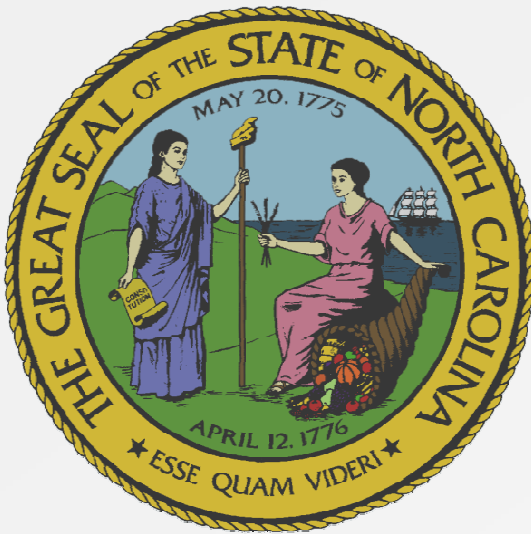




Office of State Budget and Management  
*Balancing Needs - Improving Government*



# Program Budgeting

Andy Willis, Director

Jonathan Womer

Office of State

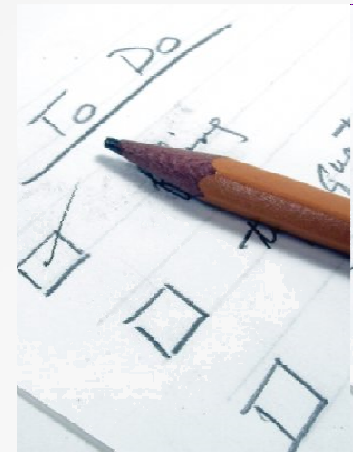
Budget and Management

LRC Efficiencies in State  
Government – December 2011



# Agenda

- I. **History of Executive Budgeting and Performance**
- II. What is Program Budgeting?
- III. OSBM and Program Budgeting





# History of Executive Budgeting and Performance

- 1999 – 10,000 measures
- 2001 – **OSBM Planning Office eliminated**
  - 25 percent of the analytic capacity
  - At the same time, the General Assembly also abolished existing requirements for performance information
- 2005 – OSBM conducts internal review
- 2006 – New State Budget Act requires some performance information
- 2007 – **Results Based Budgeting**: Governor's budget starts to add performance information
  - Agency wide: mission and goals
  - For each fund
    - Services (specific functions) with budget and FTE
    - Measures
- 2009 – Executive Order 3 – **Program Budgeting**



# History of Executive Budgeting and Performance

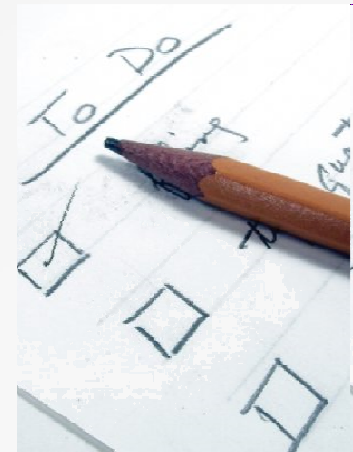
Governor's Executive Order 3 required:

- **Strategic plans** from Cabinet agencies including performance tracking of management functions
  - Many Cabinet agencies built plans for the first time in ten years
- Program level performance information to **assist with budget decisions**
  - Governor initiated an internal review of all programs in preparation of 2010 legislative session
- OSBM facilitation and **new budget system** automation



# Agenda

- I. History of Executive Budgeting and Performance
- II. What is Program Budgeting?**
- III. OSBM and Program Budgeting





# What is Program Budgeting?

National Association of State Budget Officers, *Budget Analyst Training*:

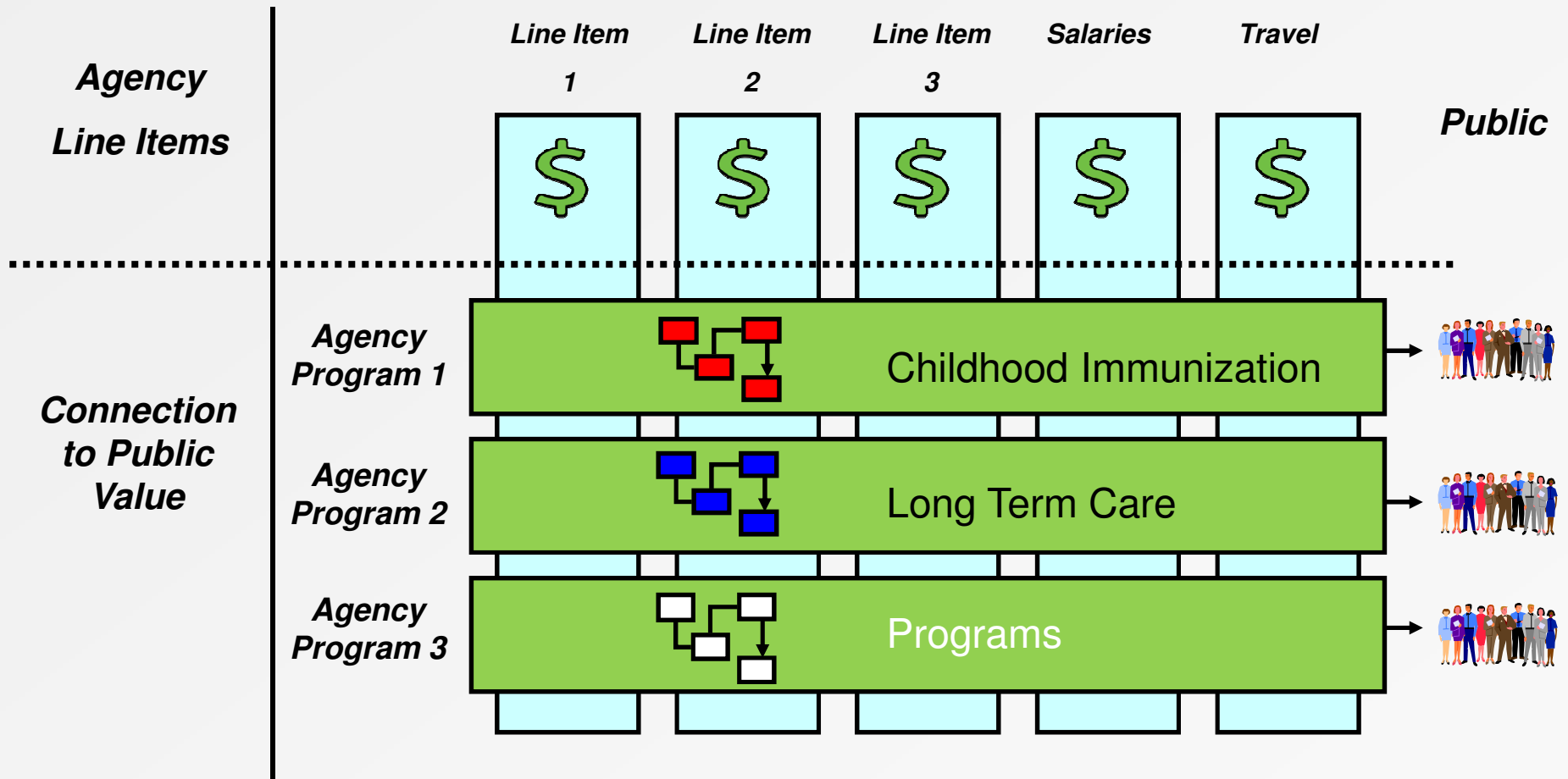
- **Line-Item Budgeting**: “focuses on what is to be purchased with funds” and directly controls expenditures
- **Program Budgeting**: “focuses on results of discrete programs . . . as opposed to inputs and processes.”

Requires:

- Defining programs
- Defining the goals and objectives,
- Strategies or performance measures to be used to determine whether the objective or goal is met.
- **Zero-Based Budgeting**: builds its programs, operations, and budget from zero to its optimum level.



# What is Program Budgeting?





# Agenda

- I. History of Executive Budgeting and Performance
- II. What is Program Budgeting?
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# OSBM and Program Budgeting

## Limitations of Budget Fund Structure

- Fund is a **legal and accounting “box”** of line items in which agencies have some discretion to achieve a purpose
- Funds often were created for accounting or budgetary reasons and were **not aligned with the programs**. For example:
  - Some programs cut across multiple funds, usually divided by source of funds (e.g. state versus federal) or recipient of the fund (e.g. aid to counties versus agency)
  - Larger funds contained multiple programs, often based on how funds were disbursed (aid to counties) as opposed to commonalities in the programs
- When fund structure is not aligned with programs it creates **limitations for analysis** and reporting. For example:
  - Decision-makers and the public can not easily find commonly recognized programs in one place in budget documents
  - Services and measures can repeat across funds
  - It is often difficult to establish meaningful performance measures at the fund level



# OSBM and Program Budgeting

## OSBM Direction on Program Budgeting

- Goal:
  - Establish a **statewide** framework for directly **connecting programs to budget and results** in a way that facilitates the continual evaluation of programs in order to **inform resource allocation and management decisions**
- Major steps for implementation:
  - **Define agency programs and map agency budgets to those programs in an automated way**
  - Collect program information and **performance data**
  - Establish **process for reviewing** and continually improving data
  - Adopt processes to utilize program information and data in the **decision-making** process
- Constraint: No major changes to budget/fund structure



# OSBM and Program Budgeting

## Integrated Budget Information System (IBIS):

- Phase 1: will deploy Spring 2012
- Phase 2: Fall 2012
- Will allow:
  - Storage of all program level data
  - Automatic mapping of **programs to budget** structure
  - Transactions and **analysis by program** as well as budget structure
- **Collect** program information and measures from agencies: Summer 2012
- **Analyze** program information as part of budget development: Fall 2012
- **Publish** program information: Winter 2013

