

Use of Performance Measurement and Performance-based Budgeting Concepts by Florida Sheriffs

Charles H. (Chuck) Howell

Abstract

With public opinion of government at an all time low, most public officials are struggling to convince constituents that they are good managers and are to be trusted with scarce tax dollars. Taxpayers are angry and often cynical. They are not tied to the status quo. They want results. One way government managers can overcome many of their credibility problems is through greater use of modern performance measurement concepts.

Unlike the traditional line-item budget approach, performance-based budgeting focuses on "outcomes," rather than "inputs" of money, equipment, or personnel. This new approach can help better define acceptable standards of operational efficiency and effectiveness, the "bottom line" of government accountability.

The objective of this research was to determine if financial administrators within Florida sheriffs' offices were familiar with performance measurement and performance-based budgeting concepts, and if these concepts were in use at the local level. A survey revealed that over 80% of the respondents have been exposed to the concepts, yet it is clear that performance measurement has not "caught on" in Florida sheriffs' operations, and no significant movement is underway to move away from the traditional line-item budget approach.

Introduction

Public officials are scrambling today to improve all aspects of their performance and looking for better ways to communicate with their constituents. Many officials face the difficult task of convincing a better informed and increasingly more cynical electorate that government is well-managed and to be trusted with scarce tax dollars.

In the Spring of 1994, the Florida Legislature's Committee on Employee & Management and Government Relations (Bill #CS/HB 2497) took note of the growing problem of government credibility. Their target was: how to heighten public accountability. Their focus was soon directed at the state's traditional line-item budgeting process, a familiar form of budgeting which many feel is an inadequate barometer of how public agencies are performing (p.14). The line-item budget, critics said, encourages managers to concentrate on inputs and ignore outcomes.

Other criticisms are that line-item budgets also limit a manager's flexibility to move resources in response to changing needs, and obscures the actual costs of programs. Another criticism is that once a program is funded, it is most often funded year after year whether or not the mission is accomplished or the service is no longer needed.

The Committee also noted that both the National Academy of Public Administration and the American Society for Public Administration had recently adopted resolutions strongly recommending that all government entities monitor program outcomes and quality in order to improve the performance and credibility of public programs. The position of these two organizations was stated as follows:

Use of performance measurement is still the exception rather than the norm in American government organizations. Most reports on government

operations focus on expenditures, activity counts, or numbers served. Few provide timely information on program effectiveness and efficiency. Thus, there is great potential to improve performance, accountability, and responsiveness by implementing systematic performance measurement, monitoring, and reporting and by integrating performance information into regular policy and management processes. (pp. 3-4)

After much debate the legislation was passed. Reporting requirements will be phased in over a period of seven years. The Department of Revenue will be the first agency to submit performance information (1995-96 budget) under this legislation.

There is a high level of interest in government reform at all levels. Terms such as "reinventing government," "right-sizing," "business process engineering," etc., are part of the reform movement (Linden, 1993). These efforts call for a revolutionary way of looking at performance. The emphasis shifts from an input orientation to one of measuring results.

Behn (1994) says the challenge of public management is to begin producing results (p. 74). Likewise, Rossello (1994) challenges governments who desire to become more performance-oriented, to commit to "an ongoing program of improvement, and focus on enhancing quality and reducing costs" (p. 41). He also recommends using the best private and public organizations as benchmarks to compare operating performance. Benchmarking may reveal how high-performing organizations realize greater efficiency or higher quality using new and innovative processes, methods, or technology.

Most governments have plenty of information about the activity levels of their various functions, but much of this information is not really useful. Rossello states, "In actuality, most activity data have little to do with performance. Activity measures may reflect a department's workload, and perhaps even the demand for its services, but they do not usually tell us much about actual performance" (p. 41).

According to Grifel (1994), the difficulty most public administrators will face is not in developing appropriate and reliable program performance measures, but in finding ways to successfully integrate these measures into the management and operation decision-making systems of the organization. That is not to say that traditional information will be adequate for performance measurements. New and revised measures will likely be necessary. The importance of proper measurements was stated by Singleton-Green, "Organizations are changing, without any doubt. One of the key elements to that is that you have to change your measures, because of the old adage, "you get what you measure."

A performance measurement system should not be viewed as a substitute for the decision-making process, but when astutely designed and currently maintained it can help elected officials and administrators make better decisions (Fernandes, 1987).

The Performance Measurement Reform Movement

Performance measurement and performance-based budgeting concepts are not new. These concepts were around long before "Planning-Programming-Budgeting" (1960's), "Zero-Based Budgeting" (1970's), and "Management By Objectives (1980's).

Performance measurement was a hotly debated topic within the federal government as early as 1949. In that year, the Hoover Commission recommended that more performance data be integrated into the federal budgeting process (Walters, 1994).

The most recent chapter in federal budget reform emerged as a hot political issue during the recent political campaign of President Clinton and Vice President Gore. It is noteworthy that the Office of Management and Budget, under pressure from the U.S. Congress, recently incorporated performance measurement requirements in annual audit standards of federal agencies (Jones & McCaffery, 1993).

A host of state governments, including such diverse jurisdictions as Arkansas, Connecticut, Florida, Hawaii, Idaho, Iowa, Louisiana, Maine, Minnesota, North Carolina, Ohio, Oregon and Texas also purport to be pursuing performance-based budgeting. The idea is catching on at the local level: Charlotte, North Carolina; Dayton, Ohio; Portland, Oregon; St. Petersburg, Florida; and Sunnyvale, California. Austin, Phoenix, Indianapolis, and even New York City have budget reform movements underway. In Florida, Palm Beach County is known to have an excellent performance-based budgeting system in place.

Opposition to Performance Measurement

Clearly performance measurement and performance-based budgeting have limitations. No one approach can solve all budgeting problems and meet everyone's expectations for accountability. Some critics say performance-based systems are fatally flawed (Walters, 1994).

Critics note that many supervisors and other decision-makers are not comfortable with numbers, and would rather rely on subjective assessment of quality and performance. Others point to the difficulty in measuring outcomes, especially those government efforts aimed at programs like early childhood development and economic development, where results may be long-coming and very difficult to measure with any precision. They also say that even when it is possible, such measurements are often very expensive and time consuming.

According to Walters (1994), some opponents have a strong bias against performance measurement because it is a system based on statistical accountability. He suggests that agency heads and managers will be tempted to "cook the numbers," or at least try to use measurements which are complimentary.

In his criticism, Walters (p. 33-35) also refers to Aaron Wildavsky's classic text on federal budgeting, The Politics of the Budgetary Process. Perhaps the most basic and serious problem with performance-based budgeting, in Wildavsky's view, is that budgeting is an inherently political process. Since it is impossible to take the politics out of budgeting, the implication is that politics, rather than performance, is more likely to be the primary determinant in program funding decisions.

Measuring Government Performance

In the private sector, the year-end balance sheet and income statement readily shows how successful a company's operation has been. Government has no such bottom line. How should government success or failure be measured? Most feel that government success or failure centers around essentially two questions:

1. Was the government operation effective in meeting its mission?

2. Were governmental functions efficiently managed?

Subjective analysis of government performance is the cornerstone of our political process, and a vital part of governmental budgeting. However, it is also important that, whenever practical, an agency's annual goals and objectives should be quantified and benchmarked against appropriate standards. This requires proper measurement tools. In this discussion, these tools are referred to as performance indicators, i.e., the building blocks of modern performance measurement systems.

May-Smith/Ruther (1986) defines performance indicators in general terms as measures of quantity, quality, time, and cost. They note that agencies who use performance-based budgeting processes usually identify, monitor and assess performance indicators for each organization goal and each unit goal. Duquette and Stowe (1992) added the following general definitions (p. 19-20):

Performance indicators

1. Inputs - the resources put into the program to achieve its intended results
2. Outputs - the number of goods or services produced or provided by the program
3. Outcomes - the quantity of direct results which resulted in achievement of the program's goals
4. Impact - the degree of achievement of the program's goals
5. Significance - the trend in achievement of the program's goals and mission over time

Performance measures

1. Efficiency measures - the ratio of inputs to outputs
2. Effectiveness measures - the ratio of outputs to outcome, which seeks to measure achievement of goals through outputs and outcomes
3. Relevance measures - the ratio of program outcomes to program impact
4. Sustainability measures - the measure of the endurance of program benefits over time

Output is generally derived from output indicators, by measuring quantity of goods or services provided. Quantity is usually measured in volume, or quantity of items produced, such as arrests made, calls handled, etc. Outputs can also be measured in dollars expended by the activity, function, department, or program (May-Smith/Ruther, 1986).

Outcome indicators are more difficult to measure. Outcome indicators are used to measure results achieved. Among the factors measured are: timeliness, quality, delivery, and price (or cost) to the customer/user.

Efficiency measures are used to calculate the ratio of inputs to outputs, or the unit cost. An example might be the dollars spent divided by the number of burglaries solved, arrests made, meals served, or inmates housed.

Effectiveness measures are used to test the relationship between output and outcome. It is a measurement of what was achieved with the resources available. Duquette and Stowe (1992) define effectiveness measures as, "quantitative expressions about the achievement of objectives through achievement of targets" (p. 20).

Research Project

A requirement of the Florida Criminal Justice Executive Institute's Senior Leadership Program is that each participant conduct a research project pertaining to a topic of future significance to Florida's criminal justice system and to the participant's local agency. The information gained from this research should be valuable to law enforcement officials as they attempt to find better ways of defending their annual requests for appropriation.

This information could also be of value to the Polk County Sheriff should the Polk County Commission someday request constitutional officers to join with the county in submitting performance measures as part of the annual budget request. Polk County currently has such a requirement for divisions and agencies reporting to the county administrator.

The primary objective of this research was to determine if financial administrators in Florida sheriffs' offices were familiar with performance measurement and performance-based budgeting concepts, and if they regularly use these concepts in operational reporting and budgeting processes. A survey of the 67 county sheriffs' offices was conducted in pursuit of these objectives.

Data collected included the number of certified/sworn officers, total number of employees, and total annual budget. Of special interest was whether performance measurement was being used in operational management.

Survey Response

A total of 51 responses was received from a total of 67 sheriffs. This response was considered to be an adequate representation of Florida sheriffs' offices, and results were considered adequate to properly measure the overall exposure of the intended respondents to modern performance measurement and performance-based budgeting concepts.

A large majority (82.4%) of respondents have had some exposure to performance-based budgeting. About one-fifth (19.6%) of the respondents had received some training in the subject matter. Of the five respondents who say they have not heard or read about performance-based budgeting, all were from small offices with fewer than 150 employees and annual budgets of less than \$5 million.

Only three respondents reported experience in developing performance measures. Of these, the sheriff's office fiscal services administrator or the county's fiscal agent was the individual most likely to have initiated the process.

None of the respondents have adopted a performance-based system as their primary budget format. However, four respondents say they are currently using performance measures to supplement their traditional budget presentation. Of these four respondents, two are from large sheriffs' offices with 2,000 employees or more with annual budgets over \$100 million. The other two respondents in this group were from medium size offices with less than 300 employees and annual budgets of less than \$20 million.

Five respondents said they planned to adopt performance-based budgeting at some time in the future. None of these respondents report that they are currently using performance measures to evaluate and appraise management effectiveness.

A large majority (74.5%) say they would not support making performance-based budgeting a reporting requirement of state and local agencies. Originally, 9 of 51 respondents (17.6%) said they would support making performance-based budgeting a reporting requirement of state and local agencies. However, follow-up telephone interviews of five of these respondents revealed the following:

- a) Two respondents said they misunderstood the question and asked that their responses be changed accordingly.
- b) Three respondents said they "fully support making performance-based budgeting a requirement of sheriffs' offices." Reasons included: (1) "We need to be more accountable, and more county commissioners now understand and want quantitative data about the budget request," and, (2) "We are not likely to ever voluntarily provide the county commission with performance measures for which we are willing to be held accountable."

The remaining seven respondents (13.7 %) expressing support mandatory reporting of performance data represent a good cross section of Florida sheriffs' operations:

<u>No. of employees</u>	<u>Annual budget</u>
48	1.2 million
75	3.0
200	8.2
208	8.5
228	9.4
809	36.0
1,041	47.0
1,844	95.7

Thirty-six respondents (70.5%) report they are "satisfied" with the quality, quantity, and timeliness of operational and budgetary information presently available within their agencies and are not contemplating making changes. Thirteen respondents (25.5%) report dissatisfaction with their operational and budgetary information, and are contemplating making changes to their systems.

Likewise, the thirteen respondents (25.5%) who say they are dissatisfied with their current operational and budgetary information, and are contemplating making changes to their systems also represent a cross section of Florida sheriffs.

The breakdown of this group is as follows:

<u>No. of employees</u>	<u>Annual budget</u> <u>(millions)</u>	<u>No. of employees</u>	<u>Annual budget</u> <u>(millions)</u>
45	1.9	737	40.0
75	3.0	755	33.1
102	4.1	809	36.0
172	8.0	1,041	47.0
208	8.5	2,681	137.2
275	12.3	4,137	259.1

Conclusions

While a significant majority (82.4%) of sheriffs' financial administrators are familiar with performance measurement and performance-based budgeting concepts, there is little evidence that these concepts are in use in any significant way within Florida sheriffs' operations. Furthermore, while a few respondents report being involved with their county in local government reform efforts, there seems to be no significant budget reform movement underway among Florida sheriffs as a whole.

The high approval rate (70.5%) for existing operational and budgeting information systems is not unexpected, yet is troubling. If this means that Florida sheriffs consider themselves less vulnerable to increasing public demand for better information regarding how government money is spent, they could be ill-prepared to cope in an era of increased accountability.

Recommendations

The degree to which sheriffs are willing to provide measurable goals and objectives in support of their annual budget request was not addressed in this study. This question should be addressed as a future research topic.

If sheriffs are to successfully compete for their share of public resources, they must be as prepared as other agency heads to present and defend their annual budget request. For this reason, and considering the interest in budget reform at the state level, and to a limited extent within some counties, it is recommended that sheriffs and their senior managers be provided specific training in the benefits of performance measurement and performance-based budgeting concepts. This training role could be assumed by the Florida Department of Law Enforcement, the Florida Sheriff's Association, or other organization.

In these turbulent times, sheriffs should take a close look at the condition of their existing management and budgeting information systems to determine if the data being reported is relevant and cost-effective. Data that is not being used to make decisions should not be compiled and reported. Likewise, data that can be used to measure program effectiveness and efficiency and enhance the annual budget request should be accentuated and used in reports to constituents, the county commission, internal staffs, and the annual budget presentation. Greater use of performance measurement and outcome-based budgeting concepts could be a major step toward restoration of public confidence in government.

Chuck Howell recently left his position as Director of the Fiscal Services Division of the Polk County Sheriff's Office to take an executive position with a large corporation in Polk County. His professional experience includes fiscal work with accounting firms as well as executive positions with Reynolds Metal Company and the Tennessee Valley Authority. His interests include planning and budgeting for non-financial executives, performance measurement and program budgeting, quality issues in the public sector, and the effective presentation of financial information. Chuck has a Bachelors degree in Accounting from the University of North Alabama, and a Masters of Business Administration from the University of Mississippi.

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