PERFORMANCE-BASED BUDGETING IN THE STATE OF FLORIDA: An Analysis of Options

REUBIN O’D. ASKEW SCHOOL OF PUBLIC ADMINISTRATION AND POLICY

BY

DU-YOUNG CHOE

TALLAHASSEE, FLORIDA

DECEMBER 2, 2004
December 2, 2004

The honorable Jeb Bush
Governor, State of Florida
Tallahassee, Florida

Dear Mr. Bush:

It is my pleasure to submit to you “Performance-Based Budgeting in the State of Florida: An Analysis of Options.” The information presented is based on four months of extensive research during the fall months of 2004. In consideration of current performance-based program budgeting, it was created to provide an analysis of current status and policy recommendations.

Based on articles and reports, my analysis of the current situation identifies five concerns: limited flexibility and low efficiency, inappropriate performance measures, unreliable performance data, unclear standards and procedures of incentives and disincentives, and the lack of strong and continuous leadership. Possible alternatives include: maintaining agencies’ authority to transfer funds between programs, creating joint procedures to approve agency programs and measures, adequate modification of current accounting and budget system, holding hearings to review performance, and sustaining current leadership.

These recommendations can help to improve the implementation of current performance-based program budgeting. With more effective budgeting, Florida can contribute for better accountability and improved service to its citizens.

Respectfully,

Du-Young Choe
MPA candidate
Florida State University
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>LETTER OF TRANSMITTAL</td>
<td>2</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>3</td>
</tr>
<tr>
<td>EXECUTIVE SUMMARY</td>
<td>5</td>
</tr>
<tr>
<td>CHAPTER</td>
<td></td>
</tr>
<tr>
<td>I. Problem Statement</td>
<td>6</td>
</tr>
<tr>
<td>II. Background and Literature Review</td>
<td></td>
</tr>
<tr>
<td>- Background</td>
<td>8</td>
</tr>
<tr>
<td>- Literature Review</td>
<td>11</td>
</tr>
<tr>
<td>III. Methodology and Evaluation Criteria</td>
<td></td>
</tr>
<tr>
<td>- Methodology</td>
<td>17</td>
</tr>
<tr>
<td>- Evaluation Criteria</td>
<td>18</td>
</tr>
<tr>
<td>IV. Findings</td>
<td>20</td>
</tr>
<tr>
<td>V. Management Policy Options</td>
<td>25</td>
</tr>
<tr>
<td>VI. Recommendations and Conclusions</td>
<td>40</td>
</tr>
<tr>
<td>REFERENCES</td>
<td>42</td>
</tr>
<tr>
<td>ABOUT THE AUTHOR</td>
<td>45</td>
</tr>
</tbody>
</table>
LIST OF TABLES

Table

1. Summary Alternatives and Evaluation Criteria 40
Executive Summary

Purpose of Report

Performance-based budgeting was introduced to improve the budget system in the State of Florida in 1994. Performance-based budgeting emphasizes more accountability with more budget flexibility by increased demands from citizens for higher accountability. The purpose of this action report is to propose the alternatives for effective implementation by examining impacts, benefits, and limitations of performance budgeting.

Methods Used

The information provided in this analysis was collected using two methods. First, academic article and research about the implementation of performance budgeting were reviewed. Second, reports and case studies provided by the State of Florida and the federal government were examined.

Five Critical Concerns

The problems of performance-based budgeting are limited flexibility and low efficiency, inappropriate performance measures, unreliable performance data, unclear standards and procedures of incentives and disincentives, and the lack of strong and continuous leadership. This analysis evaluated proposed alternatives by using four criteria: technical feasibility, financial possibility, political acceptability, and administrative acceptability.

Recommendations

The policy recommendations of this report include the following: (1) maintain current transfer authority between programs to increase flexibility and efficiency, (2) create joint procedures to approve agency programs and measures for appropriate performance measures, (3) adequate modification of current accounting and budget system to enhance reliability of performance and cost data, (4) hold hearings to review performance for the effective use of incentives and disincentives, (5) sustain current efforts for strong and continuous leadership.
I. Problem Statement

A government budget is a plan for spending money to perform the government’s purpose. Government revenue is limited, so effective spending is of great importance. This is the reason why the government makes efforts to reform the budget system. For maintaining a good budget system, the government needs to decide on the budget by a reasonable basis like performance results or other standards. There are difficulties, however, in measuring the result of agency performance. To improve the government budget system, many techniques such as planning-programming-budgeting system (PPBS), management by objective (MBO), and zero-based budgeting (ZBB) have been introduced in the public sector. Performance-based budgeting, although a half-century old, has gained in popularity in the past decade.

Many efforts to do performance-based budgeting have been made in federal, state, and local governments. Among the states, Florida adopted performance-based budgeting early and made strong efforts to improve the implementation. To estimate performance results and increase accountability to its citizens, the State of Florida introduced performance-based program budgeting in 1994. Florida’s reform was established by the Government Performance and Accountability Act (Chapter 94-249, Laws of Florida). This reform means the movement of focus from an input-oriented system to one that is more focused on customers, outputs, and results (Osborne & Gaebler, 1992).

Performance-based budgeting is defined as “requiring strategic planning regarding agency mission, goals and objectives, and a process that requests quantifiable data that provides meaningful information about program outcomes” (Melkers & Willoughby, 1998, p.66). In performance-based budgeting, government spending must be classified by programs, input, output, and outcome measures. Programs’ resources are influenced by their performance results: agencies receive incentives or disincentives by their performance results.

Performance-based budgeting is important to the state government for several reasons. According to the Government Performance and Accountability Act (Chapter 94-249, Laws of
Florida) this budgeting can encourage efficient performance of agencies’ duties by doing the following: (1) improving the accountability of agencies by keeping citizens informed of the performance and public benefits of programs, (2) restructuring ineffective programs or eliminating unnecessary programs by the evaluation of performance, (3) increasing flexibility in using resources to be more efficient and effective, and (4) improving coordination, eliminating duplicative programs, and providing better information to decision makers.

It has been ten years since performance-based budgeting was applied to the State of Florida. The purpose of this action report is to examine the impact of performance-based budgeting within the State of Florida. This study will begin by learning whether the 1994 legislation was fully implemented and find out how this budgeting has developed over the past decade. Also, it will analyze some benefits and limitations for implementing performance-based budgeting and propose several alternatives for solving current concerns in the implementing process of performance-based budgeting in the State of Florida. In conclusion, this research will suggest appropriate solutions by analyzing alternatives with evaluation criteria.
II. Background and Literature Review

**Background**

A public budget performs various and important functions related to management and political decision-making. Over time, strong efforts have been made to increase the effectiveness of public budgeting. The traditional budget was a line item budget system which classifies budgets by each item and focuses on input and control. A line item budget is a simple and widely used method, but with this style of budgeting we cannot know how well the money is spent and which results have been achieved. To improve the shortage of traditional budgeting, many methods have been developed by the government over time. Budget reform efforts have been typified by program planning budgeting systems (PPBS) in the 1960s, zero-based budgeting (ZBB) in the 1970s, management by objectives (MBO) in the 1980s, and performance-based budgeting (PBB) in the 1990s (Berry, Brower & Flowers, 2000).

The most recent budget reform is performance-based budgeting. Performance-based budgeting is not original and exclusive to Florida. Performance-based budgeting was a nationwide movement. General concepts of performance budgeting may be dated from the early 20th century, especially to the recommendations of the Commission on the Organization of Executive Branch of the Government in 1949. The commission stated that “the whole budgetary concept of the federal government should be refashioned by the adoption of a budget based upon functions, activities, and projects” (Commission on the Organization of Executive Branch of the Government, 1949, p. 8). In 1993, the federal government introduced performance-based budgeting in the form of the Government Performance and Results Act. Many states and local governments adopted this budgeting. By 1996, 47 of the 50 states had performance budgeting by legislation or guidelines (Melkers & Willoughby, 1998, 2001; Moynihan & Ingraham, 2003).
In Florida, performance-based budgeting was introduced in the early 1990s for several reasons. First, the weak economic condition in Florida promoted the introduction of the budget (Berry & Flowers, 1999). The reduction of transfers from the federal government raised the necessity of improved budgeting. Second, citizens’ strong demand for accountability promoted budgeting reform. In the first, the introduction was influenced largely by citizens’ demand rather than voluntary effort of the executive so that the influence of legislature and citizens was large. Finally, the new budgeting was influenced by the adoption of new reforms from the private sector to the public sector. Some examples are strategic planning, reengineering, total quality management and so on (Hendrick, 2000). In particular, the emphasis on results-oriented and customer-oriented values in *Reinventing Government* by Osborne and Gaebler (1992) directly influenced not only the federal government but also the State of Florida.

Although started by enacting the Government Performance and Accountability Act (GPAA) in 1994, performance-based budgeting was not a new concept in Florida budgeting. GPAA, however, made a new start for implementing performance-based budgeting by which the legislature hoped to improve efficiency and effectiveness by ensuring clear goals and objectives, performance evaluation, and accountability for the outcomes. GPAA requires that each agency’s annual legislative budget request must include baseline data, outcomes, performance measures, and standards for current programs, including justification for those programs.

GPAA also allowed a lump sum appropriation distributed by the Governor for state agencies or the Chief Justice for the judicial branch into traditional expenditure categories. A lump sum appropriation allows executives to move funding between line-item categories with no limit on the amount. In 1994 the first pilot started with two programs of two agencies: (1) the General Tax Administration and Property Tax Administration of the Department of Revenue, and (2) the Facilities Management Program of the Department of Management
After reviewing their evaluation report, agencies could be given incentives or disincentives according to their results by GPAA. Incentives could include additional flexibility in budget and other management, retention of unencumbered appropriations, and additional funds for lump sum bonuses and other improvement. Disincentives could include mandatory quarterly reports, mandatory appearances before the Governor and other meetings, elimination or restructuring of the program, reduction of total positions for a program, and reduction of managerial salaries. Incentives and disincentives are inherent to the concept of performance budgeting, but their effectiveness may be limited without objective measures.

GPAA also called for the establishment of the Office of Program Policy Analysis and Government Accountability (OPPAGA) for conducting program evaluation and justification reviews. The Office of Planning and Budget in the executive branch and OPPGA in the legislature contributed to implementing budget reform. State agencies decided the goals and objectives of their programs and developed reasonable measure for their program. By using these measures to evaluate program effectiveness, OPPAGA has played a crucial role in implementing budget operation by helping agencies to strengthen their progress in attaining key state goals (OPPAGA, 2000).

According to GPAA, performance-based budgeting was planned to be implemented in four to seven agencies per year until 2002. It has been ten years since performance-based budgeting was applied to the State of Florida. Florida has been trying to improve the effect of performance-based budgeting. Performance-based budgeting has evolved from the introduction of a new style of budget to the active effort for improving the implementation of the budget system. The focus of this budget has shifted from the development of programs, objectives, and goals to the use of more good measures, to the application of feasible solutions for specific problems presented in the process of operating the budgeting. They have made progress in many programs and agencies of the State of Florida, but they need to
去进一步发展。

**Literature Review**

Numerous books, articles, and reports have addressed performance budgeting over time. The relevant literature discusses four main aspects: characteristics and performance measures of performance-based budgeting relating to other budget efforts, relationships between accountability and budget flexibility, specific implementing processes for a more effective budget, and anticipated fundamental benefits and problems from adopting this budget reform.

First, the literature identifies distinctive characteristics and performance measures of performance-based budgeting relating to other budgeting efforts. It is not easy for the state government to use performance budgeting because the budget contains a very large number of performance measures and complex processes. According to Anders (2001), the current performance budgeting compared to the past reform have three different emphases: (1) measures of results or outcomes of performance; (2) decentralizing control and cutting red tape in budget process and, (3) a change in accountability from compliance with rules to responsibility for results. Above all, the state government may have difficulty in choosing appropriate performance measures.

According to the Florida Statute, a performance measure is defined as a quantitative or qualitative indicator used to assess state agency performance. Current literature distinguishes between different types of performance measurement such as inputs, outputs, outcomes, efficiency, and effectiveness (Leithe, 1997; Joyce, 1999; Aristigueta, 2000). Input means the resources consumed by the operation of a government program. Output means the actual service or product delivered by a state agency. Outcome means an indicator of the actual impact or public benefit of a program. Among performance measures, program outcome can be used effectively for evaluating program results. The government, however, may have difficulty in defining agencies’ programs, establishing long-term plans for programs, and
deciding appropriate standard for specific program. Fundamental difficulties in relation to performance measures may be caused by the strong technical aspect of the performance measure even though budgeting has a strong political aspect (Wildavsky, 1992).

Performance budgeting is fundamentally designed to focus on the technical side of budgeting and generally ignores political influence. The political aspect, however, is likely to dominate the whole budget process. In reality, budgeting cannot be free from political influence from the legislature and interest groups (Melkers & Willoughby, 2001). In particular, the legislative branch wants to give more money to their constituencies and to exert their influence over the executive branch. Therefore, it can be important to know the existence and operating forms of political factors surrounding the adoption and implementation of performance budgeting. By studying those factors, we can judge whether performance budgeting can succeed or not.

Second, the state government needs to consider the relationship between accountability and budget flexibility in performance budgeting. The main two purposes of performance budgeting are accountability and improving management efficiency (Aristigueta, 2000). Under performance budgeting, agencies shift funds within their program but cannot transfer funds between programs (OPPAGA, 1997). Although performance budgeting intends to authorize management discretion and support to deal with their resources, “the tension between discretion and accountability has long been discussed in public administration literature” (Anders, 2001, p. 35).

These two values are important, but they do not always go together. If a government intends to increase accountability, it may decrease budget discretion. Many scholars contend that specific requirements in performance budgeting increased management restriction and deteriorated budget flexibility (Mintzberg, 1996; Radin, 2000; Heinrich, 2002). Because of stakeholders’ strong demand for high accountability, managers may be inclined to lean toward political accountability more than management efficiency. A possible solution to this
problem is to pursue the two values together.

Accountability can be defined narrowly or broadly. Shafritz (1992, p. 4) defined accountability narrowly as “(1) the extent to which one must answer to higher authority—legal or organizational—for one’s action in society at large or within one’s organization, (2) an obligation for keeping accurate records of property, documents, or funds.” Romzek and Dubnick (1987) proposed more broad definition that “accountability involves the means by which public agencies and their workers manage the diverse expectations generated within and outside the organization” (p. 228). By the broader definition, we can broaden the scope of accountability to the demand of the public.

In terms of traditional management emphasizing internal control, accountability and discretion may have conflicts. Under traditional concept of accountability, public officials are held legally responsible, but they cannot use high discretion. Recent perspective focusing on decentralization, however, can give room for the coexistence of two values. According to Barzelay’s (1992) post-bureaucratic perspective which requires accountability and autonomy, the problems between accountability and discretion become more settled. Under this perspective, the fundamental solution is possible with deep consideration for the complex environment around the government, the variety of work, and the coexistence of multiple values in improving the public sector. Above all, it is necessary to find out how practitioners think and how much they make use of their discretion in the budget process. It is also necessary to know whether they sacrifice any other values by seeking high political accountability.

Some authors have offered suggestions relative to implementation. Although his focus was different from performance budgeting, to enhance performance and results, Drucker (1974) proposed six implementation steps for increased performance and results: defining programs, deciding objectives and goals, setting priorities, selecting measurements of performance, using feedback of results, and settling abolition by audit of objectives and
results. Among the six steps, Drucker emphasized the importance of “assessing and abandoning low-performance activities” because this stage can determine the destiny of an organization (p. 159).

In relation to performance budgeting, the U. S. General Accounting Office (GAO, 1996), studied state governments and suggested three main implementation steps: (1) defining clear missions and desired outcomes by involving stakeholders, assessing environment, and aligning activities, core processes, and resources; (2) measuring performance to gauge progress by producing measures at each level that demonstrate results, are limited to the vital few, respond to multiple priorities, link to responsible programs, and collecting data; (3) using performance information as a basis for decision-making by identifying performance gaps, reporting information, and using information. Also GAO proposed reinforcing implementation by devolving decision-making with accountability, creating incentives, building expertise, and integrating management reforms.

According to the Office of Program Policy and Government Accountability (1997) in Florida, each agency should follow a four year cycle to implement procedures for performance-based budgeting. In the first year, agencies propose programs and performance measures, and the Governor approves them. In the second year, the agencies develop their Legislative Budget Request including past performance and proposed performance standards. The Legislature designates the agency programs, program measures, performance standards, and resources. In the third year, the agency begins operating the program. Finally, in the fourth year, OPPAGA does a program evaluation and justification review of each program. By the program’s performance, the Legislature can use incentives and disincentives to improve the program or restructure the program.

Finally, the literature discussed various benefits and problems by adopting performance-based budgeting. Osborne and Gaebler (1992) emphasized the importance of performance measurement by insisting on the following: “If you can demonstrate results, you
can win public support” (p. 154). McCaffey and Jones (2001) enumerate several advantages of performance budget as “improved planning, more effective administrative control, decentralized decision making, improved public relations from clearer program information, better focus on the activities of the organization, and provision of more precise quantitative measures” (p. 317).

In addition, U. S. General Accounting Office (GAO, 1993) reported that the performance measure helped state governments in the following ways: “(1) establishing program priorities, (2) strengthening management improvement efforts, (3) dealing with the results of budgetary reductions, and (4) gaining more flexibility in allocating appropriated funds” (p. 1). Through performance budgeting integrated with strategic planning, Anders (2001) anticipated some benefits: (1) improved continuity and reduced uncertainty; (2) improved information for stakeholders; (3) more effective resource allocation; and (4) stronger linkages between planning, budgeting and evaluation.

For successful implementation, Joyce (1999) suggested three steps: reached agreement on accomplishment of program and agency, agree about relevant measures of both costs and service outcomes, and tie these measurements to the allocation of resources. These steps are very difficult to carry out Joyce also mentioned several challenges: the ambiguity of legislation that creates agencies or programs, the difficulty of deciding outcome measurement, the impossibility of establishing common denominators of performance among agencies’ activities, and the loose relationship between performance and the budget.

Similarly, in relation to performance information and budgeting, the Office of the Legislative Auditor for the State of Minnesota (1994) anticipated some problems:

(1) It is unclear whether the appropriate budgetary response to a poorly performing program is to reduce its funding or increase it; (2) Program performance may depend on factors that are outside of an agency’s control or that are not easily measured; (3) Tying funding to performance could create incentives for misreporting; (4) Budgeting is a political process of making choices and tradeoffs, not merely a mechanical process for allocating funds based on data or formulas (p. 14).
In short, performance-based budgeting has advantages and disadvantages. Successful implementation depends upon efforts to minimize the disadvantages. In particular, in the beginning step, both anticipated and unpredicted problems can happen. The key to success seems to be based on how well problems are solved in the process of implementation. First of all, it is necessary to suggest feasible alternatives by correctly catching present problems.

Performance-based budgeting is complex and it is therefore difficult for state agencies to perform (Easterling, 1999; Joyce, 1999). This budget reform is standing in the crossroads where technical and political values meet (Roberts, 2000; Radin, 2000). Therefore it needs balance between accountability and efficiency as well as harmony between political and managerial needs (Caiden, 1994; Moynihan & Ingraham, 2003). Above all, no government can build this new system in a short time. It took about ten years for the Florida government to start to adopt the performance budget. The present phase can be considered a beginning step, and a lot of resistance and worry about proceeding to the next stage may happen in this step (Sheffield, 1999; Radin, 2000; Grizzle & Pettijohn, 2002). These problems, however, are a natural phenomena in adopting any policy. Therefore, it is imperative that state agencies bear in mind the importance of patience and persistence for continuous development (Berry & Flowers, 1999; Roberts, 2000).

In summary, the literature defines numerous theoretical aspects of performance-based budgeting including different characteristics, various performance measures, specific implementing process, and the relationship between accountability and budget flexibility. The literature also identifies anticipated problems and benefits of performance budgeting in the theoretical perspective. However, the literature is weak in revealing more specific empirical problems in the process of adopting the performance budgeting. Therefore, this study will evaluate current empirical problems in the implementing process focusing on the State of Florida. Subsequently, a recommendation will be made to assist policy makers in determining the feasible alternatives.
III. Methodology and Evaluation Criteria

Methodology

The information provided in this analysis was collected using the following methods:

- Review of academic articles, books, and other research about budgeting, policy implementation, and financial management.
- Evaluating reports and case studies provided by Florida state agencies, U.S. federal government, and other state governments.

Academic literature and research was collected by using books and articles from various authors relating to budget practice. The articles include those in the Public Administration Review, the Journal of Public Budgeting, Journal of Public Administration Research and Theory, Accounting and Financial Management, the Public Productivity & Management Review, and so on. The books and articles provide information not only for the State of Florida but also other states by comparing them.

The government reports provide useful information with regard to various problems and efforts of implementing performance budgeting in the State of Florida. Additionally this literature includes numerous data from efforts of the federal government and other states. Furthermore, it provides different perspectives and various solutions for improving the present situation. In particular, a large amount of data was gathered from reports of OPPAGA in the State of Florida and U.S. General Accounting Office.

This report has some limitations. One limitation is the lack of survey information from state agency employees. This report relied mainly on the articles and reports that based on surveys targeted on several agencies in the State of Florida. Consequently, this report also did not have a broad response from all department employees.

Another limitation is the lack of implementation data describing specific problems and process in implementing performance budgeting. Much of the data and reports used in this
paper were not reported systematically and regularly. Lacking sufficient data, this report does not fully describe the implementation process over time.

A final limitation is that most of the studies of the implementation of performance budgeting were somewhat outdated. However, the information provided was used in the best possible manner to find the most practical solutions. Despite the above limitations, important criteria are applied and recommendations are based on the literature that is available.

**Evaluation Criteria**

To choose the best solution from the suggested options, it is imperative to analyze the selected options with appropriate evaluation standards. In consideration of the characteristics of the problems, this analysis will evaluate suggested alternatives by using the following criteria: technical feasibility, financial possibility, political acceptability, and administrative operability.

**Technical feasibility** means whether alternatives are feasible with respect to such things as information systems capability and level of employee knowledge. Implementing performance budgeting needs new knowledge and appropriate information systems. These technical requirements also need to evaluate alternatives for improving current budgeting efforts. Most of technical problems are not likely to be established in a short time. Therefore this criterion can be useful to evaluate proposed alternatives.

**Financial possibility** means whether alternatives are financially possible considering the costs spent on implementing them. Most of the agencies’ works are related to financial resources including a specific budget. Whether new options are implemented or not can be decided by the financial status of the state government. Financial data sources include internal documents, financial reports, and state documents.

**Political acceptability** means the acceptability of alternatives to politicians, influential citizens and groups, and other sources of power. If the policy cannot be accepted politically,
the policy cannot be adopted and cannot be implemented even if adopted. It is examined by evaluating public response through current articles and reports from the state government. Some important political elements are the response of the legislature, interest groups, and citizens.

Administrative acceptability determines whether an alternative is acceptable to managers, workers, and other actors in the current administrative system. Although an option is technically feasible, economically possible, and politically acceptable, if administrative members, ability, and system do not want to implement new alternatives, then the alternative should not be adopted without strategies to gain acceptance. In the implementing step, the role of administrators such as managers and staffs is crucial, so their acceptability must be examined. Sources for administrative acceptability will be government reports, expert opinions, and responses from workers.
IV. Findings

This section enumerates five critical problems from the literature in the implementation process of performance budgeting in the State of Florida.

First, present practice can cause not only the overload of budget work but also low budget flexibility. At present, the beginning phase, a line-item budget and performance budget have been used together. According to Berry, Brower & Flowers (2000), budget officials in several agencies explained that they prepare a conventional line-item budget and a performance budget for their budget requests. It is considered difficult for politicians who prefer the line-item budget and have great interest in their constituency to abolish the use of the past line item budget. Consequently, to make two budgets in a limited period can cause a heavy workload for budget officials in agencies and they can have difficulty implementing the budget because of an insufficient budget.

Budget flexibility can be lowered by emphasizing accountability that is too high. Traditionally, accountability and discretion were considered too difficult to pursue together, but these two values are pursued together in performance budgeting. OPPAGA (1997a) asserts that “offering flexibility in exchange for improved performance and accountability is a key component of performance-based budgeting” (p. 20). Under performance budgeting, agencies shift funds within a program but cannot transfer funds between programs.

Some agencies tried to enlarge the scope of programs to maximize flexibility. Programs that are too large, however, have problems because the Legislature and the citizens have difficulty in knowing program results (OPPAGA, 1997). Consequently, the Legislature insisted on reducing the size of programs and gave the agencies the 5 percent budget-transfer authority between programs. But the dispute relating to flexibility and accountability remain unsolved. Berry, Brower & Flowers (2000) insisted that if budgeting continues to be oriented to inputs, agencies’ budget flexibility to manage for outcomes would be restricted.

Second, it is difficult to develop appropriate measures to evaluate the performance of
agencies’ programs which have diverse characteristics. A difference between private and public sectors can be found in establishing the standards for evaluating the results. The performance results of the public sector cannot be measured as easily by economic tools as can private sectors; this is because public organizations perform various and complex social functions. Mintzberg (1996) contends that if the results of a program in the public sector can be measured easily, the program is likely to be moved to the private sector before long. The measure of performance is technical, but it is often influenced by demands from stakeholders. Therefore, there are lots of disputes about what measures should be used and how well they assess the result of a program.

OPPAGA (1997) noted that the measures of many agencies cannot deal with the key functions of their program, they have difficulty evaluating program results, and they cannot be understood well by citizens. Florida TaxWatch (1999) insisted that these problems came from a lack of data on program results, ambiguous standards, incomplete performance measures, and a tendency to avoid outcome measures for functions with limited control and relatively low achievement. As other reasons, some agencies preferred measures by output or input because measures by outcome are often not easy are too costly to implement.

Grizzle & Pettijohn (2002) pointed out that the shortage of consensus among legislators and their own committee staffs on what constitutes reasonable performance measures prevented the State of Florida from implementing performance budgeting. They also noted that the lack of consensus makes agencies put forth lots of measures for each program, so many measures caused a higher workload for the agencies and too much data for the legislature to consider (Grizzle & Pettijohn, 2002).

Also it is difficult to measure outcomes when additional costs and other limitations are considered. For example, if agencies try to do new citizen surveys to get more effective evaluation for policy, they need to develop new survey methods and to spend more money and time. In this case, it must be considered whether the new information has more value than
the added costs.

Third, some performance data is too unreliable to be used widely in the decision-making. Unreliable performance data was caused by the lack of appropriation data, unit cost data, and appropriate cost-accounting systems. In performance budgeting, the quality and usefulness of data are crucial issues. Agencies, however, have limited data for decision-making, and the data often is unreliable. OPPAGA (1997) and Florida TaxWatch (1999) pointed out that the shortage of program results data and the proposing of weak outcome measures occurs because agencies have traditionally tracked program processes, products, and outputs rather than program results such as citizens’ outcomes.

Agencies are also short of unit cost data which is important to improve overall decision making of state government. In private companies, most of their decision making is based on the cost data. Like the private sector, cost data in the public sector can be useful to assess the benefits and costs of a program and provide decision makers with key information improving performance (OPPAGA, 1997). The problem is that the cost data cannot be used well because of the lack of cost data and a suitable cost-accounting system. Florida TaxWatch (1999) found that “they usually account for their spending by funding sources rather than in accordance with programs or services. Also, agencies typically do not allocate indirect costs such as overhead to individual programs” (p. 5). Berry & Flowers (1999) also noted that “the state’s primary accounting system (SAMAS) does not readily allocate all direct and indirect cost to programs and services” (p. 606).

For the above reasons, decision-making based on performance results is not done well. Grizzle & Pettijohn (2002) described this concern as following: “A frequent but not universal finding of earlier evaluations of state budget reforms is that the presence of information did not affect resource-allocation decisions” (p. 57). Berry & Flowers (1999) also found that the Legislature and the executive are not making budget decisions based on performance budgeting yet. One agency analyst stated that although some legislators succeed in drawing
attention to accountability, they have not made a decision based on performance data (Berry & Flowers, 1999).

Fourth, incentives and disincentives were not effectively implemented. They were hampered by a lack of clear standards and procedures. For effective operation, government needs to give awards to those who did well and to punish to those who did not. The problem is that, although giving incentives and disincentives is a very sensitive issue that needs more attention, detailed operating standards were not prepared. OPPAGA (1997) noted that “while the law authorizes a range of incentives and disincentives for agencies, when and how the Legislature uses these tools remains unclear” (p. 8). Berry & Flowers (1999) found that “other agencies are skeptical they will receive incentives if they meet performance goals under PB2, but are worried that they will receive disincentives if they fail to meet these goals” (p. 606).

Above all, awards and sanctions to agencies must be performed by clear standards and appropriate procedures based on objective and just evaluation. If incentives are not implemented fairly, the results can be worse than if no attempt to use them had been made. Therefore the legislature must pay close attention. The difficulties in Florida apparently explain why only 2 states among 47 states practicing performance budgeting have written regulation about incentives and disincentives. The use of incentives and disincentives, however, can be considered a desirable direction for successful performance budgeting. The key issue is how it can be practiced justly to gain support and reduce discomfort among agencies. Grizzle & Pettijohn (2002) explained this issue well:

When the legislature fails to reward and penalize programs based on successful and unsuccessful performance, agency disposition to implement PB2 will diminish. It seems critical to successful implementation of the reform that not only does the legislature apply rewards and penalties based on performance, but also that agency staff perceive the legislature does so fairly (p. 56).

Finally, leadership in both the executive and legislative branch is lacking. Leaders have not
taken responsibility and played a leading role in implementing performance budgeting. A problem with implementing performance budgeting is that nobody has taken charge of coordinating stakeholders or directing the process (Berry & Flowers, 1999; TaxWatch, 1999; Grizzle & Pettijohn, 2002). The Legislature has not taken charge in coordinating or directing the process (Easterling, 1999; TaxWatch, 1999; Grizzle & Pettijohn, 2002). Their main function is not to implement laws but to pass them. The Legislature plays a major role in the stage of making laws. But once the laws have been passed, their interest is apt to move to other issues.

Why does the budget reform need strong leadership in implementation? The reason is that unpredicted problems can happen in the executing a reform and they cannot be solved easily. The law typically contains deliberate ambiguity (Easterling, 1999). In many cases, problems which happen without notice in the design phase cannot be solved by the interpretation of law. In relating to the necessity of strong leadership, Grizzle & Pettijohn (2002) explained that although the Legislature succeeds in establishing an accountability model, the specific method and process for implementing performance budgeting is not clear and guidance received from stakeholders often seems inconsistent.

Who is responsible for leading the implementation phase? The Governor’s Office of Planning and Budgeting (OPB) and the office of Program Policy Analysis and Government Accountability (OPPAGA) are major players in implementing budgeting reforms. They made strong efforts to achieve a good result. In particular, the efforts of OPPAGA which was established to perform program evaluation, justification reviews, and performance audits are remarkable. Their role, however, is limited. They have difficulty in coordinating the conflicts among stakeholders. Also they cannot cover all the functions of agencies and play only an assisting role because they lack an authority to control agencies’ activities.
V. Management Policy Options

This section proposes options to address five critical concerns about the implementation of performance budgeting in the State of Florida. Each option is evaluated by four criteria presented in the previous section: technical feasibility, financial possibility, political acceptability, and administrative acceptability.

1. Limited Flexibility and Low Efficiency

   **Option one: No limitation of agencies’ authority to transfer funds between programs**

   This option would remove any limitations for agencies to transfer their budget between programs. In this option the legislature would approve only the total budget for an agency. Agencies would take full authority for dealing line items in their budget. The main purpose of this option is to enhance managerial flexibility. Increased managerial flexibility would stimulate the learning process, which is necessary for doing new work (Tax Watch, 1999).

   **Technical feasibility:** Most agencies are not accustomed to use their budget without any limitation. They need the knowledge to use flexibility well. It is reasonable to assume that agencies do not have the appropriate skills and knowledge for this option. This option is not technically feasible.

   **Financial possibility:** This option can be accepted financially because agencies would still be required to stay within the boundary of their budget. While benefits of this option will be rewarding agencies with more transfer authority, costs would not be likely to increase. Some people, however, might worry about the possibility of financial confusion. The confusion could be reduced by budgeting lump sums to begin with. This option is financially possible.

   **Political acceptability:** This option has a low possibility of being accepted by legislators. The legislature does not want to extend unlimited transfer authority between programs
without first becoming confident in doing performance budgeting. Also citizens are likely to have reluctance to accept this kind of budget flexibility. Budget flexibility can be admitted in exchange of high accountability, but they do not guarantee raised accountability.

**Administrative acceptability:** This option will be welcomed by many agencies who want more flexibility. There will be no difficulty to be operated in administrative perspective. If some adjustments and changes are made in the budget system and accounting process, there is no distinctive difficulty in administrative procedures. Overall this option will be possible in an administrative context.

**Option two: Increase in agencies’ authority to transfer funds between programs**

Presently, agencies have 5 percent budget-transfer authority between programs. This option intends to give agencies more authority to transfer funds between programs. The increased amount will be much higher authority than the present 5%. This option can increase the effect of current lump sums which combine budget categories and give agencies more flexibility on how to use appropriated funds (OPPAGA, 1998).

**Technical feasibility:** Technically there is no difficulty in increasing the percentage of transfer authority. Existing accounting system can accomplish the change. Therefore this option can be considered a possible alternative in the current technical situation.

**Financial possibility:** This option only increases the percentage of transfer authority without changing the total budget amounts. Therefore this option is feasible from the financial perspective.

**Political acceptability:** Politicians are usually negative to give agencies much authority to transfer funds between programs. Although politicians acknowledge the need for increasing flexibility, they might not want to give up their control over agencies. Therefore this option would not be accepted by the politicians.

**Administrative acceptability:** This option does not cause any major change in the
budget process and accounting system. The agencies seek and desire more discretion. Therefore this option would be welcomed in the current administration system.

**Option three: Maintain current transfer authority**

This option sustains the same amount of agencies’ present authority transferring funds between programs. In a 1998 amendment, the legislature gave agencies the 5 percent budget-transfer authority between programs (Grizzle & Pettijohn, 2002). To achieve more, agencies want high budget flexibility. However, there is no consensus in the legislature about how much flexibility is best. Maintaining the current transfer authority can be an alternative under this situation without consensus.

Technical feasibility: The purpose of this option is no action and no change. This option does not intend to change the current system. Therefore this option ranks high in technical feasibility.

Financial possibility: This option maintains the present policy. Therefore this option is obviously financially possible.

Political acceptability: Maintaining the current transfer authority would not cause any new political problems. Therefore this option has a high possibility of being accepted by political participants.

Administrative acceptability: Agencies’ managers seek more flexibility. This option would not please many administrators. Some managers, however, may accept this option. Therefore, this option is likely to show different acceptability among administrators.

2. Inappropriate Performance Measures

**Option one: Enlarge outcome measures**

To measure the effect of agencies’ performance, it is necessary to use outcome rather
than input and output measures. The current situation shows that agencies prefer using input and output because of convenience of use and measure. The success of performance budgeting depends on how well it can be used in policy and budget decisions by measuring outcomes like citizens’ satisfaction and not output like numbers of receiving service. In this context, this option intends to enlarge outcome measures in all agencies’ programs.

**Technical feasibility:** Performance budgeting needs technical knowledge and information systems support than line item budgeting. Agencies often lack technical knowledge as well as lack data on program results and have ambiguous performance standards. Therefore this option cannot be implemented without breaking present technical barriers. Training and information systems development is needed.

**Financial possibility:** Most performance measurement is not too costly. However enlarging outcome measures in some cases could cost too much money compared to its benefits. Outcomes, like customer satisfaction, can be measured by various types of citizen surveys. The use of surveys and the development of new survey items are costly.

**Political acceptability:** Enlarging outcome measure has a high possibility of being accepted by political participants. From the beginning of performance budgeting, political participants like citizens and the legislature have insisted on increased use of outcomes measures. Therefore this option is politically acceptable. The crucial problem in this option is how a consensus will be reached about how many measures and programs are desirable.

**Administrative acceptability:** This option has a low possibility of being implemented in administrative process. Agencies tend to avoid measuring outcomes for their work if it threatens them. If these barriers remain, this option would be resisted by administrative actors.

**Option two: Create joint procedures for approving agency programs and measures**

In implementing a new policy, it is natural that there is conflict between the legislature and the agencies. The conflict comes from the difference of their roles and misunderstanding
each other. The key of resolving conflict is how well they solve the differences of opinion. Therefore they need to create joint procedures for deciding adequate measures for agency programs. By this collaborated effort they can facilitate communication and reach an agreement about effective policy measures.

**Technical feasibility:** Measuring performance and deciding measures is primarily technical. Deciding on measures is an essential process in performance budgeting. By creating joint procedures for approving agency programs and measures, they can reduce the expenditure of the legislature and executives’ time and effort. There seem to be no technical obstacles to collaboration.

**Financial possibility:** Implementing this option would not incur additional costs. For this option, they need to make a specific and reasonable meeting schedule in the budget process. From a financial view, this option is certainly possible.

**Political acceptability:** This option has some possibility of being accepted by political participants. Most major participants acknowledge the need for better outcome measures. The problems relating to this alternative are rivals. Being rivals, they do not have appropriate channels to resolve their differences of position. There can be no certainty they will accept this alternative. Political acceptability, therefore, is uncertain.

**Administrative acceptability:** This option seems likely to be acceptable to administrators. This option helps agencies by agreeing on measures in advance. If in the process of communicating, participants can understand each other better, this would constitute progresses the implementation of the budget and outcome measures. Therefore there is likely administrative acceptability.

**Option three: Develop more comprehensive measurement systems**

Developing comprehensive measurement systems would enable the legislature and the public to better measure its program results. The organization conditions and many other
variables must be considered in the implementation of performance budgeting (Flowers, 1999). OPPAGA (1998) suggested that agencies need to make more comprehensive performance measurement systems that can evaluate all of their major functions. It is difficult to establish measures that cover all functions of state government, but it can be considered as desirable option.

**Technical feasibility:** This option is technically difficult. Doing performance budgeting require more knowledge and information than line item budgeting. Some agencies lack expertise and also lack data on program results. These negative factors can function as barriers preventing agencies from developing a more comprehensive measurement system. Also these blocking factors generally cannot be solved in a short term. Therefore this option has a low technical feasibility.

**Financial possibility:** This option has modest but significant costs. Developing more comprehensive measurement systems takes money and time. It cannot be done in a short time. Implementing surveys and maintaining records requires investments. In some cases, the cost of a developing system could be higher than the benefit. It means that this option is feasible, but costs would be incurred.

**Political acceptability:** Legislators and citizens have advocated an improved system. In this respect, this option has a high possibility of being accepted by political participants. However, this option could cause a lot of problems in practice. Political support could lessen. This option seems politically acceptable.

**Administrative acceptability:** This option has a low possibility of being implemented in the administrative process. While politicians are mainly interested in adopting a new policy, agencies are focusing on the implementation of the policy. This difference comes from the different role of two factors in the policy process. The difficulty in coordinating and directing the implementation of the policy makes this option less likely to be accepted in the state government.
3. Unreliable Performance Data

**Option one: Promoting establishment of full cost accounting system**

Each agency needs to establish a full cost accounting system that tracks effectively the cost of its programs (TaxWatch, 1999). A small portion of funding for the new state accounting system was set aside for the purpose of supporting more reliable cost information (OPPAGA, 2001). But it takes time to establish the full cost accountability system for whole agencies. Complete change of a total system in a short time would be impossible. The desirable change will need to be done step by step over a long term.

**Technical feasibility:** Whether the cost data will be used in budget decision or not depends on data reliability. Developing reliable cost data requires a total organizational approach. Improving data reliability by a full accounting system can be considered a fundamental solution. Therefore this option is essential but technically very difficult.

**Financial possibility:** It will take money to establish this system. Although the legislature approves the establishment of the full cost accounting system, the costs will extend for several years. Annual investments for the new systems for many years will be necessary.

**Political acceptability:** This option is generally being acceptable to political participants. Performance budgeting proponents such as the legislature, Florida TaxWatch, and citizens always have advocated the necessity of improving data reliability. Also, they have suggested full cost accounting systems as a needed step. In this respect, this option is likely to be can be welcomed by political leaders.

**Administrative acceptability:** There will be no serious barriers for developing and operating the system. Some confusion and problems for creating and using the new system are likely. These kinds of problems require a learning process. Some agencies see no benefit in measuring costs. Accepted in administrative process could be difficult.
**Option two: Adequate modification of state’s accounting and budget system**

The full cost accounting system can more effectively track the costs of a program, something the current line item accounting cannot do. Complete change of cost accounting and budget systems, however, takes money and time. As a more realistic alternative, the gradual modification of the current system is suggested. Although the current accounting systems do not support the implementation of performance budgeting well, its usefulness can be improved by adequate modification for solving critical problems.

**Technical feasibility:** Because the main intention of this option is small modifications of the current system, conflict and confusion would be less than for a totally new system. Many problems can be enhanced by modifying the present system. This option requires less of a learning process. Therefore, this option is technically feasible.

**Financial possibility:** The costs of this option are modest. In this respect, this option is attractive financially. Compared to the full cost accounting option, this option is anticipated to get good benefits from modest spending.

**Political acceptability:** This option is not a complete solution. Initial proponents of performance budgeting have emphasized the necessity of reliable cost data and have suggested the establishment of full cost accounting systems as a requisite. They would not be satisfied by the gradual modification of the current system. No matter the cost and difficulty, they are apt to advocate a complete solution. This option would resolve some problems at modest cost. Therefore this option has a high possibility of being accepted by political leaders.

**Administrative acceptability:** This option has a high possibility of being implemented by administrators. This option emphasizes small changes in the present budget processes and accounting systems. Small changes could be possible with some efforts. This option can improve present data reliability problems by gradual amendment with an efficient and functional approach. Therefore, this option has a high possibility of being accepted in administrative process.
**Option three: Strengthen current audit for validation of performance data**

At present, the audits for checking data reliability are performed by agency inspectors general. There are many concerns related to data reliability. Current audits to performance data must be done strictly for more correct and available information. If the performance data is not credible, the data should not be used in policy and budget decisions. With poor data, performance budgeting cannot enhance accountability and improve administrative decision making. To enhance the validity and reliability of data, the inspectors general need to audit the performance information more strictly (Grizzle & Pettijohn, 2002; OPPAGA, 1998).

**Technical feasibility:** There are no technical barriers to strengthening present auditing by agency inspectors general. Correcting inadequate data by the audits can improve effectiveness and usefulness as well as reliability of cost data. Therefore this option is technically feasible.

**Financial possibility:** This option does not require fundamental changes in the present cost accounting system. This option can increase data reliability with some additional costs in the labor of the inspectors general staffs. Therefore this option can be considered a desirable alternative that is worth the modest additional costs.

**Political acceptability:** Because this option should not threaten political factors, this alternative is likely to be acceptable to political participants. Good auditing needs to be done continuously in any budgeting process. This option is likely to be welcomed by political leaders as a necessary continuous activity. So this option has a high possibility of being accepted by political participants.

**Administrative acceptability:** This option intends to strengthen the current audits. This option does not cause substantial changes in the administrative process. The acceptability to inspectors general is uncertain. Therefore this option has an uncertain possibility of being accepted in administrative process.
4. Unclear Standards and Procedures of Incentives and Disincentives

**Option one: Establish more specific standards and process**

To achieve the purpose of granting incentives and sanctions, detailed standards are more necessary than revising the law. The standards and practice of awards and punishments are not clear, so politicians failed in promoting agencies’ efforts. The legislature needs to develop more comprehensive standards and process which define them specifically. New detailed standards can administer agencies’ incentives and disincentives more persuasively. It can administer disincentives to agencies that repeatedly fail to improve their performance and enhance concerns presented in the past experience (OPPGA, 1998). It also can give clear expectations and acceptability about their performance to related groups.

Technical feasibility: Setting more substantive standards and process is technically difficult. Doing this option requires more knowledge and skills. Also this knowledge and skills cannot be acquired in a short time. Therefore this option has a low technical feasibility.

Financial possibility: This option does not have a high relationship to financial problems. This option can be done without additional costs. Therefore this option is financially possible.

Political acceptability: The legislature and citizens have noticed the necessity of establishing more specific standards and the process for solving this concern. But it is difficult for them to get the consensus from various phases’ advancement of agencies. Also it is not easy to set uniform standards for including all agencies’ different work. Therefore this option is not likely to be accepted by the political participants.

Administrative acceptability: Agencies have often expressed their concerns about the use of incentives and disincentives. This option seems to help agencies reduce their difficulties to anticipate awards or sanctions. So this option has a high possibility to be accepted by administrators.
Option two: Hold hearings of reviewing performance to consider incentives and disincentives

Some agencies’ managers were dissatisfied with the legislature’s decision on the use of incentives. The reasons are unclear standards and the lack of opportunity for explaining their position. Like many policy implementation processes, hearings are needed to review their performance and offer opportunities to express their opinions. Through these hearings, they can justly review all performance in the presence of related people and reduce the agencies’ concerns in advance by stating their opinions.

Technical feasibility: Holding hearings does not require special knowledge and information. The procedure for implementing this option would also be relatively simple. Therefore this option is likely to be accepted technically.

Financial possibility: This option will take additional money to hold hearings. The portions of the costs, however, could not seem to greatly influence on current financial status. Therefore this option can be financially possible.

Political acceptability: This option suggests official channels for examining the performance results and considering adequate compensation. This option can function as a method for coordinating different opinions. But politicians would not prefer this kind of hearings. Therefore political acceptability is uncertain.

Administrative acceptability: The evaluation of their performance is important to agencies. By the results, they can give disadvantages or advantages. Agency managers prefer to participate in the process of deciding awards and punishments if it is possible. So this option is likely to be accepted by administrators.

Option three: Interrupt current incentives and disincentives

Incentives and disincentives can play an adequate role by just evaluation and objective standards. Reports showed that current usage of incentives and penalties caused high
dissatisfaction with several agencies’ managers. Although using incentives and disincentives can be considered a desirable direction, the timing of using them is also important. In reality, if there is difficulty in establishing adequate practice, interrupting current usage can be one choice.

**Technical feasibility:** There is no technical difficulty in stopping the current policy. Any changes or influence cannot happen in the technical aspect. Therefore this option has a high possibility of being accepted in technical perspective.

**Financial possibility:** This option intends to stop present compensation methods. So this option can reduce current cost for the compensation. In other words, by interrupting the current way, this option can reduce the related budget and conflicts around the use of compensation. So this option can be possible financially.

**Political acceptability:** The incentives and sanctions granted by the performance results intend to make possible agencies’ active implementation efforts. Because of the lack of specific standards and processes, if the current incentive policy is cancelled, there will be strong opposition from initial proponents of policy. So this option has a low possibility of being accepted by political participants.

**Administrative acceptability:** Because agencies have different levels of development, the agencies’ response to this option would be different. Agencies with a low performance would welcome this option. On the contrary, agencies with a high performance probably do not prefer this option. Therefore the administrative acceptability of this option is likely to be uncertain.

5. The Lack of Strong and Continuous Leadership

**Option one: Increase participation of agencies**

This option intends to increase the participation and attention of all levels of agencies’
employees. The implementation of the new policy is required to enlarge active participation of all members in the organization rather than a small number of leaders’ efforts (TaxWatch, 1999). The current atmosphere can be changed by using various methods to increase the consensus and wisdom of all members.

**Technical feasibility:** This option needs to use some methods and process to increase the agencies’ participation. Agencies have experienced technical difficulties to develop performance measure and to evaluate results. Like above difficulties, the lack of knowledge developing new methods and process does not seem to be solved in a short time. So this option has low possibility to be accepted technically.

**Financial possibility:** This option is not likely to cause much demands of financial resources. In some cases, this option could be implemented by additional costs. But the amounts could be covered within the scope of current budget. Therefore this option is feasible financially.

**Political acceptability:** Politicians and citizens advocated performance budgeting to increase accountability. They have acknowledged the need of enhanced involvement in current implementing step. In this respect, this option is likely to be welcomed by the political participants.

**Administrative acceptability:** Agencies’ managers recognize the need of high participation for the success of the new policy. Moreover, they acknowledge that performance budgeting is major trend in public sector. So this option could be acceptable to administrators.

**Option two: Enlarge involvement of various stakeholders**

Although the Governor’s Office of Planning and Budgeting (OPB) and the Office of Program Policy Analysis and Government Accountability (OPPAGA) play leading roles in the implementing phase, their sole effort is not enough. The various problems in the implementation process can be covered by the cooperation of various stakeholders such as
the legislature, agencies, and citizens. Various methods to enlarge diverse stakeholders’ participation can be regarded as one alternative.

**Technical feasibility:** The main point of this option is how to enlarge more stakeholders’ involvement. To increase their roles, some methods and process will be prepared. However, it could not be easy to establish appropriate procedures including many stakeholders in whole implementation process. In this respect, this option is not possible technically.

**Financial possibility:** To increase the involvement of diverse stakeholders, some costs will be needed. But the costs could not be high, so they can be covered by current financial status. Therefore this option could be possible financially.

**Political acceptability:** As proponents of performance budgeting, politicians have expected strong leading roles implementing the budgeting. This option seems to play a leading role by participation of various stakeholders. In this respect, this option could be preferred by politicians. So this option would be accepted by political participants.

**Administrative acceptability:** While agencies focus on the implementation of the policy, other participants have diverse interest because of their different role. The difficulty of coordinating various stakeholders’ opinion makes this option less likely to be accepted by administrators.

**Option three: Maintain current status**

This option does not try to change the current running style of the performance budgeting. Even if the legislature’s role is considered imperative to perform this budgeting, their role in implementation is limited by their main focus on passing laws. Agencies also play limited role in leading change. More time would be needed to reach a consensus on who must play a leading role. Therefore maintaining the current situation can be one option in this stage.

**Technical feasibility:** This option is not likely to cause a rapid change the current
technical level. Current knowledge and information can be enough to sustain present situation.
So this option can be feasible technically.

**Financial possibility:** This option cannot require increased money for maintaining current situation. If other conditions do not change, financial problems cannot happen. Therefore this option can be done financially.

**Political acceptability:** If there is no change in the environment, current policy can be remained. It also seems that the current politicians’ role will not change. Therefore this option could be approved by political participants.

**Administrative acceptability:** It seems that this option does not improve current leadership problems. But this option can be possible under current administrative system. So this option can be accepted by administrative leaders.
VI. Recommendations and Conclusion

This report has examined alternatives for improving performance-based budgeting. Each policy option was evaluated by technical feasibility, financial possibility, political and administrative acceptability. This research suggests one option with high priority for each problem. Table 1 shows the evaluation results of proposed alternatives.

Table 1-- Summary of Alternatives and Evaluation Criteria

<table>
<thead>
<tr>
<th>Problems</th>
<th>Options</th>
<th>Evaluation criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Limited flexibility and low efficiency</td>
<td>1. No limitation of agencies’ authority to transfer funds between programs</td>
<td>Technical feasibility: Low; Financial possibility: High; Political acceptability: Low; Administrative acceptability: High</td>
</tr>
<tr>
<td></td>
<td>2. Increase in agencies’ authority to transfer funds between programs</td>
<td>High; High; Low; High</td>
</tr>
<tr>
<td></td>
<td>3. Maintain current transfer authority</td>
<td>High; High; High; Moderate</td>
</tr>
<tr>
<td>2. Inappropriate performance measures</td>
<td>1. Enlarge outcome measures</td>
<td>Low; Moderate; High; Low</td>
</tr>
<tr>
<td></td>
<td>2. Create joint procedures for approving agency programs and measures</td>
<td>High; High; Low; High</td>
</tr>
<tr>
<td></td>
<td>3. Develop more comprehensive measurement systems</td>
<td>Low; Low; High; Low</td>
</tr>
<tr>
<td>3. Unreliable performance data</td>
<td>1. Promoting establishment of full cost accounting system</td>
<td>Low; Moderate; High; Low</td>
</tr>
<tr>
<td></td>
<td>2. Adequate modification of state’s accounting and budget system</td>
<td>High; High; High; High</td>
</tr>
<tr>
<td></td>
<td>3. Strengthen current audit for validation of performance data</td>
<td>High; High; High; Low</td>
</tr>
<tr>
<td>4. Unclear standards and procedures of incentives and disincentives</td>
<td>1. Establish specific standards and process</td>
<td>Low; High; Low; High</td>
</tr>
<tr>
<td></td>
<td>2. Hold hearings of reviewing performance to consider incentives and disincentives</td>
<td>High; High; Low; High</td>
</tr>
<tr>
<td></td>
<td>3. Interrupt current incentives and penalties</td>
<td>High; High; Low; Moderate</td>
</tr>
<tr>
<td>5. The lack of strong and continuous leadership</td>
<td>1. Increase participation of agencies</td>
<td>Low; High; High; High</td>
</tr>
<tr>
<td></td>
<td>2. Enlarge involvement of various stakeholders</td>
<td>Low; High; High; Low</td>
</tr>
<tr>
<td></td>
<td>3. Maintain current status</td>
<td>High; High; High; High</td>
</tr>
</tbody>
</table>

(Ranking Scale: Low, moderate, and high with low showing little possibility in relation to evaluation criteria and high showing great possibility in relation to evaluation criteria)
Selected options for enhancing each concern are as follows. First, maintaining agencies’ authority to transfer funds between programs is chosen as an alternative for increasing flexibility and low efficiency. Second, creating joint procedures for approving agency programs and measures is chosen as an alternative for appropriate performance measures. Third, for the concern of unreliable performance data, adequate modification of current accounting and budget system is suggested for continuous validation of performance and cost data. Fourth, holding hearings of reviewing performance to consider incentives and disincentives is chosen as a good option for the effective use of standards and procedures of incentives and disincentives. Fifth, sustaining current efforts is chosen as an option for strong and continuous leadership.

Performance budgeting in the State of Florida has contributed to better accountability and managerial flexibility, but more advancement by correcting several current concerns is needed. Based on the analysis, present performance budgeting in the State of Florida was not fully implemented. There have been obstacles in the implementing process. These obstacles exist because the legislature hopes for accountability, agencies need budget flexibility, and citizens want improved service (Berry & Flowers, 1999). These concerns, however, can be improved by adopting several recommendations of this paper.

In conclusion, these recommendations in this paper can help to improve the implementation of current performance-based program budgeting. With more effective budgeting, Florida can contribute for providing high accountability and improved service to its citizens. Present continuous efforts from the executive and the legislative branch play a key role for further advancement. An important element in this phase is positive recognition that current obstacles should be considered stimulants for further development and not as harmful problems for blocking settlement.
References


Florida Office of Program Policy and Government Accountability. (2001). *PB² Commentary, Florida’s unit cost initiative shows promise, but needs further development.*
Tallahassee, FL: Author.


About the Author

Du-Young Choe (B.A., Business Administration, Keimyung University; MPA, Florida State University) is currently a civil servant in South Korea. His area of interest is in financial administration and in the future, he plans to obtain a Master of Public Administration.