the effectiveness of its PBB process?

Because PBB involves multiple entities and requires an investment of time and resources, the state needs to decide whether it is a meaningful and useful process that should be continued. If the state decides that the process is not useful, then current law should be revised to eliminate the requirements. If the state determines that PBB is important and valuable, then all entities involved, including legislators, state agencies, and legislative staff need to be committed to improving the process. Based on the results of our surveys and a review of best practices, we identified four critical areas in the PBB process that could be improved to increase the effectiveness of the process. These areas are as follows:

1. Increasing awareness of PBB and its value for decision-making
2. Developing relevant and meaningful performance information
3. Ensuring that performance information is reliable
4. Presenting clear and concise performance information

The sections below describe the general weaknesses related to these four areas identified in the course of our audit work; successful strategies that have been implemented in other states; and our recommendations for how Louisiana’s process can be modified to implement these strategies.

Area 1: Increasing awareness of PBB and its value for decision-making

As noted in the previous objective, many legislators are not familiar with PBB. Only 19 (22%) of the 88 legislators contacted were familiar with PBB. Awareness of PBB is important because it can help legislators make more informed funding and policy decisions. In addition, the NCSL reports that PBB has the following benefits for legislators:

- Provides newly elected legislators with helpful background information on the purposes of state-funded programs and the results they achieve or expect to achieve.
- Helps evaluate the results of previous legislative funding decisions.
- Helps with estimating and justifying the potential consequences of new funding decisions.
- Communicates what is received in return for the investment of tax dollars.
• Helps show the effects of reductions on different programs and can support difficult decisions to reduce funding where the effects will be least detrimental.

One way to initially increase awareness of PBB is to provide training for legislators. Other states have provided legislative training on PBB. For example:

• Virginia's orientation for new legislators includes a description of the performance measurement and reporting system. The legislative staff has also been provided formal training by the state's Department of Planning and Budget.

• Texas's newly elected legislators receive training on the PBB system and the use of outcome measures.

• Alaska conducts annual, off-session training for House and Senate budget committee members related to PBB.

Louisiana currently does not provide training on PBB for legislators. Although there is an orientation provided to new legislators, PBB is not a topic that is presented. We met with legislative staff from the House Fiscal Division, the Legislative Fiscal Office and the Senate Fiscal Division and they agreed that legislative training on PBB would be beneficial. Although legislative training would help provide some initial awareness of PBB and how it can be used, additional areas, as discussed further in this report, are also necessary to increase the awareness and use of PBB.

**Matter for Legislative Consideration:** The legislature should direct its staff to develop, with input and coordination from OPB and LLA, a training class on the PBB process and the benefits it can have for legislative decision-making.

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**Area 2: Developing relevant and meaningful performance information**

When asked to identify obstacles that prevent them from using performance information, 11 (58%) of the 19 legislators familiar with PBB said that performance information is not relevant or meaningful. For example, legislators stated that agency goals are not specific, performance indicator targets are purposefully set to be easily achieved, performance indicators are not focused, and performance indicators do not measure what legislators want to know.

According to NCSL, it is important for states to obtain legislative input on performance information. Agencies and legislators may have differing opinions regarding relevant performance information, so it is important for legislators to communicate the types of performance measures that are significant and relevant to their needs. Legislative approval of key measures also helps ensure that those measures will be used by the legislators. Other states involve the legislature and other entities in selecting performance information. For example:
Florida’s proposed performance indicators are reviewed by the governor's office then submitted to the legislature for review by the appropriate oversight committee. They are then sent to the appropriations committees, who can hold hearings and require changes.

Texas’s biennial General Appropriation Act specifies that the Legislative Budget Board (LBB) and the Governor's Office of Budget and Planning will specify the indicators to be reported. The LBB staff also work with legislators to identify "key" measures of particular interest and usefulness in the budget process and to reduce the total number presented to members in reports in the appropriation act.

New Mexico’s state budget division consults with legislative committees and agencies in reviewing and approving proposed measures.

Oregon’s Legislative Fiscal Office analysts work with legislators and agencies to facilitate the approval of performance measures by the legislature.

In Louisiana, changes to performance indicator targets must be approved by OPB and JLCB. In addition, R.S. 39:87.2 C(2)(c) gives JLCB the authority to consider and approve adjustments to performance information. However, neither JLCB nor oversight committees are involved in the initial selection of performance information. Agencies develop their performance information in their five-year strategic plans. OPB reviews these plans to ensure they meet certain criteria in Manageware that outlines how agencies should develop useful and measurable performance information. Information in these strategic plans is then used for the agency’s annual operational plan and the executive budget. The executive budget is then used as the basis for the General Appropriation Act.

Allowing legislators and their staff to have some input during the strategic planning process when performance information is being developed would help increase legislative use of performance information. Agency staff surveyed also agreed that this input would be useful. Six (27%) of the 22 agencies we contacted stated that suggestions from the legislature on information that would be useful to them would help improve performance information. In addition, the federal government also sees the value in obtaining this input. The newly enacted GPRA Modernization Act of 2010 requires that both Office of Management and Budget and the agency obtain input from the appropriations and oversight committees on strategic plans.

**Recommendation 1:** OPB should coordinate with agency management to seek legislative staff input on key measures important to the legislature to be included in strategic plans. This would provide an opportunity for all parties to help ensure that relevant and valuable information is included on the front-end of the process.

**Summary of Management’s Response:** DOA agreed and stated that through the strategic planning guidelines and instructions, OPB will encourage agency management to invite legislative input on significant changes to the agency’s performance structure, and to invite legislative staff to have input when strategic planning sessions are taking place.
Area 3: Ensuring that performance information is reliable

In our legislative survey, 9 (47%) of the 19 legislators familiar with PBB stated that they distrust the accuracy of performance data and/or suggested that independent evaluation of the data is needed. Having reliable information is essential for legislators to enable them to make decisions based on accurate and complete data. Some states have independent audits of agency performance data to evaluate its reliability. For example, Texas law requires the State Auditor's Office (SAO) to audit agency PIs each year. SAO selects a sample of agencies, programs, and PIs to be audited each year based on risk assessments and recommendations from the Legislative Budget Board (LBB).

In Louisiana, R.S.39:87.3(D) states that the legislative auditor shall, upon the request of the committee, audit and verify the data reported by agencies within specific performance progress reports. State law also requires the LLA to provide the JLCB with an assessment of agencies that are deficient in their capacity to execute the performance progress report requirements by September 1st of each year. Pursuant to these laws, the LLA currently uses a risk-based approach to conduct periodic audits of agency performance data. For example, in FY 2011 we conducted audits on four programs within the Department of Health and Hospitals and the Louisiana Workforce Commission.

Although having a back-end process that reviews reliability is important, there are some actions that could be done on the front-end that would also help ensure data reliability. For example, agencies should be required to submit a plan in conjunction with their strategic plan detailing how they ensure the reliability of their performance information. As mentioned in the previous objective, each agency is currently required to submit a documentation sheet to the OPB as to the validity, reliability, and appropriateness of each performance indicator. This documentation must also contain the method used to verify and validate it as a relevant measure of program performance. Since this sheet is already required, OPB should consider revising the sheet to include a section on how agencies will maintain data that supports their performance information.

**Recommendation 2:** OPB should revise its performance indicator documentation sheet to include a section for agencies to outline how they will maintain, support, and ensure the reliability of its performance information.

**Summary of Management’s Response:** DOA agreed with this recommendation and stated that OPB will require a statement in the strategic plan regarding the maintenance of agency records and the actual monitoring and evaluation process.

Area 4: Presenting clear and concise performance information

Legislators had numerous concerns with the way performance information is presented. Seven (37%) of the 19 legislators familiar with PBB said that there is too much performance
information, which makes it difficult to understand. When asked what improvements should be made to how performance information is presented, 19 (22%) of 88 legislators requested that information be presented in a summary form and 18 (20%) requested that historical information be included to provide a context for comparison.

Because legislators balance many demands during the legislative session, it is important that performance information be presented clearly and concisely. Developing a short performance summary report that agencies must develop each year and periodically present to legislative committees would help ensure that legislators understand and use performance information. Other states have developed such reports. For example:

- Texas’s Legislative Budget Board produces an annual budget and performance review that covers each state agency. Appendix C provides an example of a summary report from a Texas state agency.

- In New Mexico, Legislative Finance Committee staff prepare agency report cards based on performance reports submitted by agencies. This information is presented in quarterly legislative hearings. Appendix D provides an example agency report card from a New Mexico state agency.

- In Idaho, performance measures are submitted at the same time as the budget request but as a separate document. Each agency presents the information orally to its corresponding Senate or House of Representative oversight committee each year.

- The Maryland Department of Legislative Services prepares a series of “Policy Spotlights.” The reports highlight the latest reported performance data in selected policy areas and are distributed to all legislators and to staff analysts. They have proven useful in responding to legislator requests for information about programs and trends.

Currently, Louisiana does not provide any routine summary reports containing performance information to legislative committees. The only performance information most of the fiscal committees see is presented in the executive budget supporting document which, according to some legislative staff is confusing, or the appropriations act, which contains too little information. In addition, current appropriations hearings do not involve routine agency presentations of performance information which would help legislators make more informed funding decisions.

**Matter for Legislative Consideration:** The legislature may wish to consider requiring a single, year-end performance report be presented annually before a legislative committee. This report should be developed by agencies with input from legislative staff and be based on a standard template that all agencies must use.

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1 R.S. 39:87.3 requires quarterly performance progress reports; however, these reports are not actual reports. Instead, agencies must enter performance data into LaPAS and this constitutes quarterly reporting.
APPENDIX A: MANAGEMENT’S RESPONSE
Mr. Daryl Purpera, CPA
Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

Re: Response to Performance Audit Report on the Louisiana Performance Based Budgeting Process

Dear Mr. Purpera:

The State of Louisiana Division of Administration (DOA) would like to thank you and your staff for conducting a performance audit of Louisiana’s performance based budgeting (PBB) process in executive branch agencies, and providing recommendations to improve the process to increase its effectiveness.

We have reviewed the recommendations and offer the following comments:

1. **OPB should coordinate with agency management to seek legislative staff input on key measures important to the legislature to be included in strategic plans. This would provide an opportunity for all parties to help ensure that relevant and valuable information is included on the front-end of the process.**

**Response:** DOA agrees that agency management should seek legislative staff input on key measures important to the legislature to be included in agency strategic plans. Through the strategic planning guidelines and instructions, the DOA Office of Planning and Budget (OPB) will encourage agency management to invite legislative input on significant changes to the agency’s performance structure, and to invite legislative staff to have input when strategic planning sessions are taking place.
2. **OPB should revise its performance indicator documentation sheet to include a section for agencies to outline how they will maintain, support, and ensure the reliability of its performance information.**

**Response:** DOA agrees with the recommendation to include a section on the strategic plan performance indicator documentation sheet for agencies to outline how they will maintain, support, and ensure the reliability of performance information. Documentation sheets enable both internal and external users of performance data to understand the rationale for, as well as the strengths and limitations of, performance indicators.

The strategic planning instructions and guidelines will highlight the importance of documentation for each performance indicator in the agency strategic plan, and will continue to require documentation as to the validity, reliability, and appropriateness of each performance indicator, as well as the method used to verify and validate the performance indicators as relevant measures of each program's performance. Additionally, each department or agency must continue to indicate how each performance indicator is used in management decision making and other processes.

The Performance Indicator Documentation sheet addresses data collection methodology and reporting, as well as agency responsibility for analysis and quality. OPB will require a statement in the strategic plan regarding the maintenance of agency records and the actual monitoring and evaluation process.

At the beginning of the 2010 strategic planning process, OPB sent via email to all executive branch agencies the performance indicator documentation spreadsheet that included a section on the validity, reliability, and accuracy of the performance indicators. Specifically, whether or not the indicators had been audited by the Office of the Legislative Auditor; and if so, what were the results. If not, agencies were asked to elaborate on how they could assure that the indicator was valid, reliable, and accurately reported.

The data used for the completion of quarterly performance progress reports through the Louisiana Performance Accountability System (LaPAS) should be maintained according to the records retention laws applicable to each agency. Beginning with the agency strategic plans that are due on July 1, 2013, each strategic plan must include a statement from agency management that data shall be preserved and maintained for a period of at least three years from the date on which the LaPAS report was made.

LaPAS quarterly completion statistics will be sent to the Louisiana Legislative Auditor, the Legislative Fiscal Office, and House and Senate fiscal offices at the close of each LaPAS reporting period, which will indicate those agencies that are deficient in their capacity to execute the statutory requirements for performance reporting. This report includes the total number of performance indicators, and total completed and approved
by agency, and would be the first indication that an agency has failed to execute the requirements.

We appreciate the efforts of your office to make recommendations for improving the operations of state government, and we will carefully consider the recommendations for opportunities to improve statewide performance based budgeting.

Sincerely,

Paul W. Rainwater  
Commissioner of Administration

CC: Barry Dussé  
Marsha Guedry  
Lauri Hatlelid  
Ternisa Hutchinson  
Steven Procopio  
Ray Stockstill
We conducted this performance audit under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. We conducted this audit because the results of previous performance audits we have conducted on the relevance and reliability of performance information suggest that the awareness and use of performance based budgeting (PBB) has decreased. Our audit focused on Louisiana’s PBB system, the responsibilities of various entities, and how performance information is used by stakeholders. The audit scope focuses on the current status of performance based budgeting in the state, but it also references contrasts between the current status and past achievements. The audit objectives were to answer the following questions:

1. What is the status of Louisiana’s PBB process?
2. How can Louisiana increase the effectiveness of its PBB process?

We conducted this performance audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. To answer our objectives, we reviewed internal controls relevant to the audit objectives and performed the following audit procedures:

- Reviewed background information on PBB and its origins at the federal and state levels.
- Researched state law to understand and document the responsibilities of various entities involved in the process.
- Interviewed key personnel within OPB, LFO, and LLA and interviewed staff leadership of the House of Representatives and the Senate to understand their PBB responsibilities.
- Conducted a telephone survey of all legislators (as of October of 2011) to document their use of performance information and evaluation of PBB. A total of 88 of 144 (61%) legislators responded to our survey.
- Interviewed management and finance personnel at 22 executive branch state agencies to determine their use of the performance information that they collect.
- Researched best practices from other states and compared those practices to the improvement areas mentioned in our report.
APPENDIX C: SAMPLE PERFORMANCE SUMMARY REPORT - TEXAS YOUTH COMMISSION

YOUTH COMMISSION

SELECTED BUDGET INFORMATION

ALL FUNDS, 2004 ESTIMATED

Budget Highlights
Institutional or community-based correctional programs accounted for 67 percent of the agency's fiscal year 2004 expenditures.

Education, workforce, and rehabilitative treatment programs accounted for 25 percent of fiscal year 2004 expenditures.

The agency expended $6.5 million for repair and rehabilitation of existing facilities, primarily financed from General Obligation Bonds. These projects included roof replacements and utility, road, and site work. In addition, the agency expended $1.2 million, primarily financed from General Obligation Bonds, for the construction of buildings and facilities. These projects included the expansion and addition of new facilities at the Gainesville State School, the McLennan County State Juvenile Correctional Facility, the Sheffield Boot Camp, the Evins Regional Juvenile Center, and the Coniscana Residential Treatment Center.

In fiscal year 2004, the agency lapsed $2.9 million in General Revenue Funds because of decreases in youth residential populations as compared to appropriated levels.

FULL-TIME-EQUIVALENT EMPLOYEES
The agency did not exceed its cap for full-time-equivalent (FTE) positions in fiscal year 2004.

The agency was below its authorized FTE cap primarily because of delays in the construction/expansion of correctional facilities.

PERFORMANCE MEASURES AUDIT REPORTS
The most recent performance measures audit by the State Auditor's Office was in July 1996, when the Performance Measures of 20 State Agencies and One Educational Institution report certified without qualification nine measures.

OTHER REPORTS AND REVIEWS
No special reports or reviews of the agency were identified after September 2003.
Performance Highlights
During fiscal year 2004, the agency attained (within 5 percent) or exceeded 77 percent of its 26 established key performance targets.

The agency attained or exceeded 6 of its 7 outcome targets and 14 of its 19 output/efficiency targets.

Measures Assessments
According to the agency, it did not attain several of its output performance targets because of a decrease in new institutional commitments relative to projections. New institutional commitments have decreased from a high of 3,188 in fiscal year 1998 to 2,514 in fiscal year 2003, and 2,523 in fiscal year 2004.

The agency did not meet its target for Average Daily Population: Institutional Programs. This was because fewer youth than projected were committed to the agency’s 14 institutional facilities. Commitments are made at the discretion of local judges. The total youth residential population includes institutional, halfway house, and contract care beds. Beginning in fiscal year 2004, these three categories were divided into three separate performance measures. Since this was not a key measure prior to fiscal year 2004, there were no targeted amounts for previous years.

The fiscal year 2004 target for Average Daily Population: Contract Programs was not attained because fewer youths than projected were committed to the Texas Youth Commission. Commitments are made at the discretion of local judges. Contract-care facilities provide bed space when youth populations increase over institutional bed capacity and provide specialized placement options within TYC. Since this was not a key performance measure prior to fiscal year 2004, there were no targeted amounts for previous years.

The agency met its target for Average Daily Attendance in TYC-operated Schools. TYC was able to meet the target as a result of increased youth attendance rates. The agency evaluates the educational needs of youths at the Martin Orientation and Assessment Unit upon commitment and develops individualized academic plans for each student. The plans are reassessed, as needed, with standardized testing. Improvement in educational skills is considered an integral component of a youth’s rehabilitation and successful reentry into community life.

The agency met its target for Diploma or GED Rate (TYC Teacher Institutions) by emphasizing General Equivalency Diploma (GED) preparation and testing. This measure calculates the percentage of youth aged 16 or above who have earned a high school diploma or GED within 90 days after their release from institutions employing TYC teachers. Achievement of educational goals is correlated to improved job and educational opportunities after release. The number of youths that received a diploma or GED in fiscal year 2004 was 1,174, compared to 1,275 in fiscal year 2003.
APPENDIX D: SAMPLE PERFORMANCE SUMMARY REPORT - NEW MEXICO REPORT CARD

Performance Report Card
New Mexico Corrections Department
Third Quarter, Fiscal Year 2011

Performance Overview: New Mexico Corrections Department’s (NMCD) performance measures report on its core functions, especially as they relate to incarceration, release, and recidivism of inmates. The measures are well developed and have been in place long enough to evaluate the NMCD’s performance over time. The two critical indicators of safety within the prisons are assaults on inmates and staff.

<table>
<thead>
<tr>
<th>Inmate Management &amp; Control Program</th>
<th>Budget: $241,129,000</th>
<th>FTE: 1955.5</th>
<th>FY10 Actual</th>
<th>FY11 Target</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Annual</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Number of serious inmate-on-inmate assaults in private and public facilities* (cumulative)</td>
<td>19</td>
<td>23</td>
<td>4</td>
<td>7</td>
<td>14</td>
<td>14</td>
<td>G</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Number of serious inmate-on-staff assaults in private and public facilities* (cumulative)</td>
<td>6</td>
<td>11</td>
<td>0</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>G</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Percent of inmates testing positive or refusing the monthly drug test*</td>
<td>1.8%</td>
<td>2%</td>
<td>1.2%</td>
<td>1.4%</td>
<td>1.4%</td>
<td>1.4%</td>
<td>G</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Percent turnover of correctional officers*</td>
<td>11.8%</td>
<td>13%</td>
<td>9.9%</td>
<td>9.8%</td>
<td>10.3%</td>
<td>10.3%</td>
<td>G</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Percent of prisoners re-incarcerated within thirty-six months after being discharged from New Mexico corrections department prison system or into community supervision*</td>
<td>43.6%</td>
<td>47%</td>
<td>45.4%</td>
<td>44.5%</td>
<td>44.6%</td>
<td>44.6%</td>
<td>G</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Percent of female offenders successfully released in accordance with their scheduled release date*</td>
<td>95%</td>
<td>90%</td>
<td>85%</td>
<td>82%</td>
<td>84%</td>
<td>84%</td>
<td>R</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 Percent of male offenders successfully released in accordance with their scheduled release date*</td>
<td>86%</td>
<td>90%</td>
<td>85%</td>
<td>83%</td>
<td>85%</td>
<td>85%</td>
<td>Y</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Program Rating: G

Comments: The definition of inmate-on-inmate and inmate-on-staff assaults excludes all assaults that do not require outside medical attention. In the second and third quarter the number of assaults reported included all assaults regardless of the need for outside medical attention which increased the number of assaults. Despite counting all assaults, the FY11 results were lower than the target and the FY10 result indicating New Mexico prisons are safe and earning the department a green rating.

In the fourth quarter, the targets for the measures that gauge the successful and timely release of inmates were not met. The results reported include inmates that are difficult to place in the community such as sex offenders or those unable to find housing or work. The NMCD has no alternative other than to allow those inmates to complete their parole in the prison. The NMCD has requested excluding inmates on in-house parole from the measure for FY13. The department’s inability to timely release parole-eligible inmates and meet its target for the measure increases the prison population, incarceration costs and could potentially increase inmate-on-inmate and inmate-on-staff assaults. As a result the measure has earned a red rating.

Although the re-incarceration rate appears high, New Mexico is one of 19 states with recidivism of over 40 percent. The re-incarceration at the end of FY11 was slightly lower than FY10 and lower than the FY11 target. The NMCD recognizes that it needs to continue to address re-incarceration so it is joining 13 other states in implementing the National Institute of Corrections model, Transitions from Prisons to Communities. The model requires the initial inmate assessment be used to determine classification level and programs and services necessary to successfully release inmates in accordance with release dates and reduce recidivism. The initiative includes coordination and collaboration with other state agencies and communities for continued success after release.

<table>
<thead>
<tr>
<th>Community Offender Management Program</th>
<th>Budget: $29,752,900</th>
<th>FTE: 387</th>
<th>FY10 Actual</th>
<th>FY11 Target</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Annual</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>8 Average standard caseload of probation and parole officers*</td>
<td>95</td>
<td>92</td>
<td>96</td>
<td>98</td>
<td>99</td>
<td>99</td>
<td>R</td>
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<td></td>
</tr>
</tbody>
</table>

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