

Charting Performance Budgeting Laws in the States: Successful or Just Hype?

by

Yi Lu

Assistant Professor
Department of Public Administration
College of Community and Public Affairs
Binghamton University
Post Office Box 6000
Binghamton, New York 13902
607-777-9184
ylu@binghamton.edu

Katherine Willoughby

Professor
Department of Public Administration and Urban Studies
Andrew Young School of Policy Studies
Georgia State University
P.O. Box 3992
Atlanta, Georgia 30302
404-413-0117
kwilloughby@gsu.edu

Yi Lu, Assistant Professor, Department of Public Administration, College of Community and Public Affairs, Binghamton University, Binghamton, New York 13902. Her research interests are performance management and budgeting. She can be reached at ylu@binghamton.edu.

Katherine G. Willoughby, Professor, Department of Public Management and Policy, Andrew Young School of Policy Studies, Georgia State University, Atlanta, Georgia. Her research interests include state and local government budgetary and fiscal management, performance management and budgeting. She can be reached at kwilloughby@gsu.edu.

Paper presented at the annual conference of the *Association for Budgeting and Financial Management* in Chicago, Illinois, October 2008.

Charting Performance Budgeting Laws in the States: Successful or Just Hype?

Introduction

The difference between performance budgeting as passing fad or as a sustained way to inform decision making by government is its institutionalization into budget management and processes. A precursor to implementation is the existence of a requirement, in law or by executive order, to engage a performance budgeting approach. In fact, the legal underpinning of performance budgeting in government, that is, performance based budgeting (PBB) law, is an integral component of institutionalization. Recent research examines the legal foundations of PBB laws in state leaders in *budgeting for performance* as determined by the 2008 Government Performance Project, a periodic survey of state government in the United States regarding budgeting management capacity (Lu & Willoughby, 2007). These states were found to have relevant laws in place requiring PBB protocols, processes and reporting. Among other things, the findings from this research indicate that the PBB laws of these state leaders include requirements for shared responsibilities regarding the application of performance data into the budgeting process. Each of these state leaders does have PBB law and such law is fairly detailed and comprehensive. While it is clear that consistent leadership in both the executive and legislative branches of government over time is necessary to successfully institutionalize PBB systems in these governments, such findings provide more detail on those factors that can best support this type of budget reform.

In keeping with this line of research, the current study examines PBB law in the rest of the states and compares such law with that in state leaders in *budgeting for performance*. We conduct a content analysis of the performance budgeting laws that exist in states today and then

compare relevant components between state leaders and others. The purpose of this research is to determine if there are substantial differences in performance budgeting laws across states scored from weak to strong on budgeting for performance. Specifically, are the PBB laws of state leaders in the institutionalization of a performance budgeting system remarkably different from such law in states that did not score as well in this management category? Performance budgeting is defined here as requiring strategic planning by executive agencies, the development of goals and objectives, performance measurement development, reporting, benchmarking and the evaluation of performance. Our examination of PBB legislation engaged here looks for requirements of one or more components of performance budgeting as defined above. This research on PBB laws is part of a series of research efforts to model the factors influencing the successful implementation of performance budgeting in American state governments.

Literature Review

Performance management and budgeting has been the focus of many government reforms, especially in the last twenty years. At the federal level, it is the key component of the Government Performance and Results Act of 1993 (McNab & Melese, 2003). At the state level, many states have adopted and/or implemented performance-oriented initiatives. For instance, the California Performance Review was created in 2004 to guide the government to be more accountable and performance driven; since its inception in 2003, the Commission for a New Georgia has been a gubernatorial initiative to build the State of Georgia to be “America’s Best Managed State” (Government Performance Project, 2008). In a recent report, the Government Accountability Office found that, as of 2004, all five states they examined (Arizona, Maryland, Texas, Virginia, and Washington) had enacted legislation that, at a minimum, requires agencies

to define their missions and strategic goals and to develop and use performance measures to determine whether a program has achieved its goals (Government Accountability Office, 2005).

Still, despite all these good-willed efforts, the implementation of performance management and budgeting necessitates heavy lifting to take a hold in day-to-day government operations. Common challenges to successful implementation of PBB reforms indicated by the literature include: that measurement systems are neither comprehensive nor comprehensively applied (Melkers & Willoughby, 2004, 2005); insufficiently sustained leadership support (Behn, 2002; Wang, 2000); the lagged engagement of the legislative branch (Bourdeaux, 2006; Bourdeaux & Chikoto, 2008; Jones & McCaffery, 1997; McMurtry, 2005); administrative complexities agencies face with implementation (Hatry, 1997, 2006; Kelly & Rivenbark, 2003; Lu, 2007; Yang & Hsieh, 2007); and the lack of a performance oriented culture and managerial flexibility (Joyce, 2003; Moynihan, 2006). Moynihan (2006) aptly notes that these reforms tend to be “partially implemented.”

The question that intrigues us is that: does a legal foundation for performance based budgeting influence reform implementation? And, to what extent can successful implementation (as indicated by the 2008 GPP score for *budgeting for performance*) be attributed to extant PBB legislation and its components? In many respects, we are investigating the quality of policy – does a PBB legal requirement exist? What components make up the legal requirement? And, does the state have a well functioning performance budgeting system? In this research, we stress the importance of performance budgeting law for the following reasons.

First, the policy implementation literature in general suggests that the policy configuration set in legislation impacts subsequent execution. In their groundbreaking work, Mazmanian and Sabatier (1989) identified the ability of the statute to structure implementation

(i.e., clear and consistent objectives; sound causal theory; financial resources; hierarchical integration with and among implementing institutions; decision rules for implementers; selection of implementing official; and formal access to outsiders) as one of three broad categories of variables that help to explain polity implementation success. It is clear that designing policies with coherent statutes¹ has positive impact on policy implementation success (Mazmanian & Sabatier, 1989; Meier & McFarlane, 1996). In the case of performance budgeting, the study of PBB laws allows us to assess the quality of these laws in terms of existing components that structure implementation of the performance budgeting process. We are especially interested in knowing whether these laws require mechanisms such as linking strategic planning with the budget, incentives and/or disincentives to engage the process, the financial and organizational resources, integration with and among key implementing stakeholders in the budget cycle, and specified uses and reporting of performance information. The assumption here is that PBB laws matter. Just as Pressman and Wildavsky (1984, p. xxi) concisely point out, “a verb like ‘implement’ must have an object like ‘policy.’” The objective here is to understand the results of performance budgeting implementation from the angle of the quality of PBB laws.

Second, considering the above but specific to budget reform, initial studies about performance budgeting laws suggest that the configuration of such legislation matters. Crain and O’Roark (2004) found that PBB statutes that include a component requiring monitoring program performance significantly reduced government spending, and that the effectiveness of such policy in reducing government spending increases systematically over time. Lu and Willoughby (2007) find that all ten state leaders in *budgeting for performance* as determined by the 2008 Government Performance Project (GPP) have relevant PBB law in place. Their research also

¹ They defined the coherent statutes as those with precise, clear goals, supported by an adequate causal theory, with clear administrative responsibilities, clear implementation rules, and assigned to committed agencies.

indicates that some features of state PBB laws have bearing on the practice of performance management and budgeting. For instance, Iowa's Accountable Government Act is one of a few PBB laws that calls for "broad public participation" (Iowa Code § 8E.204) from citizens, stakeholders and state employees. This participative requirement is certainly reflected in practice in this state as well. GPP data (2008) confirms that Iowa is among the top scoring states for its budget process and regarding budgeting for performance. For the management area measuring performance in the transparency and inclusiveness of the budget process, Iowa was in the company of Virginia and Utah in generating the highest scores, indicating particular strength in maintaining a budget format and process that is results-oriented, in passing its budget on time and, relevant to the broad public participation called for in code mentioned above, in providing citizens opportunities for public input about the budget.

Third, the study of PBB laws informs future consideration and revision of these and other budget reform laws. The policy embodied in the legislation and the implementation that is set in motion by the legislation are interdependent (Majone & Wildavsky, 1984) and form an iterative process of formulation, implementation and reformulation (Mazmanian & Sabatier, 1989). The same principle applies to performance budgeting. Implementation of current PBB laws is not the end of efforts; such law and systems are continually evolving. For instance, New York, a state that is currently without PBB legislation, is considering a comprehensive Responsibility, Performance, Accountability, Initiative and Results (REPAIR) Act². Other states, including Arkansas, Maine and Michigan have adopted performance budgeting procedures and laws in the past but "have since moved away from the approach" (NCSL, 2008). This history of state PBB

² This bill was passed by the State Senate and delivered to the New York Assembly on June 24, 2008, information retrieved from <http://assembly.state.ny.us/leg/?bn=s00154>, accessed on October 12, 2008.

laws suggests significance to the study of this issue for the purpose of making practical recommendations regarding the design of coherent budget reform law.

Finally, despite the potential of performance budgeting legislation to influence government management and budgeting implementation and practice, the study of such law is still in its early stages. There are only a few studies with a focus on PBB laws or requirements. In their groundbreaking study in 1998, Melkers and Willoughby indicated widespread existence of performance based budgeting requirements, both legislative and executive, across the United States. Thirty-one states (62 percent) had legal requirements in place by 1997, 16 states (32 percent) had administrative requirements, and just one state, Missouri, had a performance- based initiative in the form of an executive order. At the time, most of the performance budgeting legislation was just five years old or less; most had been passed in the early to mid-1990s. 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 (Melkers & Willoughby, 2004). Today, there are 38 states that have some sort of PBB legislation (Lu & Willoughby, 2007). Such work indicates steady, albeit incremental progression of PBB laws, though gaps of knowledge still exist. One regards the components of these PBB laws; the other regards the implications of the existence of such law for successful implementation of performance budgeting. Building upon the most recent study of PBB laws in states that exhibit strong performance budgeting systems (Lu & Willoughby, 2007), the present study extends such research by comparing the PBB law in these state leaders with that in the rest of the states.

Methodology

This research is descriptive and summative. We collected PBB related legislation in the 50 states. This required the examination of the state PBB legal histories as tabulated by Melkers and Willoughby in 1998, by The Urban Institute in 2001 (Liner, et al., 2001), and reviewed again by Melkers and Willoughby in 2004. Our findings (Lu & Willoughby, 2007) indicate that states without PBB specific law at this time include: Arkansas, South Dakota, Maine, North Carolina, Kansas, Massachusetts, Michigan, New Hampshire, New York, North Dakota, Pennsylvania and West Virginia. These states may have had such law in the past; at the very least, each has vestiges of past reforms and/or executive requirements for the conduct of performance measurement and/or performance evaluation currently in place.

States adding PBB related legislation since 1998 include: Indiana, Tennessee, New Mexico, Missouri, Colorado, Alaska, and New Jersey. For example, legislation effective after Governor Mitch Daniels took office in Indiana in 2005 supports that state's initiative titled, PROBE (Program Results: An Outcome-Based valuation), a state-level version of the performance assessment and reporting system used by Daniels as head of the U.S. Office of Management and Budget. A few states have since repealed their PBB laws. For example, Maine chapter 151-c — commission on performance budgeting (heading: pl 1995, c. 395, pt. b, §1 (new)) (§1710-k - §1710-q), was repealed on July 1st, 2007 by t. 5, §1710-q; New Hampshire's original 9:8-a-II setting out performance budgeting requirement in H.B. 1456 of the 1998 session, was repealed in 2003; and in Utah, Laws 2005, ch. 6, § 1 repeals § 36-18-1, as last amended by L. 1997, ch. 34, § 1, creating the Utah Tomorrow Strategic Planning Committee, effective May 2, 2005. The state with the most dramatic change since 1998 is probably Arkansas. It went from no PBB legislation to a legislated PBB state after Act 221 of 2001 setting out the

requirements and implementation of PBB, followed by Act 1463 of 2003 that further clarified and added requirements. However, Act 237 of 2005 immediately eliminated performance-based budgeting for state agencies due to the lack of a statewide automated performance-based budgeting process.

Our next task was to review the PBB related legislation that exists in the 38 states and code law according to various components of a well functioning performance based budgeting system. Performance management and budgeting literature provides consistent guidelines for generating an outcomes or results oriented approach. The Government Finance Officers Association presents a reasonable model of performance management and budgeting that illustrates components of strategic planning, measurement development and use, and reporting that we use here. This model illustrates performance measurement as a component of each budgeting phase in a typical government. That is, measurement supports development of a strategic plan – providing needed data about revenues, expenditures, context and past results that help government officials to plan realistically for future years. Measurement supports budget development by providing indications of program resource weaknesses and strengths so that going forward, resources can be adequately and strategically determined and allocated. The usefulness of performance oriented data is most heavily engaged during program management, during budget implementation – helping public managers to manage resources to consistently and successfully address program goals and objectives, both legal and administrative ones. Finally, performance measures are necessary to provide feedback in realizing government missions and more specifically, program targets and benchmarks. Analysis of data and its reporting then provides stakeholders with information that can be fed back into strategic planning for subsequent years.



Figure 1: GFOA Model of Performance Measurement

as presented at the organization’s website: http://www.gfoa.org/index.php?option=com_content&task=view&id=479&Itemid=250

In its recommended practices for budgeting for results and outcomes, the GFOA explains four principles determined by the National Advisory Council on State and Local Budgeting for effectively budgeting using this orientation, including:

- 1) set broad goals to guide decisions;
- 2) develop strategies and financial policies;
- 3) design a budget supportive of strategies and goals; and,
- 4) focus on the necessity of continually evaluating a government’s success at achieving the goals that it has set for itself (i.e., performance) (GFOA, 2007).

The GFOA points out that as a “departure from incrementalism,” this form of budgeting “links strategic planning, long-range financial planning, performance measures, budgeting, and evaluation.”

Thus, we consider Table 1 to include vital components of performance based budgeting law – specifically, legislation that specifies strategic planning, performance measurement development and reporting, benchmarking, and consideration of a role for citizens. The strength of such a system undoubtedly rests with the depth throughout the organization and management processes that measurement and direction ultimately exists. Still, we are curious if the foundation for a PBB system that is provided in law may specify such depth. To measure this,

Table 1: Coding of State PBB Laws

Variable Coded	Coding Scheme
State strategic plan must link to budget	0=No mention 1=Specified in law
Agency strategic plan must link with state strategic plan	0=No mention 1=Specified in law
Agency strategic plan must link with budget	0=No mention 1=Specified in law
Performance measures must link with agency strategic plan	0=No mention 1=Specified in law
Responsibility for state strategic plan	0=No mention 1=Governor 2=Agency 3=Legislature 4=Combination 5=Task force/committee/board
Responsibility for developing performance measures	0=No mention 1=Agencies 2=Executive budget office 3=Legislative budget office 4=Consensus 5=Other
Types of performance measures mentioned	0=No mention 1=Input 2=Output 3=Outcome 4=Efficiency 5=Effectiveness 6=Cost 7=More than one measure mentioned
Frequency of performance information update	0=No mention 1=Bi-annually or annually 2=Semi-annually 3=Quarterly
Technical oversight or check of performance measures	0=No mention 1=Specified in law
Benchmarks or targets specified	0=No Mention 1=One type of comparison required 2=More than one type of comparison required
Incentives for performance	0=No mention 1=Specified in law
Sanctions for noncompliance or poor performance	0=No mention 1=Specified in law
Evaluation or audit of performance measures and reports	0=No mention 1=Specified in law
Role of citizen specified	0=No mention 1=Specified in law

we looked for the following requirements for strategic planning – for both state and agency strategic plans, linkages of these plans to each other and to the budget as well as links of performance measures with agency strategic plans. We coded state PBB laws for the types of measures specified as required (input, output, etc.), the frequency of performance measurement updating, evaluation and reporting, benchmarking requirements and the types of targets requested, specifications of incentives and/or sanctions for performance reporting and results,

and oversight and evaluation of measures. We also coded law according to responsibilities – in particular, those regarding the development and technical oversight of measures as well as responsibilities for gathering and reporting data.

Once all 38 states with PBB law were coded according to Table 1 above, we developed three indices that provide a measure of the depth with which law establishes components of state process, including *Integration*, *Accountability* and *Comprehensiveness*. We measure *Integration* as the level of coordination throughout the government regarding a strategic direction. A score of 4 on the index *Integration* indicates that PBB law in a state specifies that the state strategic plan link to the budget, agency plans link with the state plan, agency plans link with the budget and performance measures link with agency plans. That is, a state received 1 point for each component related to strategic planning that was mentioned in law and a 0 if there was no mention of the component. *Accountability* measures the breadth of evaluation and reporting of performance measures called for in PBB laws. In this case, the highest score of 9 is reached if the law indicates quarterly reporting of performance information, more than one type of performance data comparison (benchmark or target), and specification of performance measurement oversight and evaluation, as well as mention of incentives and sanctions. Finally, *Comprehensiveness* is an index that is a summary score of all components in Table 2 that are specified in PBB law. The highest score of this index is 14; a state received 1 point for each component specified in law according to those noted in Table 2. *Comprehensiveness* does not account for level of frequency of performance information updates or number of benchmarks, as the index *Accountability*. Rather, scores for *Comprehensiveness* merely recognize the specification of updates and/or benchmarks.

Table 2: Coding of PBB Indices by State Laws

<p>Integration</p>	<ul style="list-style-type: none"> ✓ State strategic plan must link to budget ✓ Agency strategic plan must link with state strategic plan ✓ Agency strategic plan must link with budget ✓ Performance measures must link with agency strategic plan <p>The highest score achievable on this index is 4, indicating a point for every component specified in law.</p>
<p>Accountability</p>	<ul style="list-style-type: none"> ✓ Frequency of performance information update ✓ Technical oversight or check of performance measures ✓ Benchmarks or targets specified ✓ Incentives for performance ✓ Sanctions for noncompliance ✓ Evaluation or audit of performance measures and reports <p>The highest score achievable on this index is 9, indicating a point for every component specified in law and accounting for the frequency of information updates and number of benchmarks specified.</p>
<p>Comprehensiveness</p>	<ul style="list-style-type: none"> ✓ State strategic plan must link to budget ✓ Agency strategic plan must link with state strategic plan ✓ Agency strategic plan must link with budget ✓ Performance measures must link with agency strategic plan ✓ Responsibility for state strategic plan ✓ Responsibility for developing performance measures ✓ Types of performance measures mentioned ✓ Frequency of performance information update ✓ Technical oversight or check of performance measures ✓ Benchmarks or targets specified ✓ Incentives for performance ✓ Sanctions for noncompliance or poor performance ✓ Evaluation or audit of performance measures and reports ✓ Role of citizens specified <p>The highest score achievable on this index is 14, indicating a point for every component specified in law.</p>

Each state was also coded into one of three groups as scored by the 2008 GPP for *budgeting for performance*. The Government Performance Project (GPP, 2008) considers strategic planning, performance data development and collection, benchmarking and reporting as vital to a strong information management system. Effective information management requires a well researched and supported strategic direction, budgeting and managing for performance, performance evaluation, and accessibility to citizens. The criteria used by the GPP in 2008 to assess state government capacity in the area of *budgeting for performance* specifically, includes:

- ✓ The production of valid cost and performance information (including information on past performance).
- ✓ The governor, budget office, state agencies and state legislature use cost and performance information during deliberations on the budget.

- ✓ Agencies, the budget office and the governor routinely use cost and performance information when developing, reviewing, and making decisions on the budget. And the state legislature routinely uses cost and performance information to allocate resources and as a basis for program design and redesign.

Essentially, the GPP consideration of state capacity in *budgeting for performance* assesses state governments' actual use of performance information when making budgeting decisions. States were scored according to strength in *budgeting for performance* as measured by the components above.

Summary of Results

Table 3 presents individual components and their specification in PBB law across states scored as strong, mid-level or weak in *budgeting for performance* as measured by the GPP in 2008. It is noteworthy that a greater proportion of states scored strong rather than mid-level or weak in performance budgeting specify the most of the components of PBB listed, except for two – benchmarks and sanctions. Still, most states with PBB law specify some type of benchmarking and/or target requirement (70 to 75 percent) while very few states overall specify either incentives or sanctions for performance measurement and reporting.

It is perhaps most instructive to examine those components present in laws that make up the greatest proportion of states scoring well in *budgeting for performance*. For example, considering results from Table 3, it is reasonable to suggest that to be most successful with a performance based budgeting reform, legislation should at the very least specify the components included in laws of over half of the states in which performance budgeting is conducted well.

These components include:

- ✓ agency strategic plan links with budget
- ✓ performance measures link with agency strategic plan
- ✓ responsibility for developing the state strategic plan

- ✓ responsibility for developing performance measures
- ✓ types of measures
- ✓ frequency of performance information updates
- ✓ technical oversight of agency measures
- ✓ benchmarks and/or targets
- ✓ responsibility for measurement reporting
- ✓ role for citizens

It is also interesting that states with these successful PBB systems indicate law that sets forth responsibilities for developing a state strategic plan, for developing measures and for measurement reporting. And, it is interesting that a role(s) for citizens is a component of law in 70 percent of states where *budgeting for performance* is a strength whereas such a role(s) is a component of law in just 30 percent of states scored mid-level in performance budgeting and in no states scored weak in this form of budgeting.

Table 3: Components of PBB Law, by GPP Budgeting for Performance Group

Specified in PBB Law	2008 GPP Budgeting for Performance		
	Strength	Mid-Level	Weak
	n=10	n=20	n=8
State strategic plan links with budget	40%	20%	25%
Agency strategic plan links with state strategic plan	40%	35%	13%
Agency strategic plan links with budget	80%	40%	50%
Performance measures link with agency strategic plan	80%	75%	50%
Responsibility for state strategic plan	70%	35%	25%
Responsibility for developing performance measures	90%	80%	75%
Types of measures	100%	60%	50%
Frequency of performance information updates	90%	65%	63%
Technical oversight of agency measures	60%	45%	50%
Benchmarks and/or targets	70%	70%	75%
Responsibility for measurement reporting	70%	70%	63%
Incentives	20%	10%	0%
Sanctions	10%	10%	0%
Evaluation of measures and performance reports	20%	15%	0%
Role of citizens	70%	30%	0%

Table 4 presents our results of grouping states according to the 2008 GPP *budgeting for performance* scores, individual state PBB index scores and average indices by group. Average scores of the indices across groups do vary, usually in the suspected direction – average scores for integrating strategic planning throughout government decrease from 2.4 in strong states to 1.9 in mid-level states and 1.8 in weak ones. Average scores for the *Accountability* index that measures number of benchmarks, frequency of reporting and measurement oversight specifications increase just slightly from 3.0 in strong states to 3.1 in states scored as average or mid-level, and then decrease to 2.7 in states scored as weak in performance budgeting. Most distinctive, the average scores of the index, *Comprehensiveness*, that tallies the number of PBB components specified in law, decreases from 8.2 in strong states to 6.6 in states scored as mid-level, and then to 5.4 in weak states.

Examination of PBB indices of states scored strong in *budgeting for performance* is informative. These states, as a group, generate the largest average scores for both *Integration* and *Comprehensiveness*. Regarding the integration of strategic planning with the state, agencies, measures and the budget, Iowa is the only state in this group to indicate legal specification of all four components examined here:

- ✓ state strategic plan must link to budget
- ✓ agency strategic plan must link with state strategic plan
- ✓ agency strategic plan must link with budget
- ✓ performance measures must link with agency strategic plan

Four of these states have law specifying the first two components, that the state strategic plan must link to the budget and that agency plans must link to the state one; eight states in this group have law specifying the last two components, that agency plans must link with the budget and that performance measures must link with agency plans. Compared with states in the other two

Table 4: States with PBB Laws: GPP Budgeting for Performance Assessment and PBB Indices and Averages

State	Strategic Planning Integration	Accountability and Reporting	Comprehensiveness of PBB Law
<i>2008 GPP Budgeting for Performance Assessment</i>			
<i>Strength</i>			
Iowa	4	4	12
Louisiana	3	7	11
Missouri	3	4	10
Utah	1	1	6
Virginia	2	2	7
Washington	3	1	7
Texas	3	3	9
New Mexico	2	3	7
Oregon	1	0	5
Delaware	2	5	8
Average Scores:	2.40	3.00	8.20
<i>Mid-Level</i>			
Georgia	4	2	9
Kentucky	0	0	0
Maryland	3	4	9
Minnesota	1	2	4
Tennessee	2	7	10
Alabama	4	6	10
Alaska	3	5	10
Idaho	2	3	7
South Carolina	1	2	4
Indiana	0	1	2
Connecticut	0	0	0
Arizona	2	4	8
Nebraska	0	1	3
Florida	2	6	10
Nevada	2	3	5
Ohio	0	0	0
Wyoming	3	4	10
Wisconsin	1	2	5
Oklahoma	2	3	8
Vermont	2	1	4
Average Scores:	1.89	3.11	6.56
<i>Weak</i>			
Illinois	2	0	4
Mississippi	2	3	6
Colorado	1	3	7
Rhode Island	0	2	2
New Jersey	0	0	0
California	2	4	7
Montana	0	3	2
Hawaii	4	4	10
Average Scores:	1.83	2.71	5.43

groups of performance budgeting, just 20 percent of “strong” states have law that specifies one or none of the components that make up this index whereas 40 percent of “mid-level” states and half of the “weak” states have law specifying just one or none of the components related to strategic planning.

Assuming that legislation lays the foundation for policy change in states, these results suggest that budget law and what is specifically included in such law can help advance budgetary reform, in this case, performance based budgeting initiatives. Results from Table 3 indicate a number of components that are more likely to be found in PBB law of states that currently engage strong performance budgeting processes – these components cover state and agency strategic planning, measurement development and reporting, benchmarking and an allocation of responsibilities to government officials, staff and extending to citizens. Results from Table 4 indicate that states that do well in *budgeting for performance* have greater integration of strategic planning throughout the government than states with weaker *budgeting for performance* systems. Specifically, in these states, agency and state strategic plans are linked and both connect with the budget; measures link with agency plans and thus are inherently connected to the budget as well. States that do well in *budgeting for performance* are also much more likely than states not scoring as highly to have more components of PBB specified in law. Average scores of *Comprehensiveness* across groups is the most distinctive, decreasing from 8.2 for states strongest in performance budgeting to 5.4 for states weakest in performance budgeting. Finally, while states in the two top categories of budgeting for performance have similar average scores for *Accountability* (3.0 and 3.1), the average score for states scored weak in performance budgeting decreases to 2.7. This finding confirms both the weaker legislative foundation for PBB in states with the lowest scores for performance budgeting. Such results also suggest that

PBB laws, at the very least, are likely to include typical and technical components regarding measurement development, reporting and evaluation. That is, the *Accountability* index does not account for components regarding strategic planning, nor for specifications of responsibility or roles for citizens. These components are evident in higher proportions in states with higher scores for *budgeting for performance*.

Conclusion

Performance budgeting is understood here as falling somewhere between normative and descriptive theories of budgeting. It is normative given the focus on program results and/or the outcomes of government activities and a concentration on improving government performance. It involves valuative judgments regarding performance, improved performance, and results expected. On the other hand, it is descriptive given the emphasis on performance measurement development, benchmarking, and explicit connection between strategic plans with performance as measured (Rubin, 1990).

Legislation is considered here as a precursor to policy change in governments, in this case, in state governments and specific to budget reform. We examine performance based budgeting law in the states and find that 38 states currently have relevant legislation on the books. After scoring the laws in these 38 states for the specification of particular components understood to be vital to a PBB system, we developed several indices that measure strategic planning integration, the level of technical measurement, reporting, evaluation and oversight, and the comprehensiveness of law. We then compare these scores against those developed by the Government Performance Project that measure how well states are actually doing in terms of using performance information to make budgeting decisions.

Our results indicate that states in which budgeting for performance is strong have laws in place that specify good integration of strategic planning throughout the government by virtue of establishing linkages between and among state and agency plans, the budget and performance measures. These states also indicate stronger accountability in terms of specifying measurement, its evaluation, updating and reporting and the existence of incentives and/or sanctions. Finally, states scoring well in *budgeting for performance* by the GPP in 2008 indicate greater comprehensiveness of PBB law. These states, on average, have a greater number of components of a PBB system specified in law – and importantly, indicate a greater likelihood for the stipulation of responsibilities for establishing a state strategic plan and a role or roles for citizens in the budgeting and measurement process.

States that have proven records of strong performance budgeting systems, as measured by the GPP, have PBB law that can be characterized as comprehensive, integrative and accountable. States with weaker or nonexistent performance budgeting systems are less likely to indicate such robust law. These findings lend some credence to the propositions made earlier that legislation matters to policy change and that PBB law matters to budget reform success. Also, these results provide a roadmap to states considering developing new or amending old budget law in order to advance a performance and results orientation. State performance budgeting systems continue to evolve – we hope research such as this can help advance the budgeting processes and policy development in these governments and the legislation that supports it.

The authors thank Sarah Arnett, Ph.D., Public Policy candidate at Georgia State University and Andrew Baranoski, graduate research assistant at Binghamton University for their contributions to data collection and coding regarding this project. Their efforts on behalf of this research are very much appreciated.

References

- Behn, R. D. (2002). The Psychological Barriers to Performance Management. *Public Performance & Management Review*, 26(1), 5-25.
- Bourdeaux, C. (2006). Do Legislatures Matter in Budgetary Reform. *Public Budgeting & Finance*, 26(1), 120-142.
- Bourdeaux, C., & Chikoto, G. (2008). Legislative Influences on Performance Management Reform. *Public Administration Review*, 68(2), 253-265.
- Crain, M. W., & O'Roark, B. J. (2004). The impact of performance-based budgeting on state fiscal performance. *Economics of Governance*, 5(2), 167-186.
- Government Accountability Office. (2005). *Performance Budgeting: State Experiences Can Inform Federal Efforts* (No. GAO-05-215). Washington, DC.
- Government Performance Project. (2008). *Grading the States 2008*. Retrieved October 12, 2008, from http://www.pewcenteronthestates.org/gpp_report_card.aspx.
- Hatry, H. P. (1997). Where the Rubber Meets the Road: Performance Measurement for State and Local Public Agencies. In K. E. Newcomer (Ed.), *Using Performance Measurement to Improve Public and Nonprofit Programs: New Directions for Evaluation* (Vol. 75, pp. 31-44). San Francisco, CA: Jossey-Bass Publisher.
- Hatry, H. P. (2006). *Performance Measurement: Getting Results* (2nd ed.). Washington, D.C.: The Urban Institute Press.

- Jones, L. R., & McCaffery, J. L. (1997). Implementing the Chief Financial Officers Act and the Government Performance and Results Act in the Federal Government. *Public Budgeting & Finance*, 17, 35-55.
- Joyce, P. G. (2003). *Linking Performance and Budgeting: Opportunities in the Federal Budget Process*. Washington, DC: IBM Center for The Business of Government.
- Kelly, J. M., & Rivenbark, W. C. (2003). *Performance Budgeting for State and Local Government*. Armonk, NY: M.E. Sharpe, Inc.
- Lu, Y. (2007). Performance Budgeting: The Perspective of State Agencies. *Public Budgeting & Finance*, 27(4), 1-17.
- Lu, Y., & Willoughby, K. G. (2007). *Legislating Results: The Legal Foundations of State Leaders In Budgeting for Performance*. Paper presented at the annual conference of the Association for Budgeting and Financial Management, Washington, D.C.
- Majone, G., & Wildavsky, A. (1984). Implementation as Evolution. In J. L. Pressman & A. Wildavsky (Eds.), *Implementation* (pp. 163-180). Berkeley, CA: University of California Press.
- Mazmanian, D. A., & Sabatier, P. A. (1989). *Implementation and Public Policy*. Lanham, MD: University Press of America.
- McMurtry, V. A. (2005). *Performance Management and Budgeting in the Federal Government: Brief History and Recent Developments*. Retrieved. from.
- McNab, R. M., & Melese, F. (2003). Implementing the GPRA: Examining the Prospects for Performance Budgeting in the Federal Government. *Public Budgeting & Finance*, 23(2), 73-95.

- Meier, K. J., & McFarlane, D. R. (1996). Statutory Coherence and Policy Implementation: the Case of Family Planning. *Journal of Public Policy*, 15(3), 281-298.
- Melkers, J. E., & Willoughby, K. G. (1998). The State of the States: Performance-based Budgeting Requirements in 47 out of 50. *Public Administration Review*, 58(1), 66-73.
- Melkers, J. E., & Willoughby, K. G. (2004). *Staying the Course: The Use of Performance Measurement in State Governments*: IBM Center for the Business of Government.
- Melkers, J. E., & Willoughby, K. G. (2005). Models of Performance-Measurement Use in Local Governments: Understanding Budgeting, Communication, and Lasting Effects. *Public Administration Review*, 65(2), 180-190.
- Moynihan, D. P. (2006). Managing for Results in State Government: Evaluating a Decade of (Legislatures, 2008)Reform. *Public Administration Review*, 66(1), 77-89.
- Pressman, J. L., & Wildavsky, A. (1984). *Implementation: How Great Expectations in Washington Are Dashed in Oakland; Or, Why It's Amazing that Federal Programs Work at All, This Being a Saga of the Economic Development Administration as Told by Two Sympathetic Observers Who Seek to Build Morals on a Foundation*. Berkeley, CA: University of California Press.
- Rubin, I. S. (1990). Budgeting Theory and Budget Practice: How Good the Fit? *Public Administration Review*, 50 (2), 179-189.
- Wang, X. (2000). Performance Measurement in Budgeting: A Study of County Governments. *Public Budgeting & Finance*, 20(3), 102-118.
- Yang, K., & Hsieh, J. Y. (2007). Managerial Effectiveness of Government Performance Measurement: Testing a Middle-Range Model. *Public Administration Review*, 67(5), 861-879.