



Government Finance Officers Association

Recommended Practice

Performance Management: Using Performance Measurement for Decision Making (2002 and 2007) (BUDGET)

Background. A key responsibility of state and local governments is to develop and manage programs, services, and their related resources as efficiently and effectively as possible and to communicate the results of these efforts to the stakeholders. Performance measurement when linked to the budget and strategic planning process can assess accomplishments on an organization-wide basis. When used in the long-term planning and goal setting process and linked to the entity's mission, goals, and objectives, meaningful performance measurements can assist government officials and citizens in identifying financial and program results, evaluating past resource decisions, and facilitating qualitative improvements in future decisions regarding resource allocation and service delivery.

Recommendation. The Government Finance Officers Association (GFOA) recommends that program and service performance measures be developed and used as an important component of long term strategic planning and decision making which should be linked to governmental budgeting. Performance measures should:

- be based on program goals and objectives that tie to a statement of program mission or purpose;
- measure program outcomes;
- provide for resource allocation comparisons over time;
- measure efficiency and effectiveness for continuous improvement;
- be verifiable, understandable, and timely;
- be consistent throughout the strategic plan, budget, accounting and reporting systems and to the extent practical, be consistent over time;
- be reported internally and externally;
- be monitored and used in managerial decision-making processes;
- be limited to a number and degree of complexity that can provide an efficient and meaningful way to assess the effectiveness and efficiency of key programs; and
- be designed in such a way to motivate staff at all levels to contribute toward organizational improvement.

GFOA encourages all governments to utilize performance measures as an integral part of the budget process. Over time, performance measures should be used to report on the outputs and outcomes of each program and should be related to the mission, goals and objectives of each department. Governments in the early stages of incorporating performance measures into their budget process should strive to:

- develop a mission statement for government and its service delivery units by evaluating the needs of the community;
- develop its service delivery units in terms of programs;

- identify goals, short- and long-term, that contribute to the attainment of the mission;
- identify program goals and objectives that are specific in timeframe and measurable to accomplish goals;
- identify and track performance measures for a manageable number of services within programs;
- identify program inputs in the budgeting process that address the amount of resources allocated to each program;
- identify program outputs in the budgeting process that address the amount of service units produced;
- identify program efficiencies in the budgeting process that address the cost of providing a unit of service;
- identify program outcomes in the budgeting process that address the extent to which the goals of the program have been accomplished;
- take steps to ensure that the entire organization is receptive to evaluation of performance;
- integrate performance measurements into the budget that at a minimum contains by program the goals and input, output, efficiency and outcome measures; and
- calculate costs and document changes that occur as a direct result of the performance management program in order to review the effectiveness it.

As governments gain experience, they are encouraged to develop more detailed information and use a variety of performance measures to report on program outcomes. These measures should be linked to the goals of the programs and the missions and priorities of the organization. Governments should:

- ensure that the benefits of establishing and using performance measures exceed the resources required to establish performance measures;
- develop multiyear series of efficiency indicators to measure the efficiency of service delivery within programs;
- develop multiyear series of quality or outcome indicators to measure the effectiveness of service delivery (are accomplishments being met?) within programs;
- develop a mechanism to cost government services;
- analyze the implications of using particular measures for decision making and accountability;
- use customer or resident satisfaction surveys;
- adopt common definitions of key efficiency and effectiveness performance measures to allow intergovernmental comparisons;
- develop, measure, and monitor more detailed information within programs;
- develop common or improved approaches to utilization of financial and non-financial performance measures in making and evaluating decisions;
- use community condition measures to assess resident needs that may not be addressed by current programs;
- develop and periodically review supportable targets for each performance measure;
- evaluate the data to use in long term resource allocation and budget decisions for continuous improvement; and
- utilize performance information in resource allocation decisions and report the efficiency, effectiveness, and the extent to which the program goals have been accomplished.

It is important that management satisfy itself that the performance measures used are reliable.

In the final analysis, GFOA recognizes that the value of any performance measurement program is derived through positive behavioral change. Stakeholders at all levels must embrace the concept of

continuous improvement and be willing to be measured against objective expectations. GFOA urges governments to recognize that establishing a receptive climate for performance measurement is as important as the measurements themselves.

References

- Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting, NACSLB, 1998.
- Recommended Budget Practices CD-ROM, NACSLB, 1998.
- NACSLB's recommended practices located on GFOA's Web site at <http://www.gfoa.org>
- Research Report—The Use of Performance Measures in City and County Governments, Patricia Tigue and Dennis Strachota, GFOA, 1994.
- Implementing Performance Measurement in Government: Illustrations and Resources, Joni Leithe, GFOA, 1997.
- GFOA Performance Management Initiative Adopted by Executive Board, March 2001.

Approved by the GFOA's Executive Board on March 2, 2007.