North Dakota Legislative Council
Prepared for the Legislative Task Force on Government Efficiency
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PERFORMANCE MEASURES - HISTORY OF USE IN NORTH DAKOTA STATE GOVERNMENT

This memorandum summarizes the development and reporting of performance measurement data by state agencies and the historical use of the data by the Legislative Assembly to assess the success and performance of state agencies and their programs.

1993-94 INTERIM

Primarily due to a national government accounting trend at the time, the 1993-94 Budget Section requested that the Office of Management and Budget (OMB) ask all agencies to include, to the extent possible, service efforts and accomplishments in their 1995-97 budget request forms and that this information be used to support the executive budget. Service efforts and accomplishments are measures used to evaluate agency performance. The OMB developed statewide goals, objectives, and strategies and chose the following agencies to be involved in a program-based performance budgeting pilot project involving service efforts and accomplishments for the 1995-97 biennium:

1. OMB, including the Information Services Division and the Central Services Division;
2. State Auditor;
3. Board of University and School Lands;
4. Department of Human Services - Aging Services and Vocational Rehabilitation Divisions;
5. Insurance Department;
6. Securities Commissioner;
7. Highway Patrol;
8. Department of Corrections and Rehabilitation - Parole and Probation Division;
9. Department of Economic Development and Finance;
10. Department of Tourism;
11. Parks and Recreation Department; and
12. Department of Transportation (DOT).

Budget requests for these pilot agencies included information in support of meeting statewide and agency goals, objectives, and strategies. Each major program of an agency had specific goals, objectives, and strategies as well as related performance measures. The performance measures included outcome, output, efficiency, effectiveness, and explanatory measures. Examples of the service efforts and accomplishments for OMB and the State Auditor for the 1995-97 biennium are attached as Appendix A.

1995 LEGISLATIVE ASSEMBLY

Senate Bill 2015 (1995) included a section of legislative intent regarding the performance budgeting pilot project. The section provided OMB continue the pilot project for the 12 agencies through the 1997-99 biennium and that the agencies report periodically to the Budget Section regarding:

- Actual to planned expenditures; and
- Actual to planned outcome, output, efficiency, and effectiveness measures.

1995-96 INTERIM

As part of the performance budgeting pilot project, OMB began preparing a *North Dakota Delivers* report showing actual performance results to the targets developed for each agency. Examples of the performance reports for OMB and the State Auditor for fiscal year 1996 are attached as Appendix B.

After receiving and reviewing the performance reports from OMB, the 1995-96 Budget Section asked OMB to continue the pilot project for 7 of the 12 agencies for the 1997-99 biennium. Those agencies were:

1. OMB, including the Information Services Division and the Central Services Division;
2. State Auditor;
3. Board of University and School Lands;
4. Highway Patrol;
5. Department of Corrections and Rehabilitation - Parole and Probation Division;
6. Parks and Recreation Department; and
7. DOT.

The Budget Section also recommended the 1997 Legislative Assembly review the performance budgeting pilot project and determine if the project should continue.

1997 LEGISLATIVE ASSEMBLY

The 1997 Legislative Assembly approved House Concurrent Resolution 3045, which directed a study of the current budget process, the results of the program-based performance budgeting pilot project, budget reforms in other states, and the feasibility of developing a legislative budget.

1997-98 INTERIM

The 1997-98 interim Budget Committee on Government Finance, as part of the study directed in House Concurrent Resolution 3045 (1997), reviewed the history of program-based performance budgeting in North Dakota and other states and recommended that if the pilot project continue, the Appropriations Committees should review agencies' performance and create, with agencies' input, performance measures for those agencies. The committee recommended Senate Bill 2031 (1999), which was not approved by the Legislative Assembly. The bill primarily provided for the creation of a process to develop legislative budget recommendations during the interim and included a section indicating that a goal of the budgeting process is to include historic and anticipated agency performance as supporting information for budget recommendations.

1999 LEGISLATIVE ASSEMBLY

The Legislative Assembly, in Senate Bill 2015 (1999), directed OMB to discontinue the program-based performance budgeting pilot project when preparing the 2001-03 executive budget.

2001 LEGISLATIVE ASSEMBLY

No action regarding performance budgeting.

2003 LEGISLATIVE ASSEMBLY

The Legislative Assembly approved House Bill 1497 (2003) providing for a Legislative Council study of state government performance and accountability practices.

2003-04 INTERIM

The 2003-04 interim Government Performance and Accountability Committee studied state government performance and accountability practices. As part of the study, the committee reviewed the history of the program-based performance budgeting pilot project. The committee learned the primary reasons the Legislative Assembly chose to discontinue the pilot project included:

1. The system focused too much on detailed inputs and outputs of agency programs, rather than outcomes or results;
2. The detailed performance budgeting information required more time to analyze than was available during a legislative session; and
3. The performance measures were selected by agencies with little input from legislators.

The committee reviewed performance reporting efforts still being done by state agencies and learned OMB planned to continue to incorporate state agency performance measure data in agency budget requests; however, the information would be limited. The committee also reviewed national reports on government performance and accountability, reviewed other states' use of performance measure data, and received testimony from national organizations and other states on the topic.

The committee recommended House Bill 1035 (2005), to:

- Create a government performance and accountability system;
- Establish a statutory government performance and accountability committee;
- Provide the committee be assisted by the Legislative Council staff;
- Provide OMB implement the system for executive branch agencies;
- Require each agency to prepare an annual performance report;
- Provide the State Auditor review select agency performance measures;
- Allow for incentives and reviews for agencies based on their performance;
- Require performance measure data be included in agency budget requests; and
- Add funding and 3 full-time equivalent positions for OMB, the State Auditor, and the Legislative Council.

A copy of the bill, as introduced to the 2005 Legislative Assembly, is attached as Appendix C.

2005 LEGISLATIVE ASSEMBLY

The OMB, in the development of the 2005-07 biennium executive budget, requested all agencies to include performance measure data in their budget requests. The OMB compiled the performance measure data into a performance measure report provided to the Legislative Assembly. Examples of the performance measure data submitted by the Highway Patrol and DOT are attached as Appendix D.

The 2005 Legislative Assembly created four divisions of House Appropriations rather than the traditional three divisions. The fourth division was the Government Performance Division. The division was to focus on agency performance in the development of its assigned agency budgets.

The Legislative Assembly considered House Bill 1035 (2005), recommended by the interim Government Performance and Accountability Committee. The bill was substantially amended and approved. The enrolled bill directed the Legislative Council to assign an interim legislative committee to establish a government performance and accountability system pilot project involving up to three executive branch agencies during the 2005-06 interim. A copy of the bill, as approved, is attached as Appendix E.

2005-06 INTERIM

The interim Budget Committee on Government Services was assigned the responsibility to establish a government performance and accountability system pilot project. The committee, based on suggestions from OMB, selected the Highway Patrol, the Parks and Recreation Department, and DOT as participants in the government performance and accountability system pilot project. The committee did not make any recommendations regarding the pilot project to the 2007 Legislative Assembly.

2007-09 THROUGH 2015-17 BIENNIUMS

Legislative involvement with performance measures was minimal after the 2005-06 interim. Causes that may have contributed to the discontinuation of legislative use of performance measure data include:

1. The performance data was often too detailed and too abstract for use in legislative decisionmaking.
2. Sufficient time was not available during legislative sessions to adequately analyze and evaluate the performance data.
3. Actual performance data was not reported for periods that aligned with legislative sessions (actual data was not yet available for the current year and data from the previous year was considered outdated during legislative sessions).
4. It was unclear how to respond budgetarily to the performance data. If an agency didn't meet its target, should funding be increased or decreased?
5. The legislative branch had minimal input in the selection of the performance measures or the performance goals or targets.

The OMB continued to request that agencies include performance measure data in their budget requests and OMB made available its performance measure report to the Legislative Assembly through the 2015-17 executive budget. The performance data submitted varied significantly by agency. Legislators may have considered the information as part of their work on agency budgets, but there was no formal process for legislative review of the data. Appendix F provides examples of the performance data submitted by the Highway Patrol and DOT for the 2007-09 biennium. Appendix G provides examples of the performance data submitted by the Highway Patrol and DOT for the 2015-17 biennium.

2017-19 THOUGH 2025-27 BIENNIUMS

The OMB has continued to include areas in the agency budget request forms for agencies to provide information on their goals and objectives, performance measures, major accomplishments, and statistical data. Overall, the performance data is general, limited, and varies significantly by agency. Legislators may consider the information as part of their work on agency budgets, but there is no formal process for legislative review of the data. Appendix H provides examples of the performance data submitted by the Highway Patrol and DOT for the 2025-27 biennium.

ATTACH:8