

Priorities and Performance Based Budgeting

Overview

Performance-based budgeting was started during the preparation of the FY2012/2013 budget. It was initially presented to the 2011 Legislature in what was known by most as the Priorities of Government (“POG”). While this first effort was not a key focus of the legislature during the session, the concept of moving towards performance-based budgeting was embraced by the public, legislature and Governor. This led to the passage of Assembly Bill 248 during the 2011 session. AB 248 requires the Budget Division to move forward with performance-based budgeting beginning with the establishment of core functions of state government.

The Priorities and Performance Based Budget (“PPBB”) is a response to AB248. In this process, we advance the activity-based budgeting that was introduced during the 2011 session. The Governor has directed the Budget Division to move forward with a PPBB in a manner that will provide increased accountability of state government. He has further directed that PPBB must accomplish the goal of improving transparency to decision makers and the public. Essentially, we must improve the process of identifying what services the state provides, demonstrating how we measure our effectiveness and providing clear results for evaluation.

The process of moving forward has involved significant and focused direction from the Governor. The Governor has identified four strategic priorities of his administration as follows:

- Sustainable and growing economy
- Educated and healthy citizenry
- Safe and livable communities
- Efficient and responsive state government

The Governor then involved his entire cabinet in the design of the structure and the development of Core Functions and objectives of state government. Objectives formed by the cabinet must directly advance one or more of the strategic priorities.

Top Down Approach

Starts with Core Functions and Objectives - The structure of Priorities and Performance Based Budgeting in the State of Nevada is a combination of a top down and a bottom up approach. The process started at the top by identifying the Core Functions of government. Once the Core Functions were established, objectives were identified for each. These objectives are high level initiatives the state seeks achieve.

Benchmarks used for High Level Measurements of Success - We firmly believe that objectives must be measurable. As a result, each objective has one or more benchmark measurement.

Benchmarks are very high level measurements of how well the state is doing at moving forward to achieve objectives. It is important to note that benchmarks often measure how well the state as a whole is doing – not just state government. These benchmarks measure progress that is not entirely controllable by government. *For example, while the overall crime rate is a benchmark for the Public Safety core function, the rate of criminal activity is only partially controlled by government efforts to improve public safety.*

Bottom Up Approach

Activities as Primary Building Block - Divisions and Departments created “activities” during the preparation of the Priorities of Government (POG). Since that process was completed in a very short time and under the general context as a budget reduction tool, it is important that we spend time and energy to re-evaluate the activities.

The central purpose of defining activities is to identify what services we provide and to compartmentalize them in a manner that is easy for decision makers and the public to understand. Activities are the central building block of performance-based budgeting. Therefore it is essential that we take care to separate our business functions into activities that can be distinctly measured and separated from other functions.

Activities tie to Objectives - After re-evaluation and change, as needed, activities will tie to objectives if possible. Activities that cannot directly tie to an established objective will be grouped into an “other” category. The tying of activities to established objectives of state government is one of the primary advancements in the PPBB budgeting process. By grouping activities through connection to objectives, we will accomplish the following:

First – Identify Activities across state government that are seeking to accomplish the same objective

Second – Generate synergies between Activities that may exist in different Departments

Third – Compare efficiency and effectiveness of Activities towards advancing the objective

Fourth – Identify inconsistency in performance measures for similar activities or activities that are tied to a common objective

Performance Measures used to Monitor Activities- While objectives will be measured using benchmarks, activities will be measured using performance measures. Up to three performance measures will be used for each activity to monitor its effectiveness at providing the service.

Activities are where the delivery of services can be discreetly measured. This is essentially “where the rubber meets the road”. Activities are directly within the control of state government. Performance measures will be a key means by which decision makers and the public can monitor whether resources applied are having the desired impact. Performance measures will establish expectations or “targets” for the upcoming biennium.