Guidance on Performance Measure Management

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Performance measurement is an integral part of agency and statewide planning and budgeting structures, evaluation and decision-making processes, and accountability systems. As such, it requires close, consistent, and coordinated attention to maintain its integrity and usefulness over time.

These guidelines were developed for use by state agencies under the direction of the Governor’s Office, and are also recommended for colleges, universities, courts, and quasi-state and independent agencies.

These guidelines are effective for performance measures reported after December 31, 2007 but earlier implementation is encouraged.

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What is the Purpose of this Guide?

This Guide has been developed primarily to help agencies gain an overall understanding of performance measurement efforts. The purpose of this document is to:

1. articulate the different roles and expectations of the entities that request performance information (Governor’s Office of Planning and Budget (GOPB), Legislative Fiscal Analyst (LFA), and State Auditor’s Office (SAO),
2. explain the uses of performance information,
3. provide guidance and technical assistance on the development of performance information, and
4. reduce / eliminate redundancy of agency efforts to develop performance information.

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THE ROLE OF PERFORMANCE MEASURES

Performance measures serve several purposes:

- They are part of each agency’s strategic plan, indicating how progress toward agency goals and objectives is measured.
- They are used by decision-makers when allocating resources and determining appropriation levels.
- They are intended to help focus agency efforts on achieving priority goals and to inform the public about the efforts of their government.
- They are monitoring tools to help guide government and make it accountable to the taxpayer.
- Though most performance measures are designed to measure performance for a given objective based on the law, objectives and performance measures are also highly recommended for serving and assisting the applicable client and/or public.

Expectations of the Governor and the Legislature for Agency Management’s Involvement with Performance Measures

The Governor’s expectation is that an agency’s executive-level management is meaningfully involved in developing, monitoring, and using performance measures in the following ways:

- Management will determine the key factors that influence the agency’s primary performance areas. The significance of these factors will be clearly communicated in the agency’s documented strategic plan and budget appropriation requests. Management will be involved in determining the agency’s key performance measures reported to GOPB and LFA and non-key measures and accomplishments used by agency personnel. The agency will revise the measures as necessary.
- Management will ensure that an effective performance monitoring and evaluation system is developed by the agency. This includes instituting all necessary processes to ensure that performance measure information is accurately calculated and documented.
- Achievement of performance targets will be among an agency’s highest priorities. Negative agency variances from performance targets will be promptly identified and addressed.
- Management will incorporate performance information in day-to-day agency decision making to monitor operations and to determine if the agency is achieving expected results. This information will also be used to formulate the agency’s budget requests and to allocate resources.

Importance of Performance Measures to Agency Management

Performance measurement serves a number of external as well as internal agency purposes. Performance measures are integrated into the State’s external accountability and fiscal decision-making systems. Successful agencies are also able to use performance information to effectively and efficiently manage their operations. Agency governing boards and managers are strongly encouraged to use performance measurement as an integral part of their strategic and operational management of agencies.

Performance measures are developed as part of the strategic planning process and should flow from the agency’s mission and objectives (based on statute), strategies, and goals with an emphasis on serving the agency’s customers. Agencies should carefully review performance measures to determine if they logically relate to the other elements of the strategic plan and provide customer focus.

Performance measures also provide an opportunity to forecast outcome performance. Hence, performance measures serve as a basis for planning future agency actions. In the preparation of their measures, agencies have an opportunity to show linkages between performance and funding. These metrics inform decision-makers (such as the Governor and the Legislature) of internal processes and help establish cause-and-effect relationships between performance, agency actions, and funding.
The Governor and the Legislature expect agencies to focus on performance. Agencies are held accountable for negative performance variances. Funding decisions are influenced by agencies’ previously projected and actual performance.

Performance measures can also be used by agencies for a variety of other purposes to improve agency operations and communications. Improvements in management controls over performance measurement produce better management information for the agency. Successful performance management practices have shown that performance measures can be used to:

- Operationalize the strategic plan through action plans, operational plans, implementation plans, and business plans;
- Operationalize legislative appropriations through the budget;
- Periodically reassess agency progress in achieving strategic and operational goals and objectives through review of actual performance and expenditures;
- Evaluate agency staff performance;
- Develop and refine agency rules, policies, and procedures;
- Formulate results-oriented contract provisions with subcontractors, vendors, and grantees; and
- Communicate with agency employees, customers, and other stakeholders.

During legislative committee meetings, agencies may be asked to explain performance measure management. Performance measure management and reported data may also be subject to audit.

**CHARACTERISTICS OF A GOOD PERFORMANCE MEASUREMENT SYSTEM**

A good performance measurement system should provide information that is meaningful and useful to decision-makers. A good system and good performance measures play an integral part in an agency’s daily operations.

An effective measurement system should satisfy the following criteria:

- Results-oriented: focuses primarily on outcomes, efficiencies, and outputs
- Selective: concentrates on the most important indicators of performance
- Useful: provides information of value to the agency and decision-makers
- Accessible: provides periodic information about results
- Reliable: provides accurate, consistent information over time

**Types of Performance Measures**

To implement an effective performance measurement system, the appropriate types of measures must be developed, and they must meet the criteria for good measures. The following are definitions of the measures:

**Outcome Measure** - A quantifiable indicator of the public and customer benefits from an agency’s actions. Outcome measures are used to assess an agency’s effectiveness in serving its key customers and in achieving its mission, goals, and objectives. They are also used to direct resources to strategies with the greatest effect on the most valued outcomes. Outcomes measure results and should be the first priority.

**Efficiency Measure** - A quantifiable indicator of productivity expressed in unit costs, units of time, or other ratio-based units. Efficiency measures are used to assess the cost-efficiency, productivity, and timeliness of agency operations. Efficiencies are measures that measure the efficient use of available resources and should be the second priority.
Output Measure - A quantifiable indicator of the number of goods or services an agency produces. Output measures are used to assess workload and the agency’s efforts to address demands. Outcomes measure workload and efforts and should be the third priority.

At least one outcome measure and at least one efficiency measure should be developed for each objective and should be reported as “key” performance measures to GOPB and LFA. Key performance measures needed to make public policy decisions should be reported even though the agency may feel it has no direct control over the measure(s).

<table>
<thead>
<tr>
<th>Type</th>
<th>Measure</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outcome (Results/Impact)</td>
<td>Identifies the actual impact or public benefit of an agency’s actions (results or impact).</td>
<td>- Percentage of University Students Graduating in Four Years&lt;br&gt;- Percentage of Establishments Inspected Annually&lt;br&gt;- Percentage of Licensees With No Violations</td>
</tr>
<tr>
<td>Efficiency</td>
<td>Identifies the cost, unit cost, or productivity associated with a given outcome or output.</td>
<td>- Average Cost Per Case&lt;br&gt;- Average Cost Per Inspection&lt;br&gt;- Average Time for Complaint Resolution</td>
</tr>
<tr>
<td>Output (Volume/Effort)</td>
<td>Counts the goods and services produced by an agency (volume or workload).</td>
<td>- Number of Dual Diagnosis Clients Served for Substance Abuse&lt;br&gt;- Number of Inspections Conducted&lt;br&gt;- Number of Employee License Applications Processed</td>
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Good performance measures should meet the following criteria:

- Responsive: reflect changes in levels of performance
- Valid: capture the information intended
- Cost-effective: justify the cost of collecting and retaining data
- Comprehensive coverage: incorporate significant aspects of agency operations
- Relevant: logically and directly relate to agency goals, objectives, strategies, and functions

Output measures can usually be converted to outcome measures by dividing them by another number (i.e. dividing total applications processed by total applications received).

Foster Internal/External Involvement and Communication

Meaningful communication throughout the process of developing specific measures or a measurement system can significantly enhance the quality and longevity of performance measures. Clear and frequent communication with all stakeholders involved (both inside and outside of the agency) can reduce the need for changes in measures. The following techniques can help create a smooth measure development process:

- Solicit management’s and the governing body’s comments in the early stages to provide direction to the process.
- Involve operational staff to help identify measures for which timely and meaningful information can be collected at a reasonable cost.
- Include the agency’s budget staff members early in the process, as they will have to work with and explain the performance data later.
- Communicate early with GOPB and LFA staff to gain opinions on proposed measures’ usefulness to decision-makers.
- Top decision-makers meet regularly to discuss measures, targets, and strategies for improvement and reasons for needed changes or reallocation of resources.
- Solicit comments from agency customers and other external parties to test the measures’ validity and relevance.
- Use performance measure data in a consistent or systematic way throughout the agency.
- Make measure data available both internally to agency personnel and externally to the public. Sensitive data need not be communicated to the public.

### Determine the Functions that Need to be Measured and Identify the Indicators that Best Reflect Performance

In the measurement development process, it is crucial to be mindful of the ultimate purposes for which measures are employed: information management for the agency; policy information for the Governor, Legislature, and oversight agencies; and significant outcome information for customers. Measures should focus on agency objectives, strategies, and key processes. Each measure should be central to the success of the process that is measured. The following questions can help agencies focus on the ultimate use for measures:

- What are the most direct effects of each strategy on the agency’s “customers”?
- What information does management need to track movement toward key goals and objectives?
- What performance measures best reflect the expenditures of the agency’s budget?
- Do these performance measures clearly relate to the agency’s mission, objectives, strategies and goals?

It is important to remember that performance measures are not designed to report every activity of the agency. Only key objectives, processes, and activities should be measured and reported to GOPB and LFA. Other measures may be developed and used internally by agency management. Certain measures are designed to indicate how well the program or service is meeting expected results (outcome). For example, a program with the primary goal of reducing air pollution in Utah might focus on an outcome measure on only those metropolitan areas not currently meeting federal air quality standards. The measure might include only 15 of 20 pollutant types, if the other 5 types are not significant to Utah. Other measures are designed for monitoring efficient use of resources (efficiency), and for monitoring budget drivers such as caseloads (output).

### Develop Performance Measure Definitions and Calculation Methodologies

In addition to developing performance measures during the strategic planning process, agencies develop a mission statement and objectives based on statute. Agencies also develop and change definitions for performance measures during the strategic plan revision process. A performance measure’s definition establishes both an explanation of the measure and the methodology for its calculation. It is important that the definition contain enough pertinent information to be clearly understood and the description of its calculation be detailed enough to allow replication. The Appendix of this document contains examples of actual measures and good definitions from various state agencies.

Each key performance measure reported to GOPB and LFA should be based on an agency objective and/or strategy. Each performance measure should be documented in agency policies with the following:

- **NAME** – Brief name of the performance measure.
- **DEFINITION** – Provides an explanation of what the measure is, with enough detail to give an understanding of the measure.
- **PURPOSE/IMPORTANCE** – Explains what the measure is intended to show and why it is important.
- **SOURCE DOCUMENTS/COLLECTION OF DATA** – Describes where the information comes from and how it is collected and monitored for future use and audit.
- **METHOD OF CALCULATION** – Clearly and specifically describes how the measure is calculated.
- **DATA LIMITATIONS** – Identifies any limitations about the measurement data, including factors that may be beyond the agency’s control.
**CALCULATION TYPE** – Identifies whether the data is cumulative or non-cumulative.

**NEW MEASURE** – Identifies whether the measure is new, has significantly changed, or continues without change from the previous report.

**TARGET ATTAINMENT** – Identifies whether actual performance is higher or lower than targeted performance is desirable (e.g., a disease rate lower than targeted is desirable).

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**Implement Effective Control Systems**

All systems that support performance measure data collection should have effective controls to provide reasonable assurance that the information is properly collected and accurately reported. An effective internal control system contains checks and balances to ensure the integrity and accuracy of the information produced, and it should be designed at the time measures are developed.

Reliable performance measurement systems have several linked components that require strong control systems to deliver useful information to management and decision-makers. Manual and automated systems require controls in three major areas: input, process, and review.

- **Input controls** are processes developed by an agency to provide reasonable assurance that data introduced into the performance measurement system is accurate.
- **Process controls** are mechanisms developed by an agency to provide reasonable assurance that performance measurement systems use the appropriate information and follow procedures established for gathering data, calculating each measure, and providing explanations.
- **Review controls** are procedures developed by an agency to verify that an activity occurred and was correctly calculated to provide reasonable assurance that accurate data is reported. Supervisory reviews should be performed and documented at the input, process, and output stages.

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**Establish Performance Projections and Targets for Measures**

Performance projections and targets should be challenging but achievable. Good projections and targets are important tools to improve and test performance. They can also be used as guideposts to assess whether programs are achieving desired results on schedule and at appropriate levels. The use of performance projections and targets can help agencies stay focused on areas of legislative interest. It is important to realize that overachievement of targets may be as problematic as underachievement.

The following are techniques that can be used when developing performance projections and targets:

- **A trend analysis** or other statistical techniques can establish a baseline projection if past data exists. This baseline data can be used for predicting future levels of service under conditions similar to the past. Baseline data can also provide the beginning information for projecting estimated performance changes. Often, baseline data is needed when using methods of projecting performance that include adding an estimated increase in service to a current or past level of service.
- **An internal/external assessment** can help identify influences on the performance projection that lie outside the data contained in the baseline projection. As the internal/external assessment process is required during the strategic planning phase, agencies have the opportunity to identify factors that may affect performance projections.
- **Factors to consider** in this assessment would include agency priorities, available resources, and efficiencies gained from improved procedures and new technologies.
- **National, state, or industry averages** can provide additional data to use in projecting performance. In some cases, this information is not difficult to obtain and has been validated by credible sources. Agencies should be careful to verify what is and is not included in the averages to ensure that comparisons are valid.
- **Benchmarking against best practices** is another method to help agencies project performance. Other states with similar programs or services that have been successful may have recorded performance information. This information can be valuable in projecting performance.
For the best possible performance projection, a combination of the methods listed above or other techniques should be used.

**Retain Adequate Source and Supporting Documentation**

Adequate source and supporting documentation of primary data related to performance measures should be retained to support the reported performance measures data. Additional documentation should be kept if a database does not contain an appropriate audit trail. These documents can be digital or paper. Documents stored off site should be accessible for review. Performance measure documentation should be retained for the fiscal year reported plus three years in order to respond to audits, as well as to other performance-related questions.

**EVALUATION OF AN AGENCY’S USE OF THE MEASURE**

After a measure has been developed and data has been collected for it, the agency should evaluate how the measure is used to help the agency achieve the results expected by the Governor, Legislature, and federal agencies (where relevant). Agencies should determine who in the organization uses the measure and what type of information the measure provides. Agencies should also ensure changes have not been made to the information supporting the measure so that it no longer provides the information originally intended. Measure data should be consistently or systematically used and communicated throughout the agency, as well as to GOPB, LFA and the public.

**What Agencies Are Expected to Report for Performance Monitoring**

An agency’s balanced scorecard communicates performance data on key output and efficiency measures. This information is reported to the Governor’s Office on a monthly basis. Agencies also report key performance measure information to GOPB and the LFA as part of the budget process. This is done on an annual basis.

In addition to accurate reporting of actual performance, agencies should also provide explanations when a key measure varies more or less from what was expected.

**How the Governor’s Office of Planning and Budget (GOPB) and the Legislative Fiscal Analyst (LFA) Assess Reported Performance Measures Data**

Performance information is an important part of the budget and policy making process. GOPB reports outcome performance data on its website, and the LFA publishes it as part of its Compendium of Budget Information (COBI). Analysts and policy makers assess outcome performance data to determine an agency’s effectiveness in serving its key customers and in achieving its mission. Efficiency measures may be used to assess the cost-efficiency, productivity, and timeliness of agency operations. Output data may be used to assess workload and the direction of resources. Agencies can also develop and report measures that define the agency’s operating environment and to explain other factors.

**State Auditor’s Office’s Role in Performance Management**

The following may be subject to audit by the State Auditor’s Office:

- The completeness, appropriateness, and accuracy of the performance measures used by agency management and/or submitted to GOPB and LFA.
- The performance management process and/or system within the agency.
- The adequacy of internal controls related to the collecting, calculating, reviewing and analyzing of performance measure data.
- The communication of performance measure data to GOPB, LFA, and those presented to the public.
APPENDIX

EXAMPLE ONE (from the State of Texas)

Agency: Department of Assistive and Rehabilitative Services
Goal: Provide rehabilitative services for persons with disabilities.
Objective: Provide rehabilitative services for persons who are blind or visually impaired.
Outcome Measure: Percentage of Consumers Whose Dependent Living Risk Was Diminished

Definition
The percentage of persons provided independent living skills training whose dependence on others is decreased at the end of this training, expressed as a ratio of all persons provided training who were initially identified as being at risk of increased dependency.

Purpose/Importance
This measure addresses the extent to which services provided by the agency under this strategy enable people who are blind or have severe vision loss to minimize their dependency on others. Services provided depend on individual need and might include training in how to move about safely in the home, neighborhood, and community; counseling to help adjust to vision loss; provision of adaptive devices; and training in preparing meals, handling finances, and maintaining and recording information without vision.

Source/Collection of Data
Service personnel in field offices enter into the agency’s database all data for the consumers they serve. A record of each consumer is begun at the point an application for services are taken or a referral is received. After assessing the consumer’s situation, service personnel note in the consumer’s database record whether the individual is at risk of increased dependency on others. At the time the consumer’s case is closed, the staff enters a code noting whether or not the consumer’s risk for dependent living is diminished as a result of services provided. Consumer coding is presented in a quarterly custom report that extracts information from this database.

Method of Calculation
A percentage is obtained by dividing the number of consumers coded as having a diminished dependent living risk at closure by the number of consumers coded as being at risk during the eligibility phase of their rehabilitation process.

Data Limitations
The determination of risk of dependence at application and the degree of dependence at closure is based on the judgment of professional staff. A degree of subjectivity is inherent, but the measure is considered to offer reliable information on program results.

EXAMPLE TWO (from the State of Texas)

Agency: Department of Family and Protective Services
Goal: Protect children, elder adults, and persons with disabilities from abuse, neglect and/or exploitation.
Objective: Provide or manage a quality integrated service delivery system for 70 percent of children at risk of abuse or neglect to mitigate the effects of such maltreatment and assure that the confirmed incidence of abuse and neglect does not exceed 7.3 per 1,000 children.
Outcome Measure: Percentage of Child Protective Service Priority I Reports of Abuse/Neglect Initiated within One Day of Call

Definition
The number of Child Protective Services (CPS) Priority I reports initiated during the day following the day in which
the CPS Priority I report was received, expressed as a percentage of all CPS Priority I reports received during
the reporting period. CPS Priority I reports, determined by the current-stage priority, are calls that have met the
statutory definition of child abuse/neglect, allege that a child is in life-threatening circumstances, and are assigned for
investigation.

Purpose/Importance
This measure provides an indication of the responsiveness of CPS staff to child abuse/neglect reports that allege a
child is in life-threatening circumstances.

Source/Collection of Data
Count the total number of Priority I reports during the reporting period and count the number of reports that were
designated as Priority I in the intake process and for which an investigation was initiated within one calendar day of
being reported to the Department of Family and Protective Services in the reporting period. Data is maintained within
the Child and Adult Protective System. To select the universe, start date must be within the reporting period.

Method of Calculation
Divide the total number of CPS reports designated as Priority I for which an investigation was initiated within one
calendar day by the total number of reports designated as Priority I during the reporting period. To determine the CPS
Priority I reports that had an investigation initiated within one calendar day of the report, subtract the date the report
was received from the date the investigation was initiated. When calculating the second quarter, third quarter, and
fourth quarter, the year-to-date total is recalculated.

Data Limitations
Priority I reports have well-defined parameters, but identification of Priority I cases ultimately depends upon the
experience and skill of intake personnel.

EXAMPLE THREE (from the State of Texas)
Agency: Texas Department of Criminal Justice
Goal: To provide for confinement, supervision, rehabilitation, and reintegration of adult felons.
Objective: To confine and supervise convicted felons.
Outcome Measure: Three-year Recidivism Rate

Definition
Recidivism rate is the percentage of offenders released from the Texas Department of Criminal Justice (TDCJ)
Institutional Division (ID) to parole or mandatory supervision who are revoked and/or returned to ID within 36 months
of release. The rate is derived from an analysis of a true random sample of releasees for the fiscal year being reported.

Purpose/Importance
This measure is intended to show the likelihood that offenders released from Texas prisons will return to criminal
activity. It is important because successful offender rehabilitation and reintegration into society upon release is a
primary agency goal.

Source/Collection of Data
Specialized statistical software (e.g., SPSS) is utilized to obtain a true random sample of 1,200 cases from
consolidated data files of TDCJ-Institutional Division releases downloaded on a monthly basis from the mainframe
computer system. Each case is then researched to determine whether the releasee was revoked and/or returned to ID
within three years of release (the exact dates of the three-year follow-up are determined individually for each case in
the sample).
Method of Calculation

Outcome data is coded and entered into a PC database. SPSS is utilized to analyze the data and determine the total number of releasees in the sample revoked and/or returned to ID within three years of release. The total number is then divided by 1,200 to obtain the three-year recidivism rate.

Data Limitations

(1) Many societal and criminal justice factors beyond the agency’s control affect the recidivism rate.

(2) Prison admissions data is the traditional basis for recidivism rate calculation, but is subject to influence by the backlogging of state prisoners in county jails; the present measure counts releasees revoked to prison by the Board of Pardons and Paroles as recidivists irrespective of readmission to ID.

(3) Because no one source is sufficiently complete or accurate to be relied upon exclusively, five different computer system databases must be utilized to conduct the research associated with this measure (Institutional Division–IMF, Parole Division–PSS, Board of Pardons and Paroles–CAPS, Board of Pardons and Paroles–HSDD, and Department of Public Safety–CCH).