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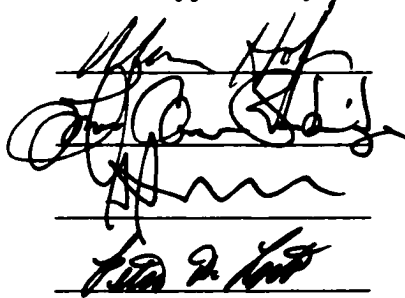
**OUTCOME BUDGETING:
ASSESSING THE INTEGRATION OF MANAGEMENT TOOLS INTO
BUDGETING SYSTEMS**

By Mwabilu L. Ngoyi

**A dissertation submitted to the
Graduate School-Newark
Rutgers, The State University of New Jersey
in partial fulfillment of requirements
for the degree of
Doctor of Philosophy
Graduate Program in Public Administration**

**Written under the direction of
Professor Marc Holzer**

and approved by

Three handwritten signatures are displayed on horizontal lines. The top signature is in cursive and appears to be 'Marc Holzer'. The middle signature is also in cursive and is more complex. The bottom signature is in cursive and appears to be 'Mwabilu L. Ngoyi'.

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ABSTRACT OF THE DISSERTATION

OUTCOME BUDGETING: ASSESSING THE INTEGRATION OF MANAGEMENT TOOLS INTO BUDGETING SYSTEMS

By Mwabilu L. Ngoyi

Thesis Director: Professor Marc Holzer

An academic debate in the theory and practice of administrative reform has implicitly cast doubts on the potential for outcome budgeting as a future major budgetary reform. Regrettably, these doubts are compounded by the fact that budgetary reforms are often oversold and do not always fulfill their promises.

Some scholars and practitioners have argued that, unlike past reforms, which aimed to optimize programs, outcome budgeting seeks to improve organizations. They further characterized outcome budgeting as the potential major budgetary reform of the 21st century, and some government agencies have touted this budgeting system, in terms of implementation, as an important paradigm of effective governmental management and an accountability tool.

Paradoxically, other scholars contend that the research on this budgeting system is still very weak, and that there is no generally agreed upon definition of outcome budgeting in the public administration literature. Moreover, many efforts for its implementation have been, unfortunately, marred by confusion about its basic definition and the challenges of integrating outcome and performance measurement systems into the budgeting system.

The purpose of this study is to introduce empirical evidence that would bring some resolution to the debate concerning the merits of outcome budgeting. This study aimed, particularly, to investigate what a sample of experts, direct participants, and experienced users believe constitutes an outcome budgeting system, in terms of its definition, goals and objectives, including the level of integration of outcome and performance measurement into the budget process.

We present findings from an outcome budgeting survey administered to budget and finance officers, analysts, and auditors working in federal, state, and local governments. Contingency tables were used to organize and analyze categorical data. The chi-square, a standardized test statistic commonly used with categorical data, is also used to assess the significance of the results. The study also used the Scheffe's method, an appropriate statistical approach to pre-planned comparisons of means using an unbalanced number of observations.

The results show that, while some significant outcome-based practices might be in place at various government levels without legislation, implementation efforts are uneven across government levels and generally lack political support. The results highlight some limitations, particularly at the local government level, and a lack of agreement, across all government levels, in the use of outcome measures information as a funding standard. In general, the results, which relate to outcome budgeting elements, suggest the lack of an agreement about the conceptual definition of outcome budgeting across government levels. Elements of outcome budgeting, as understood across government levels, differ from the ones embodied

in the ideal framework of an outcome budgeting system. There is no clear-cut understanding about the conditions for the existence of outcome budgeting. The results, in some cases, indicate some degree of agreement in respondents' perceptions across levels of government with respect to some outcome budgeting objectives. However, most of the respondents disagreed that outcome budgeting implementation's root lay in 1) improving fiscal discipline by cutting the budget or 2) increasing program effectiveness by promoting a focus on results or quality. The respondents also did not believe that the motive behind outcome budgeting implementation lay in 1) the improvement of fiscal discipline by limiting growth in expenditure or 2) the improvement of legislative decision-making with objective information. The results indicate some degree of agreement in some cases, whereas they show, in most cases, disagreement in perceptions across levels of government, with respect to the levels of integration of outcome measures into the budget process. The results also show that there is a statistically significant difference in the use by government agencies of the first and the next highest level of integration of outcome measures into the budget process. Finally, government agencies do not use the highest level of integration, which ideally constitutes outcome budgeting.

To “The ‘I AM’ Presence” anchored within my heart and by which I AM an intelligence vested with life, opportunity, and free will.

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CHAPTER I

Introduction

An era of entrepreneurial budgeting, in particular outcome budgeting, is emerging within the reinvention framework, which guides the general effort toward achieving management improvement. Clearly, outcome-based budgeting, which is now being touted for implementation by some government agencies, signals the emergence of an important tool for effective governmental management and accountability. As Miller, Hildreth, and Rabin (2001, 3) indicate, the focus on inputs, outputs, and outcomes, along with citizen participation in assessing and resolving issues of their concern, are the characteristics of outcome budgeting, a potential major budgetary reform of the 21st century.

Paradoxically, the research on outcome budgeting is still very weak (Forrester¹, 2001), and the consensus is that there exists no generally agreed upon definition of this concept in the literature of public administration (Martin, 1997). Unfortunately, many efforts to implement outcome budgeting have been marred by confusion about its basic definition and the challenges of integrating outcome and performance measurement systems into the budgeting system. Indeed, in various places, either in the literature or in practice, outcome budgeting is known by different names, with varying goals and objectives. Furthermore, while King (1995) indicates that performance-based budgeting systems may or may not require

¹ John Forrester is a Senior Analyst in the Division of Strategic Issues/Budget at U.S. GAO in Washington, D.C.

measurement of outcomes, Campbell (1997) notes that “performance-based budgeting” results only when performance measurement has been fully integrated into the budget process. Such a step has been considered as the highest level of integration by the Government Performance Results Act (GPRA) Implementation Committee and Chief Financial Officers (CFO) Council in the project “Integrating Performance Measurement into the Budget Process” (CFO Council, 1997).

Hence, the use of outcome budgeting is a subject of debate in the theory and practice of administrative reform. The debate has cast doubts on the potential for its success as a future major budgetary reform, which could provide momentum to move governments toward being entrepreneurial and innovative in the delivery of services. Regrettably, these doubts are compounded by the fact that budgetary reforms are often oversold and do not always fulfill their promises.

Purpose of the study

The purpose of this study is to introduce empirical evidence that will bring some resolution to the debate concerning the merits of outcome budgeting as a future major budgetary reform.

The issue inherent in the study is to explore whether there are grounds for doubting that outcome budgeting can fulfill its promise of improving organizations. In particular, this work aims to ascertain what constitutes an outcome budgeting system, in terms of its definition, goals and objectives.

Furthermore, considering that the budget process is a powerful tool and one of the critical activities undertaken by governments (since it is a focal point for key resource decisions), the study will seek to assess the level of integration of outcome and performance measurement systems in the budgetary process. Therefore, a particular emphasis will be placed on the highest level of integration, which constitutes outcome budgeting.

Finally, this study presents an overview of conceptual, theoretical and comparative issues about outcome budgeting. These include those leading to the emergence of outcome budgeting, the underlying theory behind outcome budgeting, the theoretical considerations for budgetary reform and performance measurement, and comparisons with other budget formats. Challenges in integrating outcome measurements into the budget process, and an overview of the efforts undertaken by sub-national governments in the U.S. and the Organization for Economic Cooperation and Development (OECD) countries in budgeting for results are presented as a prelude to the research issues considered.

Significance of the study

The significance of this study in terms of the potential for outcome budgeting success in directly influencing the budget process and the effectiveness of public sector organizations is that it can contribute to future major budgetary reforms.

Kamensky (1996) asserts that a massive change is occurring through the political landscape, the economy, and communities across the country. However, as society moves toward an information-age era, control-based hierarchies rooted in production-based institutions are crumbling. Ironically, there is no clear model to follow, due to the fact that the classical public administration paradigm of effective government, which encouraged hierarchical control, efficiency, and a set of rules, is now being discredited. All this is happening when citizen's confidence in the government is relatively low. Considering that the central tenet of every democracy is trust, public confidence in the government must then be re-established for the sake of our society. To do so, change is inevitable in the way government works.

In an era of fiscal restraints, low public trust, and escalating demands (not only for more efficient and effective public services, but also for greater government accountability for results), outcome-based budget offers much more than a way to control expenditures. A mission-driven and outcome-based budget promotes managerial improvement and better program results. Furthermore, it encourages elected official to focus their attention on setting policy directions and establishing performance expectations. At the same time, it grants public managers incentives that make them more aware of, and accountable for, costs and performance, and more willing and able to shift resources to more productive activities. Thus, managers have greater flexibility to adjust spending in response to changing conditions.

The focus is not on line item budgets; however, a lump sum is allocated to accomplish desired results as specified in the strategic plan. This brings an increased emphasis not on dollars spent, but rather on services provided. As such, outcome budgeting appears to constitute a fundamental change from the existing budgeting practice. Clearly, an important paradigm of effective governmental management and accountability is emerging and is currently adopted by some government agencies.

Outcome budgeting is seen as a concept built upon earlier fiscal practices in that: 1) its use of strategic planning and program structure draws upon the Planning-Programming-Budgeting-System; 2) the setting of objectives and targets is derived from Management by Objectives; and 3) its designation of expected levels of performance for each level of expenditure was introduced with the Zero-Based Budgeting (Southern Growth Policies Board, 1996). But unlike these past reforms, which aimed to optimize programs, outcome budgeting seeks to improve organizations (Schick, 1990).

Unfortunately, the research on outcome budgeting is still very weak in the field of public administration. Many efforts to implement this system of budgeting have been marred by confusion about its basic definition and the level of integration of outcome and performance measurement systems into the budgeting system, which defines it.

Finally, considering that budgetary reforms are always oversold and do not fulfill their promises, doubts cast with regard to the merits of outcome budgeting

may be diminished by conducting this study. We expect that a positive result of this research would be to yield not only insights on important and timely issues, but to also provide an impetus to consider outcome budgeting as a future major budgetary reform.

Organization of the dissertation

Following this Introduction, Chapter 2 provides ideas which underlie the conceptual rationale and serve as catalyst for linking performance measures to budgeting. The chapter also explores a conceptual framework for ideal outcome budgeting, the theory underpinning outcome budgeting or the lack thereof in the literature on current budgetary reform, and a comparison of outcome budgeting with other budget formats.

Chapter 3 discusses the advantages and challenges of integrating an outcome and performance measurement system into the budgeting process. It underscores the difficulties in using outcome measures in the budgeting process as the basis for resource allocation, for sorting out the relationship between performance and the budget, and for keeping politics out of the budgetary process.

While Chapters 2 and 3 clearly indicate the emergence of an important paradigm for effective governmental management and accountability, they also indicate why doubts are cast on the potential of outcome budgeting to fulfill its promises. However, these chapters introduce outcome budgeting as a research issue

that can provide some resolution to the debate concerning its merits as a future major budgetary reform

Chapter 4 provides an overview of efforts by sub-national governments in the U.S. and other OECD countries to budget for results.

Chapter 5 examines and discusses the research questions that this study intends to answer in exploring ‘what constitutes outcome budgeting’ in terms of definition, goals and objectives, as well as the level of integration of outcome and performance measurement system into the budgeting process.

Chapter 6 presents a detailed analysis of the research design and methodology used to explore the concept of outcome budgeting, and ultimately to contribute to the debate on the merits of outcome budgeting as a future major budgetary reform.

Chapter 7 reports and discusses the findings of the outcome budgeting survey administered to budget and finance officers, analysts and auditors working in federal, state, and local governments across the United States.

Finally, Chapter 8 provides concluding observations drawn from the study.

CHAPTER II

OUTCOME BUDGETING: CONCEPTUAL, THEORETICAL, AND COMPARATIVE ISSUES

Introduction

Budgeting systems appear to be reflections of the time and circumstances in which they are created (Rubin, 1996, 112). Whereas in the 1960s the needs of the time dictated whether budgets should emphasize financial control, managerial improvements, or planning (Schick, 1966, 243-258), in the 1970s and 1980s prioritization, which could allow tradeoffs and reductions in the budget, seemed the dominant trends in budgeting. Repeated recessions and tax limitation movements were the major causal factors for such trend (Rubin, 1996, 112). For the 1990s, the focus has been on accountability (Griefel, 1993, 403) due to a widespread belief in recent years that government is uncontrollable and responsive only to special interests.

It is important to indicate that, until recently, government accountability was basically an accounting matter, addressing and seeking responses to such questions as how the money was spent and on what (Campbell, 1997). Largely, fiscal and budget reports have served for years to establish government accountability and responsibility. As Hendrick and Forrester (1999) indicated, budget implementation traditionally provided a means of assuring accountability and financial control. Since decisions in outcome budgeting focus on programs, performance, and

outcomes, the bounds of accountability have been broadened. Aside from monitoring outcomes and reporting input levels, accountability is redefined to encompass monitoring effectiveness, efficiency, and quality, as in private sector organizations (Anthony and Young, 1994).

This past decade has, hence, witnessed a new meaning of the concept of government accountability. Citizens now expect government to demonstrate accountability by showing: 1) what products and services they get from the use of public funds; 2) how such expenses improve their lives; and (3) how efficiently and effectively public funds are used. Consequently, governments at all levels can be held accountable for their actions as well as the results of their actions. On the other hand, governments have asked their managers and administrators to produce more services with fewer resources and to become more innovative and entrepreneurial in their thinking (Martin, 1997, 111).

Over the past few years, budget officials have undertaken efforts to adapt to this new environment by improving the accountability of the budget to the citizenry. This trend is evidenced in the increased interest by governments in not only developing new measurement and reporting systems (Ammons, 1995; Henry and Dickey, 1993; Lynch and Day, 1996; Poister and Streib, 1994), but also in attempting to link funding to results or outcomes (Gianakis, 1996, 127-143). These new systems, which are generally called "outcome and performance measurement systems" (Blodgett and Newfarmer, 1996; Kravchuck and Schack, 1996), provide

data that allow citizens to assess how economically, efficiently, and effectively government uses public funds. However, the real integration of these systems and budgeting must serve a higher purpose than the use of measures within the budget to enhance communication with citizens (Gianakis, 1996, 128).

Factors leading to the emergence of outcome budgeting

The use of management tools in the public sector has been of long-standing interest to public administrators in the United States (Schick, 1990, 26). For instance, Martin (1997, 108) indicates that the notion of outcome has been around for some time. Indeed, the Urban Institute published studies dealing with the development and use of outcomes in government programs in the 1970's (Millar et al., 1977a and 1977b; Schainblatt, 1977; Winnie et al., 1977).

In recent years, government mandates, including national organizations and other movements have given added impetus to the outcome and performance measurement systems and encouraged their use by government organizations. These generally include:

1) The Governmental Accounting Standards Board's "Service Efforts and Accomplishments" (SEA) initiative, which was proposed in 1987. This work devised means of measuring the results of programs at local and state levels and then linked the results with accounting information (Governmental Accounting Standards Board, 1994; Harris, 1995; Hatry and Fountain, 1990).

- 2) **The National Association of State Budget Officers, which created a task force in 1990 to help states develop measures (Kamensky, 1993, 396).**
- 3) **The American Society for Public Administration (ASPA), which passed a resolution encouraging governmental units to regularly measure and report program effectiveness and efficiency, set performance targets, and assess progress toward targets (Lynch and Day, 1996, 412).**
- 4) **The “Reinventing Government” movement, which is characterized as the most popular manifestation of the general effort toward achieving management improvement. This movement calls for changes in the way government agencies are managed with an eye to measuring results and reconfiguring operations to improve results. The Gaebler and Osborne book, “*Reinventing Government*” (1992), identifies ten entrepreneurial characteristics necessary to achieve this government reinvention, and indicates that flexibility, creativity, and responsiveness of public organizations are catalysts for converting government into a decentralized entrepreneurial model. Gaebler and Osborne further assert that the presence of certain characteristics, such as mission-driven, results-oriented, enterprising, customer-driven, community-owned, decentralized, and market oriented are critical if an entrepreneurial government is to exist within the reinvention framework (1992, 7).**
- 7). **These principles of government have been identified with government reinvention. But proponents of reinventing government and others have indicated that crises and certain conditions have quickened changes in government’s approach**

to governing (Gaebler and Osborne, 1992; Savas, 1992, 79-98; Schick, 1990). These conditions include fiscal stress, pressures to cut on administrative expenditures, decentralization of previously centralized controls, and threats of privatization of certain government functions. Gaebler and Osborne (1992) also observed that factors such as strong leadership, continuity of leadership, a shared vision, trust, and outside resources were potent motivators toward important change in government.

5) Various state government performance measurement and benchmarking programs, which encourage the collection and reporting of data on performance with a focus on outcomes (i.e. Florida CGAP, 1996; Oregon Progress Board, 1996 and 1997; Texas State Auditor's Office et al., 1995).

6) The Chief Financial Officers (CFO) Act, which was adopted by the U.S. Congress and the Bush administration in 1990. This legislation basically focused on the appointment of personnel and the establishment of procedures to improve federal accounting. In addition, it required that financial statements created under the act include "systematic measures of performance" (Hendrick and Forrester, 1999, 608).

7) The National Performance Review, which was created by President Clinton in 1993, and then spearheaded and coordinated by Vice-President Gore. This study recommends changes in the management of federal activities, in particular the implementation of some of the tenets of entrepreneurial government (mission-driven

and results oriented budgeting) as formulated by the “Reinventing Government” movement. The study recommends a move toward budgeting based on results (National Performance Review, 1994; General Accounting Office, 1994c; Thompson, 1994, 90-105).

8) The Government Performance and Results Act (GPRA; P.L. 103-62), which was adopted by the U.S. Congress in 1993. This legislation requires federal agencies to submit and implement strategic planning and performance measurements, thus suggesting an increased emphasis on program information (Finch, 1995; US General Accounting Office, 1995a).

9) Executive Order 12862, which was issued by President Clinton in 1993. This order required the development and measurement of federal government customer service standards.

10) General Accounting Office reports from 1993 to 1994, which were submitted to the Senate Committee on Governmental Affairs and the House of Representatives Committee on Government Operations. These reports underlined a study of several states which have implemented similar results-oriented programs. The reports provided Congress with information on the administration and success of programs such as the GPRA. The experience of states led to the conclusion that management reforms similar to those contained in GPRA required long-term effort, but could help to improve agencies’ effectiveness and efficiency. States’ experiences also suggest that strategic planning and performance measurement could be an important

means for stakeholders to obtain agreement on common goals and measure progress toward achieving these goals (General Accounting Office, 1993 and 1994d).

11) The plan to convert parts of the federal bureaucracy into “performance-based organizations” (PBO’s), which was formulated by Vice-President Gore in 1996. This plan aimed to improve the effectiveness of the federal bureaucracy. While these PBO’s would have been granted greater flexibility and freedom, they would also have been held accountable for the achievement of targeted results (National Performance Review, 1996a, 6-7).

In an effort to improve government productivity and performance measurement, advocates of reinventing government, including proponents of the NPR efforts, have suggested that objectives, results, and resources should all be linked, and advance targets be set against which results are to be compared. This concept seems simple and has as its ultimate objective the fashioning of the budget into a “contract for performance.” Thus, obtaining resources then becomes conditional on the achievement of certain targets. To establish a successful relationship between outcome measures and resource decisions, the measures must be readily available in a certain format. Furthermore, targets, which refer to specific levels of performance to be met by a designated time, may be more or less binding, closely linked to budget allocations or tied to other managerial processes. Considering the tightening of operating resources, governments would like, however, to guard against and avoid reductions in the volume of services, this

suggests unintended consequences from the pressures they exert over the bureaucracy (Schick, 1990).

These forces have led to the emergence of a new type of budget reform, termed “outcome budgeting” or sometimes [a type of] “entrepreneurial budgeting” (Cothran, 1993, 445; Hendrick and Forrester, 1999, 576-593).

Theoretical perspective for budgetary reform and performance measurement

According to Miller and associates (2001, 8), while “the budget theory underlying the Results Acts is not beyond dispute, and that therein lies the eventual path these performance based reforms will take toward budgeting success or failure”, budget theory in performance-based budgeting is not clear. He indicated, however, that decentralization and evolution, as well as a result orientation, have replaced traditional structure and institutions. Furthermore, he stated that the eventual use of performance information in budgeting remained eminent. On the other hand, taking into account empirical research in budgeting, budgeters are shown to shy away from “too good results” (Wildavsky, 1964, 93) for the following reasons: a) the fear of program elimination or fund reduction (Schick, 1978, 179); and b) the change in what budget officers generally do (Schick, 1990, 33).

Despite all the efforts in the past decades to reform budgeting in order to improve efficiency, effectiveness, responsiveness and accountability in governmental actions, criticism about budgeting has not been silenced and the

pursuit of better budgetary theories continues. In his *"The Politics of the Budgetary Process"* (1979), Wildavsky points out to the debate over public budgeting process between proponents of political incrementalism, who place an emphasis on the individual actors and their strategies, and opponents of this model, who propose a more comprehensive and global outlook that focuses on dynamics in the larger environment. However, in his second edition published in 1992, Wildavsky "largely abandoned incremental theory" (Meyers, 1996, 14). The problem with Wildavsky's model is the reliance on fixed roles and the institutional culture of budget structures and actors. Lindblom (1979), in his *"Still Muddling, Not Yet Through,"* claims that incrementalism, albeit limited and representing non-comprehensive change, was the most common method of policy making. Research conducted by Wildavsky (1964 [1979]) and Fenno (1966) has shown that very little in the way of new policy occurred during the annual budget process due to many factors, including: 1) the lack of formal analysis; 2) the reliance on the political judgment and procedural expertise of key participants; 3) the acceptance of past decisions; and 4) the decentralization and fragmentation of the budget process that impaired the formulation of any integrated policy.

Gianakis (1996) indicated that the normative aspect of incrementalism encourages national public policy to be made through marginal adjustment to existing line-items, considering people's limited capacity for understanding and solving societal problems. Furthermore, he also reported that incrementalists favor

planning and analysis at the margin of the policy process, because the time constraints in reaching a consensus on the annual federal budget precluded thorough analysis of policy options. However, Rubin (1990) indicated “incrementalism is a political theory of the budget process and the different political environments and institutions of state as well as local governments have made them less accessible to theory building in this area.”

Rubin explained that the executive organization at the federal level was represented by incrementalist independent agencies, whereas state and local governments were characterized by integrated service delivery organizations. Such a situation has made state and local governments more prone than the federal government to experiment with budget reforms as well as to adopt management techniques and efficiency tools developed by budget reformers. Thus, for several decades, reform in budgeting has been associated with the use of analytical techniques, which provided information to improve public delivery systems.

Reformers also considered that formal analysis could inform the political nature of the budget process, and that planning should be made more manifest in budgeting (Gianakis, 1996, 129). While planning was increasingly merging with budgeting at the state and local levels (Rubin, 1990, 182), indications were that performance measurement systems were less developed and inadequately integrated with organizational decision making processes (Grizzle, 1987; Poister and

McGowan, 1984). Thus, the information on program effectiveness and performance was generally lacking.

Schick and Hatry (1982) indicated that the lack of information on programmatic implications of resource allocation alternatives affected the efficiency and effectiveness of budget choices. They further argued that the development of outcome or results-oriented program measures could effectively enhance the integration of planning and budgeting, and thus provide a common ground for program comparison. They also indicated that input data could not improve the situation, whereas output measures, which facilitated comparisons of alternatives within programs, provided for neither the comparisons of programs required by the integration of planning and budgeting nor the use of formal analysis to improve the efficiency of the resource allocation process. But Gianakis (1996) pointed out that outcome measures were difficult to develop for programs in the public sector. He further questioned whether outcome measures could clarify the means-end relationship between public programs and societal problems, which was poorly understood. Likewise, Downs and Larkey (1985) contend that this lack of substantive knowledge undermined the use of performance measurement systems in budgeting and planning and that such systems could not point the way to intelligent actions in the budgeting process.

The budget reformers also sought to improve the management of the budgeting process by centralizing budget development in a single executive

(Gianakis, 1996), which was deemed more prone to apply modern management tools and analytical techniques to the budget process. It was believed that such centralization would yield greater accountability, efficiencies, and rational outcomes. However, Gianakis (1996) indicated that goal consensus was difficult to achieve, considering the lack of a common bottom line as in the private sector, due to conflict over political values, which disregarded the substantive knowledge on the most effective means. It is well known that the executive and components of the legislative have struggled over decades for dominance of the budget process. The basic budgeting problem of allocation decisions was conceptualized by Key (1940, 1137) in his famous question: "On what basis shall it be decided to allocate x dollars to activity A instead of activity B?" This question could potentially be addressed and outcome measures could be expected to play a role in the resource allocation decision-making process.

Key suggested, however, that the answer could only be derived from political philosophy, since he considered that the best use of public funds constituted a matter of value preferences between ends without a common denominator (1940, 1140). But Lewis (1952) described institutional and procedural systems, upon which marginal economic analysis could be applied to successive comparison of alternative budget requests, and which required measures of program outcomes to establish the marginal utility of alternative resource allocation between different programs. He asserted that the impacts of outcome measures could

constitute the only “bottom line” that, as in private sector, programs have in common. Such a single criterion could thus serve as a basis for helping decision-makers to allocate resources.

It is also important to point out that attempts by legislative bodies to micro-manage service agencies and to drive public policy through control of agencies’ line-item allocations have compromised efficiency and effectiveness in the delivery of services (Rubin, 1990, Osborne, 1993). Indeed, Miller and associates (2001) indicated that the current budget system tended to encourage micromanagement of resources by political leaders rather than the macro management of values, which Key (1949) had suggested is the sole prerogative and the most important function of politics. Nevertheless, Cothran (1993, 448) argued that, in a theoretical sense, the line item constituted a method of centralized control and that budgeting for results involved some centralization. On the other hand, he contends that recent reforms of budgeting appear grounded in the research on organization theory, and especially on an analysis of the virtues of decentralization.

Thompson (1991) stressed the importance of devolution of decision making about means and accountability through responsibility in budgeting and accounting. Indeed, he pointed out that: “It has been demonstrated to the satisfaction of most students of management that the effectiveness of large and complex organizations improves when authority is delegated down into the organization along with responsibility (Thompson, 1991, 53).” But, a study of developments in state

budgeting conducted by Lee (1991) over several decades, while showing that states are now likely to request that agencies provide measures of productivity and effectiveness in their budget request, indicated that policy makers and central budget officers have increased their control of goals and limits. The exercise of greater control by central budget offices over spending details has been facilitated by the computerization of state accounting systems.

While it appears paradoxical that this new reform calls for centralization and decentralization at the same time, Perrow (1977) argued that organizations often centralize in order to decentralize. Usually, the top management will grant greater flexibility and discretion only when it is confident that those below will effectively accomplish its goals. Cothran (1993) contends that this new reform aims to stimulate motivation and seeks to achieve organizational goals through decentralized incentives that allow program managers greater authority and exercise of their creativity in the detailed use of resources, while holding them accountable for the results. Policy makers or top managers hope that, while they have more time to think about goals and monitor performance, this approach will lead to greater efficiency and effectiveness in the use of available funds. Cothran (1993) further asserts that decentralization is in sync with the near consensus in today's management theory that a "decentralized organization can be efficient, accountable, and satisfying to workers."

The way performance-based budgeting is structured gives a sense of hopelessness for the success of the reform. Hence, what should one expect as to how performance-based reforms shall influence budgets? Joyce (1993, 14) argued that:

...eventual acceptance will come as the result of “a culture change” brought about by valid information, but we add, agreed upon measures of results, clearly articulated authorizations and appropriations, and the delegation of management to public administrators whose discretion the budget rewards. This is a tall order (Joyce, 1993, 14).

Overall, it can be said that the likelihood that this new reform will have a lasting impact on budgeting is real even if it fails to fundamentally alter the budgetary process.

- Overview of post-incrementalist models in explaining budget reform

Meyers (1997, 14) drew lessons from criticisms of incrementalism and considers the incremental theory as no longer valid in terms of explaining budget reform. Rather than approaching public budgeting from the narrow perspective of an incremental view of public budgeting, which sees budgeting as negotiations among a group of routine actors with fixed roles, who meet each year and bargain to resolution, in his “*Strategic Budgeting*,” Meyers (1997) develops what he terms as “structural strategic budget model.” Meyers asserts that budgeting depends on the strategies and tactics used by the major budget actors, and the actors’ abilities and

experience to influence decision-makers. This model is fluid and dynamic and Meyers classifies actors as controllers and spending advocates, based on their goals for spending.

On the other hand, in her *“The Politics of Public Budgeting,”* Rubin (1997) develops what she calls a “real-time budgeting” perspective, which refers to the continual adjustment of decisions in each cluster to decisions and information stemming from other clusters and from the environment. She categorizes five clusters, which include: 1) the revenue cluster; 2) the budget process cluster; 3) the expenditure cluster; 4) the balance cluster; and 5) the budget implementation cluster. Rubin (1997, 27) asserts that “public budgeting is both technical and political.” She argues that:

Budget outcomes are not solely the result of budget actors negotiating with one another in a free-for-all; outcomes depend on the environment, and on the budget process as well as individual strategies. Individual strategies have to be framed in a broader context than simply perceived self-interest (Rubin, 1997, 27).

Difficulties in defining outcome budgeting

The research on outcome budgeting is still very weak, particularly in public administration and generally in the management literature, because researchers refuse to view it as little more than performance budgeting of old or Program, Planning and Budgeting System (PPBS) (Forrester, 2001). This fact might partly explain the difficulties in defining outcome budgeting. On the other hand, while the theory is clear, it is important to point out that there is no generally agreed upon

definition of outcome budgeting (Martin, 1997). In fact, in various places, for instance in the state governments where it has been implemented, it goes by various names and takes on different faces with varying goals and objectives.

Some states have implemented “performance-based budgeting” to enhance communication and improve programs, while others were motivated by cost savings (Melkers and Willoughby, 2001). Some others found interest in this budget reform in order to demonstrate government responsiveness to the citizenry and to indicate awareness that taxpayers are no longer willing to pay for efforts, but only for results (King, 1995). King also reported that actual performance-based budgeting systems might have a variety of goals in that “they may or may not require measurement of outcomes; and that they may support strategic planning or focus on measurement development.”

But Campbell (1997) describes “performance-based budgeting” as a budgeting system in which “performance measurement has been fully integrated into the budget process.” According to him, this type of system is designed to “reduce or eliminate the micromanagement of inputs by elected officials, keeping them focused instead on getting the best results for the public’s money.” He also asserts that the focus is not on the unit cost of providing a service, but rather on achieving a particular outcome.

Mission-driven budgeting, or budgeting for results at the federal level as provided under the Government Performance and Results Act of 1993 (GPRA), is

purported to achieve improved Congressional decision-making with objective information. It is also linked to increased federal program effectiveness and public accountability by promoting a new focus on results, service quality and customer satisfaction (NPR, 1994).

Cothran (1993) termed the budgetary reform of the 1990s **entrepreneurial budgeting**, a new approach to budgeting using decentralization, with increased accountability to entice entrepreneurial behavior in government in order to improve management performance. He distinguished three types of this reform, which he termed: a) **expenditure control budgeting**, also called “profit sharing and various other things”, experimented in by U.S. cities and used by city councils to set expenditure limits; b) **budgeting for results**, practiced by a number of national governments, especially those from the Organization for Economic Cooperation and Development (OECD) countries, in response to the fiscal stress and cutbacks of the 1970s and 1980s, in order to achieve “central control of total spending, decentralization of authority to departments in the use of the funds and enhanced accountability for results”; c) **mission budgeting**, proposed as a way to improve U.S. defense budgeting at the Pentagon. This system entails “centralized priority setting, decentralized implementation, and enhanced accountability.”

Hendrick and Forrester (1999) indicated that **outcome budgeting** “or results-oriented budgeting system, also called **performance or mission-driven budgeting**” is a system of budgeting in which “decisions focus on programs, performance, and

outcomes.” They asserted that the “bounds of accountability are broadened to closely parallel the notion of accountability used by non-profit and private sector organization.” Anthony and Young (1995) point to a redefinition of accountability under outcome budgeting in order to “emphasize control over program performance.”

Kettner, Moroney, and Martin (1990, 162, 177-178) describe outcome budgeting as an extension of program budgeting and the linking of outcome goals and objectives to those programs in order to derive “unit costs per outcome.”

Osborne and Gaebler (1992, 161), who were not the first to venture a definition but who certainly have popularized the concept in their influential book *Reinventing Government*, have referred to outcome budgeting as “a budget system that focuses on the outcomes of the funded activity.” Furthermore, Osborne and Plastrick (1997, 347-349) briefly define entrepreneurial government, along the dimensions of reinventing mission-driven and result-oriented principles as follow:

- **Mission-driven government: transforming rule-driven organizations**
Such governments deregulate internally by discarding many of their cumbersome internal rules and thoroughly simplifying their administrative systems, such as budget (sometimes eliminate zero-based budgeting and line items), personnel, and procurement. They require each agency to get clear on its mission, then free managers to find the best way to carry out that mission, within legal boundaries. Those organizations, when budgeting for mission, define the outcomes desired and later measure them. Highly entrepreneurial governments or organizations will attempt to link or purchase outcomes that are in keeping with the overall mission. Thus, outcome budgeting will be in keeping with the basic tenets of strategic planning (Bryson, 1988), such that combining strategic planning and

outcome budgeting, allowing to overcome mission fragmentation and program overlap is a major operational premise of the Government Performance and Results Act (GAO, 1997a, 1997b).

- **Results-oriented government: funding outcomes, not inputs**

These governments shift accountability from inputs to outcomes, or results. They measure the performance of public agencies, set targets, reward agencies that attain or exceed their targets, and use budgets to clarify the level of performance legislators expect for the price they are willing to pay. Governments or organizations that actually implement financial outcome measurement and outcome budgeting (i.e. whether using the system “pay per outcome” or even when they don’t yet link dollars spent to quality) are considered as highly entrepreneurial (Osborne and Plastrick, 1997, 347-349).

Conceptual framework of an ideal outcome budgeting

Hendrick and Forrester (1999, 577) asserted that the arguments for outcome budgeting are based on the concept that the budget represents a contractual agreement between principals – the citizens and elected officials – and agents or agencies. They further stated that this contract differs markedly in the way it is framed from the one that exists under input budgeting systems. Therefore, while the contract or budget under outcome budgeting is to deliver services and meet performance or quality standards in exchange for funding, it allows the agent to purchase specific items, paying no more than the specified amount under input budgeting.

But, if as also described by Osborne and Gaebler (1992, 61), outcome budgeting can be referred to as a system that focuses on the outcomes of the funded

activity, the consensus is that there is no generally agreed upon definition of this concept in the literature of public administration (Martin, 1997).

Recently, efforts have been undertaken to conceptualize outcome budgeting. Miller and associates (2001, 4) have drawn parallels between the current reform efforts and the characteristics of a private sector model of budgeting and indicated that:

...First, forecasts of the economy, regulations governing business, and markets -- customers and competitors -- establish some horizon of opportunities and threats. Strategic goal setting follows with analysis of organization strengths and weaknesses. Specific goals result, including what market share the business and its business units can achieve over five or so years and what new business units might be created with what new products or services. The goals translate into annual or tactical performance plans, essentially what and who should do what this year. Plans include targets so that one knows whether one is making progress in achieving strategic business unit goals. The business unit also establishes measurable outputs and outcomes called substantive and financial scorecards, weighting them in such a way that they balance emphasis and focus attention as intended. Budgets, in lump sum and having few process controls, follow plans and give considerable discretion to lower level managers. Budgets also count in accrual terms in that future spending gets discounted to the present. Finally, individual employee performance plans follow from annual plans. Just as important, these individual plans and their measurable objectives tie into each individual's compensation. Needless to say, finance underlies and integrally relates all of these components: what does it cost and how much will that cost lever in earnings? The budget really looks different. There is accrual of spending and a multiyear period over which budgets must span; previously hidden, future spending is recorded in the present. Present decisions must accord with long-term goals. Structures are decentralized and budgets lump sums, especially where performance measures are adequate, policies farsighted and managers adept (Miller et al., 2001, 4).

On the other hand, a similar trend is observed when comparing with suggested criteria for a good and modern budget (NACSLB, 1997). These criteria

indicate that a budget should: a) clearly define policy direction; b) translate appropriated resources into concrete levels of service; c) communicate to stakeholders the consequences of changes in service; d) facilitate control over expenditures; e) motivate and provide feedback to employees; and f) evaluate employee performance and audit the organization and make adjustments.

Furthermore, Radin (1998) and Melkers and Wiloughby (1998) also depicted the same situation when they examined the operations of the Government Performance and Results Act of 1993, including state and local Results Acts. These statutes emphasize program results and stress holding agencies accountable for them. While they focus managers' attention on setting goals, measuring program performance against those goals and reporting publicly on progress made, they grant them flexibility to allow innovation in the provision of services. Generally, these statutes require in their implementation that government agencies submit:

a. A strategic plan, which covers a period of at least five years and includes a mission statement; outcome-related, measurable goals and objectives; and plans agency managers and professionals intend to follow to achieve these goals through their activities and through their human, capital, information and other resources.

b. An annual performance plan, which is similar to a business plan and includes performance indicators that must cover relevant outputs, service levels and outcomes. The legislature intended to establish a direct annual link between these

plans and budgets (GAO, 1999) in order to capture the long-term implications of choices and decisions in the budget process (GAO, 2000; GASB, 1999).

c. An annual program performance report, to be provided to the legislature, that contains previous fiscal year performance measures including information on how well goals have been achieved

Therefore, the overall framework which has emerged from these comparisons with both private and public prototype budgets is captured in the Figure 1 and places more emphasis on strategic and performance plans with measurable results, performance budgets, accountability processes, and annual reports to stakeholders.

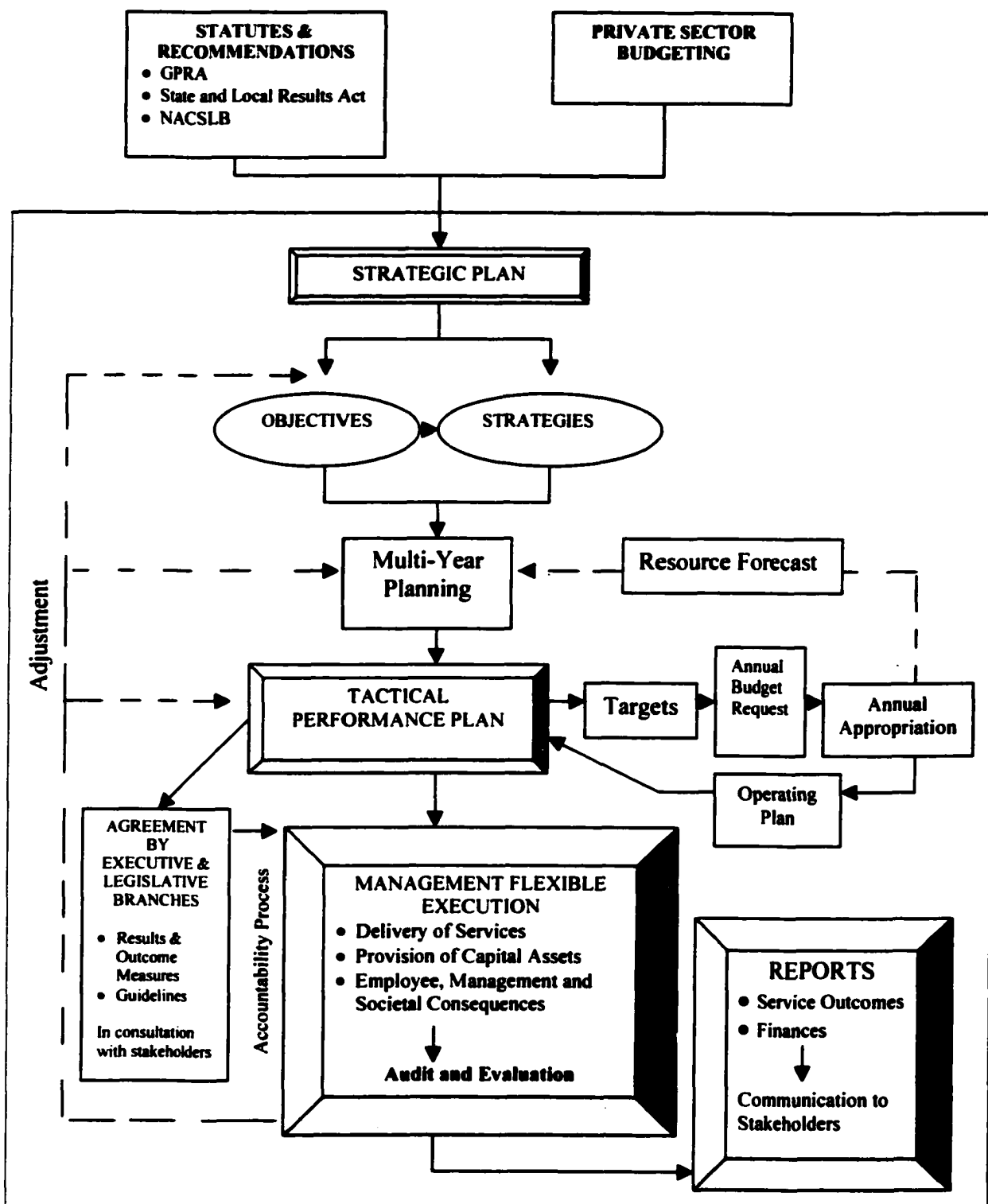


Figure 1. Ideal Outcome Budgeting Framework

Comparison with other budget formats: similarities and differences

Considering the history of reform movements in the United States, academicians as well as practitioners in the field of public administration are pondering similarities and differences between outcome budgeting and past reforms. According to Larkey and Devereux (1999, 167), past reforms can be classified in five different ways:

First there are the rationalizing reforms that emphasize enhanced analysis and reason. Second, there are ad hoc norms such as balance and annularity that have been evolving over the last 150 years or so in Western democracies and have been expressed in a variety of administrative reforms. Third, there are democratizing reforms that seek to open the decision processes to inform and involve citizens better. Fourth, there are power-shifting reforms such as line-item vetoes that adjust authority and responsibility for budgeting, particularly between executives and legislatures. Fifth, there are control reforms such as auditing, tax limitations, and balanced budget amendments that attempt to impose external constraints on decisional behaviors (Larkey and Devereux, 1999, 167).

It can be argued that Planning, Programming Budgeting System (PPBS) and zero-based budgeting (ZBB), which place a focus on economic analysis of costs and benefits or marginal utility, are categorized as rationalizing reforms. Miller and associates (2001, 6) assert that "the concepts of budget balance, comprehensiveness, and annularity belong to the second, ad hoc norm tradition, while freedom of information and sunshine laws belong to the democratizing movement." Furthermore, he added that "line-item vetoes among others belong to the power shifting tradition in which reform shifted some element of control among executives, legislators and public managers and that greater control, the fifth

tradition, usually developed to address “the problems of fraud, waste, and abuse in the handling of public money.”

Finally, he remarked that:

The performance-based reforms, however, combine elements of all five movements. Reasoning improvements cover the inclusion of planning, relative value comparisons, and productivity analysis. Ad hoc norms among performance based reforms include what Larkey and Devereux call “decisional efficiency,” primarily the savings in time and effort that come with decentralization, and “feasible comparisons,” the stimulation of competition or cooperation, as appropriate, among agencies in solving particular problems. Democratizing reforms come from the wider scope of accountability problems the reforms try to tackle with explicit attention to greater stakeholder and citizen participation and involvement. Power shifting reforms relate to the broad decentralization of power over budgets, the implicit incentives to reallocate funds from lower to higher priority programs, and the retention of savings when efficiency improvements provide them. Finally, performance-based reforms yield a reversal of the traditional reform emphasis on increasing input controls to provide greater output controls. Therefore, performance based reforms clearly signal a massive effort to reform government (Miller et al., 2001, 6).

Similarly, Schick (1990) asserts that the current innovations look similar to earlier reforms from the Progressive Era, such as performance budgeting and the PPB movement, when viewed only from the measurement perspective. However, Schick (1990) contends that unlike past innovations, which aimed to optimize programs, these current developments seek to improve organizations. He further indicated that current management-oriented reforms are concerned with what organizations do and produce and place emphasis on means of holding them accountable for performance. It is important to notice that while the shift in emphasis is subtle, it is still critical. These reforms aim to provide managers

financial and other incentives that make them more aware of and accountable for costs and performance, and more willing and able to shift resources to more productive activities (Schick, 1990). Outcome budgeting, thus, appears to be a product of a new historical paradigm shift. Such system of budgeting, which affords less control over line items in exchange for agency accountability for results, constitutes a fundamental change from the existing budgeting practice.

Nevertheless, the following constitute some broad considerations in regard to past reforms including outcome budgeting:

1. Line-item budgeting

Line item budgets include measures, which assess the amount of input available to service delivery systems (Gianakis, 1996, 135). When exploring budget principles in the analysis of the contribution of budget types to public productivity, Miller (1991) considered the line-item budget as “a rudimentary way of assessing expenditure and means.” This budget format, a by-product of an era marked by profound mistrust of administrators by the public as well as the legislators (Burkhead, 1956, 128), aimed primarily to control agency and departmental expenditures and hold administrators accountable through audits (Pilegge, 1992, 73).

Since the controls are applied at the level of the individual line item, where the legislative body appropriates funds, this budget format sensibly reduces the

discretionary power of administrators; thus, line-item budgets severely limit their capacity to respond to changing circumstances (Schick, 1964). These budgets also encourage across the board cuts (Rubin, 1992, 13) and incorporate rules that allow managers to waste money (Osborne, 1993, 353). Rubin (1992, 12) remarked that line-item budgets appeared deterministic in that they provided little information if anything about the cost or efficiency of programs; thus, they could not help decision makers make rational choices among budget proposals. Indeed, Schick (1966) contends that the demands for line-item data overwhelm the decision-making process and thus preclude the consideration of additional information. Gianakis (1996, 135) points out that these budget formats tend to push performance data as well as policy making into the background; thus, a clear connection between measurement outcomes and line-item allocation that could benefit the resource allocation decision-making process is impeded.

Despised by its detractors as irrational, conservative, and shortsighted (as it lacked information on program goals or achievements) (Wildavsky, 1981), line item budgets nevertheless met the aspirations of the legislative bodies to control expenditures. Administrative reform movements re-emerged in the late 1940s to implement structural and procedural changes in budgeting (Pilegge, 1992, 73).

2. Performance budgeting

A major reform, recommended by the first Hoover Commission, proposed the integration of more data into the (federal) budget process (CBO, 1993). The

reform was geared to the needs of program managers, enabling them to develop measures of workload and cost effectiveness. Thus, managers as well as elected officials and citizens could gain insights into the costs of government activities (Pilegge, 1992, 74); consequently, the focus shifted from the mere objects that supported such activities. Rather, line-item expenditures were reformulated in terms of specific services to be provided and activities to be performed. In this budget format, expenditures are related to performance (Miller, 1991). Workload and output measures are used in this format and coupled with input measures, which allow for more meaningful comparisons than is possible in line-item budgets. Performance budgets serve as guides to operations management and the monitoring of workload targets, allowing managers to exercise the control function. This format is clearly aimed at increasing technological efficiency. Program objectives were taken as given and the system attempted to determine the least costly method of accomplishing them (CBO, 1993). However, it fell short of addressing substantive policy issues in regard to what needs to be accomplished (Gianakis, 1996, 136), and this fact tends to make it as incremental as its predecessor. But Gianakis points out that the association of result-oriented measures or outcome with the workload measures could greatly benefit the policy development process and the policy control function (1996, 137).

3. Program budgeting

This system, in particular its prototype –PPBS– was employed by the federal government during the Johnson administration in the 1960s. It requires outcome measures and contrasts with performance budgeting by focusing on effectiveness; it places emphasis on budgetary choices among competing activities (Pilegge, 1992, 76). Program budgeting was also purported to discover the most efficient method of achieving program objectives; yet, it treated these objectives as variable (CBO, 1993).

The underlying rationale of program budgeting was to improve rationality in the resource allocation process and the format was characterized by the adoption of an anti-incrementalist stance (Pilegge, 1992, 77). As such, this budget format was not characterized as a management approach, but as a resource allocation system which serves as a specific alternative to a line-item budget (CBO, 1993). Gianakis (1996, 138) indicated that this format purpose was to allocate resources based on the results achieved with selected policy preferences. Gianakis (1996, 137) also argued that previous policies and programs are remade and that the process is driven by formal analysis. Policy-planning role is optimized considering that the process begins with the identification of substantive policies.

Unfortunately, this approach did not fulfil its promise as a budgetary reform in that comprehensive alterations as opposed to incremental changes were not achieved in the budget process. The Nixon Administration abandoned it in 1969

(Pitsvada and LoStracco, 2002, 56). But, where remnants of PPBS survived, there has been an increased demand for performance measures in support of program budgeting as a decision-making process (Gianakis, 1996, 138; Pitsvada and LoStracco, 2002, 56). Furthermore, as with performance budgeting, there was also an increased role of analysis in budgeting, which led to better-informed budget decisions (CBO, 1993).

4. Zero-base budgeting

The Carter administration introduced this model of budget reform, which was considered as a non-incremental approach for allowing comprehensive review of the federal budget (CBO, 1993) and essentially the institutional decision-making model described by Lewis (1952). Budget managers expressed program priorities as a series of decision packages that represent increasing levels of funding (Gianakis, 1996, 139). Gianakis further indicates that the system proved excessively time consuming. He points out that organizations using this format had to limit the amount of base to prioritize to about 25 percent of the current budget. Rubin (1991) characterized this limited base approach as “target base” budgeting and indicated that the targets could differ among agencies.

Gianakis (1996, 139) observed that the decision-making process in zero-base or target budgeting could yield different budget documents (i.e. line-item, program-oriented, or performance documents) depending upon the type of measures (i.e.

workload, output, outcome or no measures) used to describe the effects of funding each decision package.

Aside being labor and paper intensive, this format was judged unrealistic and ultimately abandoned by the Reagan administration in 1981. Elsewhere, zero-based budgeting continues to exist in the backwater of budgeting, as evidenced in the many surveys by NASBO and GFOA.

5. Outcome budgeting

In contrast to performance budgeting, which places an emphasis on outputs, economy and efficiency, outcome budgeting is concerned with outcomes and effectiveness (Hendrick and Forrester, 1999, 569). This format involves the analysis of results, accomplishments, or impact, which sets it apart from all other budget types (Martin, 1997). Moreover, while other budget systems targeted internal stakeholders (government managers and administrators), outcome budgeting attempts to communicate with and educate external stakeholders (elected officials, citizens, clients, advocacy groups and others) about government accomplishments and the costs of achieving these results (Martin, 1997). Such scope sets outcome budgeting apart as a truly new species of budgeting.

An outcome-based budgeting system places more emphasis on strategic and performance plans with measurable results, performance budgets, on accountability process, a performance evaluation that de-emphasizes micro-managing of line-item

spending, and annual reports for communicating to stakeholders (Aristigueta, 1999, 17; Miller et al., 2001). Under this approach, line managers are given the discretion to manage lump-sum allocations as they think best, and agree to be held accountable for results. Furthermore, departments are allowed to carry over a significant portion of their unspent authority (Cothran, 1993). Meaningful incentives for individual participants are considered critical for the success of such reform (Larkey, 1995).

Its implementation depends on the ability of policy-makers to ensure that the contractual agreement is upheld (Hendrick and Forrester, 1999, 577). Martin (1997) indicated that the implementation of this format in government human service agencies involves the selection of a basic approach (i.e. linking and purchase approaches) and a unit of analysis (i.e. at program or service level; agency or organizational level; and state or community level or any combination thereof). Osborne and Gaebler (1992) indicated that the linking approach involves the inclusion of outcomes as part of an agency's budget documents, and budget processes as outputs are included in performance budgets. Such an approach allows external stakeholders to see what resources are allocated to achieve a planned outcome. In the purchase approach, specific resources are allocated to achieve specific outcomes in a quasi-contractual way (Martin, 1997). This approach is more sophisticated and difficult to implement when compared to a linking approach. Martin further indicated that, while outcome budgeting may be easy to implement at the program/service level, it is difficult to implement at the community or state level

despite its appeal. This is because relating outcomes and resources to changes in state and community indicators is difficult at best and raises issues not encountered at other levels. Martin also reported that outcome budgeting at the state level is compatible with state and community benchmarking efforts. Budgets are generally linked to geographically determined priorities, or to purchasing specific desired increases or decreases in social indicators.

Gianakis (1996, 141) asserted that outcome-based performance measurement systems help to realize the promises of the executive budget and of professional public management. He pointed out that the exercise of policy and financial controls (which are unavoidable elements of public management) through the oversight of program inputs could compromise the effectiveness of program managers. Using program outcome measures in the resource allocation process enable these oversight functions to focus on program results. He sees such focus as less intrusive to public managers and allows them greater discretion in deciding how inputs will be used to accomplish targeted results. Thus, managers can focus their energies on achieving those results instead of concentrating them on the political games necessary to secure inputs in the absence of results-oriented measures of performance. Such promise, he added, can act as catalyst for program managers to participate in a meaningful way in the development effort (1996, 142).

CHAPTER III

CHALLENGES IN INTEGRATING OUTCOME MEASUREMENTS INTO THE BUDGET PROCESS

Introduction

It is important to indicate that efforts to mandate improvements in performance measurement have, in large part, focused on the budget process. Reforms in the Progressive Era stressed the ability to base budgetary choices more explicitly on desired results. More recently, at the federal level for instance, through the passage of the Chief Financial Officers (CFO) Act and the passage of legislation on performance measurement, the legislative branch (Congress) is once again addressing the issue of using performance measures in the budget process. Indeed, the budget process is recognized as one of the most important activities carried out by governments. The Government Finance Officers Association (GFOA) indicated that governments formulate decisions and allocate scarce resources to programs and services through the budget process. In 1997, the GFOA endorsed the National Advisory Council on State and Local Budgeting (NACSLB) recommendations of a good budget process as one that is characterized by the following essential features: a) incorporates a long-term perspective; b) establishes linkages to broad organizational goals; c) focuses budget decisions on results and outcomes; d) involves and promotes effective communication with stakeholders; and e) provides incentives to government management and employees (NACSLB, 1997).

Potential advantages of linking performance measures to the budget process

The Congressional Budget Office (1993) indicated that there are three possible advantages to linking performance measures to the budget. These include the allocation of resources, improvement of agency management, and financial reporting.

a. Allocation of resources

Governments at all levels could use performance information to make decisions on how to allocate scarce resources among competing priorities. Performance measures will prove most beneficial if they can help in determining how much money should be spent on the various purposes of government. Ideally, these choices would be aided by a better expectation of what a dollar for one activity would buy compared with spending the same dollar on some other activity. Hence, traditional line-item budgets could be replaced by a system granting program managers greater flexibility in managing their resources, but holding them accountable for achieving program results. Such replacement is the goal of those advocating the use of performance measurement as a tool that can transform the federal budget process. It is important to indicate that the use of performance-based budgeting, such as outcome budgeting, constitutes a substantial deviation from the incremental line-item budgeting. The two methods of budgeting imply substantially different focuses; line-item budgeting centers almost exclusively on how much money is being spent, and performance-based budgeting would concentrate on

varying levels of program results that might accompany varying levels of funding. But, using performance measures to allocate resources is difficult.

First, while it is hard to develop measures based on results for government programs, it is also perceived as an almost impossible task to establish common denominators of performance among the activities of government. Furthermore, using performance measures for resource allocation implies knowledge of how to compare the measures for those two activities in a way that would inform trade-offs between the two. Unfortunately, trade-offs between government activities are almost exclusively a function of the perceived need and priority for government action. It must be kept in mind that politics plays an important and legitimate role in budget decisions, even where measures of outcomes exist.

Secondly, the relationship between performance and the budget is not straightforward. Poor results may be caused by the difficulty of the problem being addressed rather than by inadequacies in the design or management of a program. Nevertheless, performance measures may provide useful information for decision-makers. For example, if policy-makers could obtain information about the connection between a given level of resources and a given level of results for a program, they might choose to provide a larger budget only if the incremental improvement in outcomes was judged to be worth the additional expenditure. In this way, performance measures can inform the budget process without dictating budget outcomes. Performance-based budgeting, then, is about shifting the debate

over resource allocation from its current focus on inputs to a focus on results. This change in focus does not, nor does it intend to, remove politics from the process (CBO, 1993).

b. Agency management of internal resources

When government wide decisions on resource allocation cannot be affected, agencies may find measurements valuable for improving their management of a given level of resources, regardless of whether their use results in a significant shift of resources from one program or agency to another. For instance, an agency that is organized geographically could use performance measures to target resources toward those regions where the workload is greatest or where the problems are most acute. Furthermore, ties may be developed between the measurement of organizational and individual performance following the suggestions formulated by proponents of pay-for-performance schemes (CBO, 1993).

c. Financial reporting

The governments or specific agencies may use performance measures to report their accomplishments to elected officials and decision-makers. At the state and local level, the Governmental Accounting Standards Board (GASB) has called for service efforts and accomplishments reporting. The GASB's "Service Efforts and Accomplishments" (SEA) initiative, which was detailed in 1987, has devised means of measuring the results of programs at local and state levels and then linking

the results with accounting information (Governmental Accounting Standards Board, 1994; Hatry and Fountain, 1990). At the federal level, the Chief Financial Officers (CFO) Act, which was adopted by the U.S. Congress and the Bush administration in 1990, has focused on the appointment of personnel and the establishment of procedures to improve federal accounting. In addition, it required agency CFOs to include in their financial statements “systematic measures of performance for programs”(Hendrick and Forrester, 1999, 608).

Challenges in the implementation of outcome budgeting

As stated earlier, the implementation of this budgeting system depends on the ability of policy-makers to not only ensure the respect of the contractual agreement and know when the agreement is fulfilled, but also to have a grasp of the range of choice opportunities or available contractors (Hendrick and Forrester, 1999, 577). It is then critical that the contract, as well as budget implementation procedures, be designed to fit existing knowledge and opportunities in order to successfully control performance.

On the other hand, it is still recognized that the potential for success in influencing budget outcomes remains doubtful. According to Wildvasky (1997, 7), these obstacles should be considered as permanent because budgeting is inherently political in a democratic society. He argued that any budget technique could not substitute for political decisions about who “wins” and “loses” in the budgetary

process, and the inability to account for this shortcoming might explain the failure of PPBS.

However, Melkers and Willoughby (1998), in their analysis of the foundations for conducting performance-based budgets in the states, raised the issues of incentives and disincentives for the implementation of performance-based budgeting. They indicated that only seven states with legislated performance-based budgeting had provided guidelines offering “rewards” in the form of gain sharing or through an incentive program to public managers for cost savings or meeting goals identified in the strategic plans. These states are California, Florida, Georgia, Illinois, Louisiana, Mississippi, and Texas. Insofar as disincentives were concerned, they indicated that only Florida and Texas had provided in their legislation specific language related to adverse actions in case of non-compliance. The penalties range from reduction of managerial strategies, to reduction or elimination of funding, to possible reorganization.

Finally, the Congressional Budget Office (1993) has provided useful insights in understanding the prospects for performance measurement and performance budgeting in government. First, it is critical to recognize that efforts to measure performance must confront the issue of the appropriate combination of executive and legislative branch action. Then, considering that such an endeavor is complex, the use of a deliberate approach may prove most fruitful. Thus, it is important to grasp how performance measures might influence the budget process, which

requires understanding the limitations of this type of change in influencing decision-making policy.

1. Appropriate combination of legislative and executive activity

In order to increase the potential for success in linking performance measurement to either management or budgeting, the appropriate combination of legislative and executive activity must be applied. This requires understanding how each is limited in bringing about lasting changes. States, due in part to the nature of their government organization, have had more difficulty than local governments in interesting legislative bodies in performance measurement. Indeed, the legislative and executive branches at both the state and federal levels are both more separated and more fragmented than those of local governments. Second, legislating performance-based budgeting will not gain widespread acceptance without a commitment from the executive branch, and such an effort might be doomed to fail.

But, it important to recognize that legislation has other limitations. Hence, improving the use of performance measures for financial management, financial reporting, or budgeting implies commitment to changing behavior in the two branches of government. Such behavioral change would involve a switch from focusing on micro-level inputs to emphasizing the big picture, the results obtained from public programs (CBO, 1993).

2. A deliberate approach may be most desirable

In bringing about changes, performance measurement might face obstacles which are beyond the commitment of the two branches of government; however, these challenges derive simply from the difficulty of measuring government performance itself. Designing systems that appropriately link the goals of programs with their results, and that link results to budgeting and financial reporting, is complex task for all levels of government. Difficulties are compounded at the federal level, where other actors, including state and local governments, private businesses, and individuals, influence the success of so many programs.

While it is hard to disagree with the goal of improving the measurement of government performance, acting precipitously by implementing far-reaching reforms, without a fairly complete understanding of their effects, can be counterproductive.

It is also important to indicate that performance measures should not be viewed as ends in themselves, and that there are concerns regarding the relationships between performance measurement and program evaluation. In most cases, performance measures can only offer clues about how well a program is achieving its results. In many cases, a comprehensive evaluation of a program is necessary in order to determine whether it is operating successfully. Hence, it is necessary to understand the limitations of performance measures and interpret them accordingly (CBO, 1993).

3. Limits on using performance measurement for budgeting

The experience of other levels of government suggests limited success in using performance measurement for budgeting. There is little evidence that policy-makers use performance measures to help them make large changes in the allocation of resources, or that they receive detailed information on the relationship between resources and outcomes. Where performance measurement has taken hold in the budget process, agency managers tend to use measurements to manage their budgets. Thus, performance measures are used much more extensively in carrying out the budget than in preparing it.

However, the fact that performance-based budgeting has not gained widespread acceptance is not reason enough to discount its potential. There would still be obstacles, even beyond the commitments of legislative and executive branches, considering that: a) it is not clear how performance measures should be used to allocate resources; b) performance measures seldom make the task of choosing between different uses of public resources easier; c) budgeting based on performance flies in the face of existing budgeting practice, in that budgeting is inherently political; d) this system cannot resolve the issue of how much money goes to one agency budget and how much goes to another solely by using performance measures; e) allocation of resources based on outcomes cannot happen suddenly, as such change shall be dictated by a change in organizational or agency

culture, which comes with an improved process ensuring that the right measures are chosen and reported accurately (CBO, 1993).

The limited potential, in the short run, for performance measures to influence the allocation of resources should not discourage governments from continuing to concentrate more resolutely on the results of public programs. In fact, the greatest reward to be gained from the use of performance measures may have less to do with government-wide budgeting than with the task of using existing resources to improve performance. But encouraging managers and employees to think in terms of outcomes rather than inputs or outputs will produce desirable results. Because the measurements will not be perfect at first, one must be realistic about how much they can be used to influence budgeting in the near term.

CHAPTER IV

OVERVIEW OF EFFORTS IN THE UNITED STATES AND OTHER OECD COUNTRIES TO BUDGET FOR RESULTS

Introduction

The experiences of state, local, and international governments have helped stimulate current federal efforts to implement performance-based management systems (Aristigueta, 1999, xiii; CBO, 1993). Many scholars and practitioners have reported fairly developed performance measurement systems in some city governments, such as: Sunnyvale and Palo Alto in California, Phoenix in Arizona, Charlotte in North Carolina, Randolph Township in New Jersey, Dallas in Texas, Aurora in Colorado, New York City in New York, Alexandria and Charlottesville in Virginia, and Portland in Oregon (Bens, 1986, 1; Hatry et al., 1992, 1; Osborne and Gaebler, 1992, 349; Smith, 1992, 8). However, the examination of reporting documents revealed far limited development (Ammons, 1995; Grizzle, 1987; MacManus, 1984). Furthermore, Ammons (2001) reported that these municipalities mostly used workload, and rarely reported productivity, measures.

The review of some of the local experiences led the Congressional Budget Office (CBO) (1993) to conclude that there was little evidence of the much-touted advances in performance-based budgeting, in general, and outcome-based management and budgeting systems, in particular. Indeed, outcome measures were scarce and their links to the budget process were very weak. Performance measures,

which were heavily focused on the activities of agencies rather than the results of these activities, seldom influenced the allocation of resources. However, they benefited management and financial reporting. Moreover, developing and implementing performance measurement systems was deemed very expensive. The CBO findings were similar for state and international governments. Nonetheless, the international governments, which cover some countries of the Organization for Economic Cooperation and Development (OECD), were more advanced than U.S. state governments in their use of performance measures for budgeting. It is noteworthy to indicate that performance measurement systems work best in the council-manager forms of government and parliamentary systems, which allow the concentration of political power in only one branch of government, when compared to systems of government with power equally controlled by two branches (CBO, 1993).

This section will highlight some success stories of municipalities having implemented entrepreneurial budgeting. It will also cover experiences in performance-based budgeting or managing for results in some U.S. states and OECD member countries.

1. Efforts at the state and local levels in the United States

1.1. Managing for results in local government

The progressive reform movement of the early 20th century focused mainly on city governments and resulted in the involvement of experts in day-to-day management as professional city managers moved cities away from largely political administration (CBO, 1993). According to the Congressional Budget Office (1993), this shows why most of the attempts at linking performance and budgeting in the United States have occurred at the local government level.

Rubin (1990) also explained that local governments are characterized by integrated service delivery organizations, which make these jurisdictions more prone than the federal government not only to experiment with budget reforms, but also to adopt management techniques and efficiency tools developed by budget reformers. Furthermore, services are provided to citizens who live in a relatively narrow geographic area, making accountability somewhat easier. Finally, the council-manager forms of local government, including the working relationship between the manager and the council, make it easier to reach agreement on goals (CBO, 1993). Thus, for several decades, reform in budgeting has been associated with the use of analytical techniques, which provided information in order to improve public delivery systems.

The move toward common accounting standards is another important factor that provided added impetus for performance measurement in local government

(CBO, 1993). This effort was spearheaded by the GASB's "Service Efforts and Accomplishments" (SEA) initiative, which was detailed in 1987. As indicated in Chapter 2, this work devised means of measuring the results of programs at local and state levels, and then linked the results to accounting information (Governmental Accounting Standards Board, 1994; Harris 1995; Hatry and Fountain, 1990).

However, despite the advances in performance measurement, indications are that it is difficult not only to link performance measurement and budgeting, but also to sustain such systems once they are established (CBO, 1993). Nevertheless, Cothran (1993) has reported the implementation of entrepreneurial budgeting in local government. This budget reform is touted as a new approach to budgeting and uses decentralization, with increased accountability, to entice entrepreneurial behavior in government in order to improve management performance (Cothran, 1993). The Gaebler Group (1988, 1) indicated that, unlike traditional budgeting where policy makers wait for departments to make their requests, the city council begins by setting expenditure limits under this approach. These limits are frequently expressed by a formula, such as holding the increase in total spending to 7 percent over the current year. The paperwork on the budget plan is limited to the council's two- page document. This approach aims to get the top policy makers to focus on the big picture, not the details (Cothran, 1993). The council attempts to determine what citizens want their city government to do and uses this information,

including members' preferences, to set the overall policy direction for the city. Thereafter, the council monitors the performance of the city government to ensure that policy goals are being met. The council avoids getting caught up in the micro-management of line item spending; rather, it focuses greater attention on broad policy questions. The use of this approach is motivated by the constraints that voters have put on revenues since the late 1970s (Cothran, 1993). Cothran also indicated that line managers are given the discretion to manage lump-sum allocations as they think best, and agree to be held accountable for results of their actions. Furthermore, departments are allowed to carry over a significant portion of their unspent authority. Cothran argues that this form of "profit sharing" represents the most important departure from the traditional budget. Bellone (1988, 84) indicated that this budgetary freedom allows creativity and innovation.

Cothran (1993) indicated that some U.S. cities and counties have experimented with a type of this reform, which he termed expenditure control budgeting, also called "profit sharing and various other things." U.S. cities, such as Fairfield in California, Chandler in Arizona, Westminster in Colorado, and Dade County in Florida have used expenditure control budgeting to set expenditure limits.

Cothran's overview mostly covers cities experimenting with expenditure control budgeting. It also highlights Sunnyvale's performance measurement system, which includes performance-based budgeting and was judged very impressive in the review conducted by the Congressional Budget Office in 1993.

1.1.1. The City of Sunnyvale, California

According to the Congressional Budget Office review (CBO, 1993), Sunnyvale had implemented an elaborate, and perhaps the best-known performance measurement system in local government. The system was developed in the 1970s, in response to an effort led by the General Accounting Office to assist state and local governments in developing their budgeting and accounting systems. The review further indicated that the system combines strategic planning, performance-based budgeting, and pay for performance for management employees. Under the system, each city department identifies measurable performance goals and closely links budgets to these goals.

The Congressional Budget Office review also reported that the city's budget system integrates performance measures, agency management, resource allocation decisions, and long-range planning. The review credits the success of the system to several factors, which include:

- 1) The city operates on a full cost-accounting basis, which allows the identification, with some precision, of the costs for providing different levels of service.**
- 2) The budget focuses on outputs rather than on spending. The city council does not vote on the line-item budget per se; rather, it approves goals for city programs, and the level of resources necessary to meet those goals is implicit.**

- 3) A detailed set of objectives and performance measurements govern all municipal functions and many outcome measures are used.
- 4) Early-warning and long-range planning are emphasized. Long-term resource planning is facilitated by the predictability of the revenues, as the expansion of the city's tax base allows the city to operate without significant resource constraints.
- 5) An individual's pay is dependent upon organizational performance. Indeed, salary bonuses are tied to the achievement of planned outputs or outcomes
- 6) The city's managers are held fully accountable for results.

1.1.2. The City of Fairfield, California

Cothran (1993) reported that the city manager introduced the expenditure control budgeting system after Proposition 13 devastated the city budget in 1978. Under this approach, the city council examines a two-page budget proposal highlighting broad categories of spending. Department heads are given block grants, which are based on the prior year's budget plus an increment for inflation and for the increase in population, to use as they think best, and are allowed a high level of autonomy in managing their departments. They also retain any unspent balance at the end of the fiscal year, and managers have an incentive to save unspent funds for higher priority items in the new fiscal year rather than spend the funds immediately for lower priority items. However, the city council and city manager will, in return, expect evidence of achievement by the various programs. Cothran

indicated that this approach helped save the city about \$5 million over a period of 8 years. He also noted that city officials believed that the system was more efficient than line item budgeting as it made managers more responsible, reduced inter-departmental conflict at budget time, and encouraged efficiency in operations.

1.1.3. Dade County, Florida.

Dade County implemented the expenditure control budgeting approach in response to fiscal stress resulting from the loss of federal revenue-sharing funds in fiscal year 1986-87 and the constraint on its property tax revenue. It applied an across-the-board cut of about 20 percent from the normal expected budget for the following year and instituted a “profit sharing” budgetary approach for all its departments. Furthermore, it granted each department greater autonomy in managing its funds. The County officials have credited savings of millions of dollars to the use of this approach (Cothran, 1993).

1.1.4. The City of Chandler, Arizona

According to Cothran (1993), the City of Chandler used expenditure control budgeting only recently. The city annually adjusts its base budget for population growth and inflation to produce a current services budget. It grants department managers maximum autonomy in managing their budgets, including carrying

forward any unspent funds. However, managers are expected to pursue efficiencies that generate savings to be used for future years' programs. They are also responsible for providing the funds to meet service levels that cannot be covered by the automatic annual adjustments for population and inflation. Contingency fund transfers can be used with the approval of the city manager and city council to meet unexpected demands on departmental budgets (Cothran, 1993).

1.1.5. The City of Westminster, Colorado

The City of Westminster uses a modified decentralized approach to budgeting in that it appropriates by line-items while granting department managers maximum autonomy in managing their budgets, including carrying forward any unspent funds (Cothran, 1993).

1.2. Current state government's experience with performance-based budgeting

Melkers and Willoughby (1998) have indicated that all but three states require performance-based data from their agencies as part of strategic planning and budgetary processes. They added that target legislation instituting this approach also incorporate themes of accountability, reinvention, and budget reform. According to these scholars, the legislation in a number of states established oversight offices with responsibilities to develop and revise performance-based

initiatives. Such responsibilities were once the purview of the central budget bureaus. Research by Melkers and Willoughby also found that some states have instituted performance budgeting through administrative directives. Six states (e.g. California, Connecticut, Iowa, Oregon, Texas, and Washington) have specified in their legislation the role of benchmarks in the performance budget process. Melkers and Willoughby also recognize the variations concerning the specification of requirements, processes, and responsibilities in performance-based budgeting legislation in the states. These variations proceed from custom-tailored reforms that each state implemented to respond to individual needs and the political environment (Aristigueta, 1999, 19).

Among states with legislated performance-based budgeting, only seven are known to provide explicit guidelines for agency attainment of goals and objectives (Melkers and Willoughby, 1998). California, Florida, Georgia, Illinois, and Texas afford financial rewards in the form of profit sharing to agency personnel. Mississippi offers public commendation with a monetary reward for cost-savings, while Louisiana has established an employee incentive program. On the other hand, only Florida and Texas prescribe adverse actions for non-compliance or in the event of poor performance (Melkers and Willoughby, 1998). For instance, the Texas 1996-1997 General Appropriations guidelines outline the reduction, elimination, restriction or withholding of funding, including the reduction of funding transferability and a possible reorganization if a state agency fails to meet its goals.

On the other hand, Florida prescribes mandatory quarterly reports on progress, program restructuring, and reduction of positions, as well as managerial strategies in the event of poor performance (Melkers and Willoughby, 1998).

According to many scholars and practitioners, Florida, Louisiana, Minnesota, Oregon, and Texas are among the most well known states concerning their implementation of performance-based budgeting and the alignment of management systems with mission-related goals (Aristigueta, 1999, 2; Broom and McGuire, 1995; CBO, 1993; GAO, 1994d). These states' experiences suggest that implementing reforms requires political commitment and cooperation from both the legislative and executive branches (Aristigueta, 1999, 17; GAO, 1994d). These reforms reflect a common objective of making governments more results-oriented (GAO, 1994d). But the Congressional Budget Office review (CBO, 1993) indicated that these states did not show that performance measures had a significant impact on their budget process. Recent findings reported that only a few states have indicated any link between performance information and actual appropriations (Melkers and Willoughby, 2001). Furthermore, a state respondent to the outcome budgeting survey stated that North Carolina has repealed, as of 2001, the legislation requiring state agencies to implement performance-based budgeting.

However, Oregon stands out as the first state in the nation to have implemented outcome budgeting (Blanche-Kappler and Lissman, 1996). Martin (1997, 119) indicated that "the State of Oregon's approach to outcome budgeting

can be described as a combination of both the 'linking' and 'purchase' approaches operating at the community/state level." Oregon started experimenting with performance measurement in 1988 and its legislature formally adopted the 'Oregon benchmarks' in 1993. The Oregon Progress Board (undated, 23-24) reports that the Oregon law states in chapter 724, "it is the policy of this state to create and administer programs and services designed to attain societal outcomes such as the Oregon Benchmarks and to promote the efficient and measured use of resources."

In 1994, the State of Oregon presented to the federal government the "Oregon Option," a proposal which sought to pilot test new forms of intergovernmental cooperation based on managing for results (Martin, 1997, 121). The terms were such that the state would receive federal funding related to mutually agreeable measurable results in the areas of workforce development, childhood health, and family stability. As part of this pilot test, the federal Department of Health and Human Services (DHHS) agreed to grant greater decision-making authority to the Oregon Adult and Family Services Division (AFS) in exchange for agreeing to be held accountable for results using the Oregon Benchmarks. This agreement made Oregon the first state in the nation to receive "outcome-based" funding from the federal government; henceforth, AFS could receive as much as \$15 million in additional federal matching funds (Blanche-Kappler and Lissman, 1996, 8).

2. Efforts undertaken by other OECD countries

As indicated in Chapter 2, Cothran (1993) termed the budgetary reform of the 1990s “entrepreneurial budgeting.” He remarked that a number of national governments, especially those from the Organization for Economic Cooperation and Development (OECD) countries, were experimenting with one type of this reform, which he termed “budgeting for results.” This reform also uses decentralization, with increased accountability, to entice entrepreneurial behavior in government in order to improve management performance.

The driving idea behind this reform has been termed “managerialism” or “New Public Management” (Kettl, 1997). According to the OECD (1997), the management revolution, which has been under way for several decades to restructure the public sector in the OECD community, proceeded from the consensus within government that a centralized model no longer suited the needs and conditions of public management.

The reform has focused around accountability frameworks in which the government grants agencies greater flexibility in using resources, in exchange for holding them accountable for results (OECD, 1997). Key devices to enforce managerial accountability include: a) strategic and operational plans; b) performance measures and targets; c) contracts for personal and organizational performance; d) de-coupling service delivery from policy making; e) new accounting rules and annual reports; f) more active use of evaluation and auditing;

and g) financial inducements and sanctions (OECD, 1997). To grant managers more flexibility to implement the reform, OECD countries deemed necessary the elimination of central control of departments' operating expenditures and staffing levels. At the same time, departments were provided with more authority and incentives to manage resources within overall budget ceilings (GAO, 1995).

Schick (1990) argued that the fiscal stress and cutbacks of the 1970s and 1980s had led countries, such as Great Britain, Australia, New Zealand, and Canada, to implement this reform. The parliamentary forms of government in these countries facilitated the adoption and implementation of the reform (CBO, 1993).

However, none of these countries has, in practice, forged a tight link between resources and results (Schick, 1990). Furthermore, the findings by GAO (1995) also indicated that program outcomes in these countries were difficult to measure accurately because conditions beyond managers' control affected the outcomes. On the other hand, recent findings from a survey conducted by the OECD (2002, 9) indicated that fifty percent of the Senior Budget Officials reported that there was evidence that performance data determines budget allocations, whereas forty percent did not see such evidence. The survey also found that the United Kingdom linked expenditures to some outcome targets, while New Zealand linked all output targets to expenditures (OECD, 2002, 7-8).

New Zealand reform, and to a lesser degree the reforms in Australia and the United Kingdom, were explicitly based on "a theoretical framework for public

service reforms, making extensive use of economic and management theory” (Kettl, 1997; Mathiasen, 1999, 96; Office of the Auditor General of Canada, 1995). The framework included, among other theories, the principle agent theory, which was considered a potential tool to improve the functioning of government (Mathiasen, 1999, 96). Mathiasen explained that it was “a way to explicitly consider how the voters (as principals) could get the parliamentarians (as agents) to do what the voters wanted, or how the parliamentarians (as principals) could get the senior officials (as agents) to carry out government policies properly.” Ferris and Graddy (1998, 228) noted that:

Principal agent theory initially developed from an attempt to understand and resolve the dilemmas of incomplete information in the design of contracts. Agency problems arise in contracts when the two parties have divergent interests or objectives and the agent has an informational advantage over the principal. An adverse selection problem arises when the principal is not fully informed about the abilities of the potential agents, and therefore may make an unwise agent choice. A moral hazard problem arises once the contract has been agreed to and the agent, realizing the informational advantage, does not meet the terms of the contract. The principal, aware of potential agency problems, wants to guard against opportunistic agent behavior by developing an effective contracting process. Three factors shape this process: the costs of obtaining information, and both the information needed to select the appropriate agent and the information needed to effectively monitor and enforce a contract; the uncertainty associated with the production process; and the risk preferences of the actors (Ferris and Graddy, 1998, 228).

In this section, the overview will thus cover efforts by Great Britain, Australia, New Zealand, and Canada to budget for results.

2.1. Great Britain

According to the GAO (1995), the implementation of the Financial Management Initiative in 1982 aimed to provide managers with key information about program goals, performance, and costs to plan and manage their programs. While a 1988 government study found that progress was made, there was a need to take additional steps to address challenges of managing a large civil service as a single entity with uniform sets of rules. The government then implemented the Next Step Initiative that shifted the focus of reform from departments to service-providing functions or agencies within departments (GAO, 1995). The contractual relation between the departments and agencies defined performance goals and granted agencies greater spending discretion and human resource management to achieve the goals.

According to the Congressional Budget Office (1993), the objectives were not stated precisely enough to allow assessment of their achievement. While the relationship between performance measures and the budget is tenuous, the focus of budgeting indicates a shift from measuring workload to measuring results (CBO, 1993).

2.2. Australia

The GAO (1995) reported that in 1993 Australia began a comprehensive management improvement effort to change public service culture by: a) creating the

structures, standards, and practices conducive to good governance; and b) developing management skills in the public sector. Australia then implemented the reform termed "Program Management and Budgeting and the Financial Improvement Program." Program Management and Budgeting required that departments: a) define goals and plan how to achieve them; b) measure program effectiveness and efficiency and report its performance; and c) make adjustments in the operations of their programs based on the performance information. On the other hand, the Financial Improvement Program granted departments greater spending flexibility, stabilized their funding to allow medium-term planning, and required departments to achieve annual savings in their operating expenses (GAO, 1995).

However, the Congressional Budget Office (1993) reported that Australia's progress in developing indicators has been confined mainly to efficiency and workload targets. Nevertheless, improving measurement continues to be an important objective.

2.3. Canada

The GAO (1995) indicated that Canada, since the early 1980s, has implemented results-oriented reforms to increase accountability and clarify responsibility for program performance. Canada simplified human resource regulations and granted Departments greater authority over spending and human

resources management to support the achievement of program performance goals. Canada Public Service 2000 and the Standards Initiative are reforms intended to improve the quality of services to citizens.

However, according to the Congressional Budget Office (1993), the performance measurement system has not made great inroads into the budget process.

2.4. New Zealand

According to CBO (1993), the movement toward performance measurement in New Zealand is part of a broader effort to reform the public budgeting and accounting systems. New Zealand first switched the budgeting system from a focus on inputs to outputs. Then, the need to assess the performance of its departments dictated the move from cash to accrual accounting. Under the Public Finance Act of 1989, which allowed the accomplishment of these changes, the government specifies its outcomes (objectives), and individual agencies are responsible for designing programs around outputs to achieve these goals.

The findings by GAO (1995) indicate that the government aimed to increase accountability for achieving program results. New Zealand did so by implementing performance agreements between departments and their ministers, and by requiring departments to report on performance against targets. Moreover, the government

granted departments greater authority over spending and human resources management to support the achievement of results for which they were responsible.

The Congressional Budget Office (1993) found that progress has been made in measuring activities or outputs; however, the budget process ignores outcomes at the agency level. It also indicated that agencies are only held accountable for outputs and that it is the responsibility of the government (the party that controls the Parliament) to understand how outputs are related to outcomes. Furthermore, it noted that, unlike Britain and Australia, New Zealand explicitly ties measures and resources, but only at the level of outputs, not outcomes.

CHAPTER V

RESEARCH QUESTIONS AND HYPOTHESES

Statement of the problem

The statement, "Government must be responsible for its actions and accountable for results," has been voiced repeatedly by politicians, citizens, the press, and numerous watchdogs of government. On the other hand, agencies had to exercise broader discretion (i.e. administrative, managerial, programmatic, and fiscal) in order to adapt to rapidly changing technologies and environments. Meanwhile, these agencies also had to achieve programmatic objectives contained in the legislative mandates and improve the quality of products and services they provided. Understandably, such pressure has lead managers to not only request different information other than what input budgeting provides, but also to embrace a broader set of issues than the ones associated with only the values of control, compliance, and responsibility (Hendrick and Forrester, 1999). One way to address these problems has been to base public budgeting, including other key decisions, on outcomes instead of inputs.

However, Schick (1990) argued that while governments generally have extensive data on what they do, they lack the competence to apply performance data to their budget and other managerial decisions. Indeed, the concept of linking objectives, results, and resources is simple, but its application is difficult.

Performance measurement and resource allocation are related in a manner that is indicative of an unresolved relationship. It appears, theoretically, that direct connections between the size of an agency's budget and the effectiveness of its programs are advantageously assumed, whereas in practice no democratic government has forged a tight relationship between resources and results. Governments shy away from strict link-ups of resources and performance for a number of reasons, which are:

1. The fact that much uncertainty surrounds the assumption that agencies can deliver on promised improvements in performance. Explicit links between promises and actual performance are also prone to the creation of more visible failures if departments fall short of agreed-to objectives. Furthermore, the state of the art in performance measurement is not so advanced as to warrant precise commitments on what will be accomplished with public funds.
2. The publication of targets for future performance generates reluctance to committal in managers who do not want to irrevocably guarantee precise performance goals to be achieved by openly defined dates. This is because although targets may be achievable --both in the sense that their levels can be met and that success depends on the performance of managers rather than on outside factors--the price of open or publicly perceived failure is often high.
3. It is often the case that performance measures are intended to have broad managerial applications, with a main objective of changing management styles and

cultures, rather than making rational or defensible budget decisions. It is believed, therefore, that strong reliance on the measures generates controversy and discourages managers from cooperating. When this occurs, the supply of data dries up and quality is impaired.

It is important to indicate that outcome budgeting makes an assumption that is difficult to support. The assumption is that government agencies are the sole, if not the main determiners of outcomes and that their role in determining outcomes can be clearly quantified. In this respect, Parker (1993) has asserted that governments, especially state governments, are limited in their ability to influence outcomes considering that a myriad of external factors (i.e. economic trends, demographics, natural disasters) play an important role in determining social outcomes.

Other criticisms that a rational model of budgeting, such as this one, goes against political norms and is unworkable in a pluralist and individualist society, have arisen and have not yet been settled (Wildvasky, 1997, 9). Wildvasky contended that budgeting techniques would not substitute for political decisions about who "wins" and "loses" in the budgetary process, and the inability to account for such a shortcoming might explain the failure of PPBS.

Regrettably, these issues, by reinforcing doubts normally raised by the fact that budgetary reforms are often oversold and do not always fulfill their promises, cloud the potential of outcome budgeting.

Finally and more importantly, many efforts to implement outcome budgeting have been unfortunately marred by the confusion about its basic definition and the challenges of integrating outcome and performance measurement systems into the budgeting system, as explained above. Indeed, in various places, either in the literature or in practice, outcome budgeting is in place under a different name and look. Furthermore, while King (1995) indicated that performance-based budgeting systems may or may not require measurement of outcomes, Campbell (1997) noted that “performance-based budgeting” results only when performance measurement has been fully integrated into the budget process. Such a step has been considered as the highest level of integration by the GPRA Implementation Committee of the Chief Financial Officers (CFO) Council on the project of “Integrating Performance Measurement into the Budget Process” (CFO Council, 1997). It is important to indicate that the CFO Council has distinguished three levels of integration when using performance information during budget formulation and execution. These levels include, from lowest to highest: a) the presentation of such information in the budget, leaving agencies the choice to decide whether to fully incorporate it within the budget or simply accompany it; b) performance information is included in the conversation when policy and budget issues are addressed; c) performance information is fully integrated in the budget process, or when resources needs and performance levels are directly linked in the form of a performance-based budget.

Considering these difficulties, this study will seek to investigate what a sample of experts, direct participants, and experienced users believe constitutes outcome budgeting, in terms of its definition, goals and objectives, including the level of integration of outcome and performance measurement into the budget process. The study specifically addresses two main questions:

1. What is outcome budgeting conceptually, in terms of its definition, goals and objectives?
2. What is the level of integration, with respect to the concept of outcome budgeting, as used by government agencies?

The first research question seeks to determine a certain level of agreement about the conceptual definition and goals and objectives of outcome budgeting. Three main objectives of outcome budgeting to be considered in the study will be:

- a. Improvement of fiscal discipline by limiting expenditures and cutting the budget;
- b. Increase of program effectiveness and public accountability by promoting a new focus on results, service quality, and customer satisfaction; and
- c. Improvement of decision-making with objective information.

In this study, the researcher is using the following hypotheses to pursue this question as it relates to the confusion about outcome budgeting's conceptual definition and the multiplicity of its goals and objectives:

- H.1.a: There is a lack of agreement about the conceptual definition of outcome budgeting at all levels of government.**
- H.1.b: There is a difference in terms as to outcome budgeting goals and objectives at the federal and state government levels.**
- H.1.c: There is a difference in terms as to outcome budgeting goals and objectives at the federal and local government levels.**
- H.1.d: There is a difference in terms as to outcome budgeting goals and objectives at the state and local government levels.**

The second research question seeks to assess the challenges of integrating an outcome and performance measurement system into the budget process.

In this study, the researcher is using the following hypotheses to pursue this second question as to whether outcome budgeting is actually now implemented, at the highest level of integration, at all levels of government:

- H.2.a: There is a difference in the level of integration with respect to outcome budgeting used by federal and local government agencies.**
- H.2.b: There is a difference in the level of integration with respect to outcome budgeting used by federal and state government agencies.**
- H.2.c: There is a difference in the level of integration with respect to outcome budgeting used by state and local government agencies.**

H.2.d: There is no difference in the use by government agencies of the first level and the next highest level of integration of outcome and performance measurement into the budget process.

H.2.e: Government agencies are more likely to use the first level of integration than the highest level of integration of outcome and performance measurement into the budget process.

By answering these questions, to whatever extent possible, this study hopes to provide insights as to whether the concept of outcome budgeting could deliver on its promises and potentially receive serious consideration as a future major budgetary reform in the public administration literature. The efforts at reinvention in terms of administrative reforms, in particular outcome budgeting reforms, will play an important catalytic role for improving organizational effectiveness and the budget process in the 21st century. Such efforts will certainly provide momentum in moving governments around the world toward being more democratic, entrepreneurial and catalytic in the delivery of services. Thus, this study will be meaningful in the academic field and practice of administrative reform.

CHAPTER VI

RESEARCH DESIGN AND METHODOLOGY

Introduction

Chapter VI discusses the methods and procedures used to collect, analyze and describe the research data. The quantitative methodology used in this study aims at investigating what constitutes outcome budgeting in terms of its definition, goals and objectives, including the level of integration of outcome and performance measurement into the budget process. This chapter is organized into sub-sections dealing with: a) operationalization; b) population; c) sampling design; d) instrumentation; e) data collection procedures; and f) data analysis procedures.

A. Operationalization

This study used as references the levels of integration that were defined by the GPRA Implementation Committee of the Chief Financial Officers (CFO) Council on the project “Integrating Performance Measurement into the Budget Process” (CFO Council, 1997).

Indeed, the CFO Council has established a user guide to help (federal) managers not only meet the requirements, but also save time in the process of results demonstration. The guide had a focus on an important aspect of GPRA

implementation, in particular the linking of performance measurement to the budget process.

The CFO Council asserts that enhanced decision-making, as well as a more results-oriented presentation, occurs when performance information is integrated into the budget. Based on its experience to date, the CFO Council distinguishes three levels of integration when using performance information during budget formulation and execution:

- a) The first level constitutes the presentation of such information in the budget, leaving agencies the choice to decide whether to fully incorporate it within the budget or simply accompany it;**
- b) The next higher level of integration happens when performance information is included in the conversation when policy and budget issues are addressed;**
- c) The highest level of integration is achieved when performance information is fully integrated in the budget process or when resources needs and performance levels are directly linked in the form of a performance-based budget.**

The highest level of integration constitutes the ideal outcome budgeting when outcome and other performance measures are fully integrated into the budget process.

Considering the multiplicity of outcome budgeting goals and objectives stemming from the confusion in its conceptual definition that arises from the potential inherent in the use of performance measures, the study considered three main objectives of outcome budgeting. These objectives were:

- a) Improvement of fiscal discipline by limiting expenditure and cutting the budget;
- b) Increase of program effectiveness and public accountability by promoting a new focus on results, service quality, and customer satisfaction; and
- c) Improvement of decision-making with objective information.

B. Population

The population for the quantitative approach consisted of budget and finance officers, analysts and auditors across the United States. Members of the Association of Budget and Finance Management (ABFM) and the American Association of Budget and Program Analysis (AABPA) were considered as the population at the federal level, while the members of the National Association of State Budget Officers (NASBO) yielded a population at the state level, and the members of the Government Finance Officers Association (GFOA) were targeted to provide a population at the local level.

The selection of these groups is justified by the nature of the research study. That is, the reinvention approach, the rhetoric of “doing more with less,” and that of

“holding government accountable for results in the use of public funds” are debated across the country.

C. Sampling design

A total of 1000 members, drawn from the directories maintained by the above-mentioned organizations, constituted the population for this study. The Government Finance Officers Association (GFOA), upon request, generated a random sample of 500 officers from its membership, which constituted the sample at the local government level. Similarly, the Association of Budget and Finance Management (ABFM) and the American Association of Budget and Program Analysis (AABPA) generated a list of 340 officers from which 250 officers were randomly selected to constitute a sample at the federal level. In order to select the sample, the researcher first assigned numbers 1 to 340 to each officer from the list. On the table of random numbers, the researcher chose a starting point at random and recorded the digits in the first column in groups of three. Then, the researcher, ignoring numbers that were greater than 340, selected the first 250 numbers. The officers who were assigned those numbers made up the sample at the federal level.

In addition, the researcher downloaded from the Internet (site address: www.nasbo.org/directories.html) the directory of the National Association of State Budget Officers (NASBO), from which he randomly and purposely generated a stratified sample of 250 officers used at the state level. The purposive sampling was

made in that the researcher selected all the officers from program areas dealing with performance measurement issues and budget processes. Each state was considered a stratum, which comprised two sub-strata. The first sub-stratum comprised program areas dealing with performance measurement issues and budget processes, whereas the second sub-stratum included all other program areas (e.g. agriculture, capital budgeting, computers, corrections, economic development, education, health, personnel, social services, taxation, and transportation). Considering that the directory provided a listing by state, the purposive sampling generated 100 officers, two were coming from the first sub-stratum in each state. Other officers were thereafter randomly selected from the 50 second sub-strata, a (second) sub-stratum for each state, to bring the total number for the sample to 250. Depending upon the size of a sub-stratum and the experience in implementing performance-based management systems, each state provided one to four officers to make-up for the remaining 150 officers. The randomization procedure was similar to the one described above; but it occurred at the sub-stratum level with 18 to 20 officers depending upon the number of program areas each state carried.

Fowler (1993) points out that a simple random sample has its strength in that each unit of the population has an equal non-zero chance of being included in the sample. The weakness of random sampling is that it may not provide enough people in particular strata. Since the data were already stratified by coming from several different professional associations, serving different ends of budget officers,

that is less of a problem in this study. On the other hand, Maxwell (1996, 71) indicates that purposeful sampling ensures participation of individuals who can provide needed information, which allows the researcher to answer the research question. In general, Maxwell (1996, 71) noted that, "a small sample that has been systematically selected for typicality and relative homogeneity provides far more confidence that the conclusions adequately represent the average members of the population, than does a sample of the same size that incorporates substantial random or accidental variation". It is thus important to ensure that key informant bias does not occur, as purposeful selection may assume typicality that does not exist. Another advantage is that such sampling allows the researcher to obtain the information on the basis of availability. However, Fowler (1993) has warned that this method presents weaknesses in that it relies on the investigator's judgment call.

The process used in determining the sample size for each group is similar to that described by Bradburn and Sudman (1988). These experts indicate that, in deciding the percentage of the total population, the cost of gathering the sample data and the information value derived from the sample should be considered. They also argue that another method to select sample sizes is to be empirically guided, in other words, "One can simply use sample sizes that others with similar problems have used." Therefore, Bradburn and Sudman (1988, 125) determine actual sample sizes frequently used in numerous studies, including those conducted in the field of public administration, as follows in Table A.

Table A. Typical sample sizes for studies of human and institutional populations.

Number of subgroup for analysis	People or households		Institutions	
	National	Regional or special	National	Regional or special
None or few	1,000-1,500	200-500	200-500	50-200
Average	1,500-2,500	500-1,000	500-1,000	200-500
Many	2,500+	1,000+	1,000+	500+

The study deals with institutional policies and practices with regard to outcome budgeting and thus, in accordance with the above table, the sample size for this study was determined to be 1000. This sample was then split into three sub-samples of 500, 250, and 250 for the local, federal, and state government levels respectively. Thus, a survey questionnaire was sent to the participants of these sub-samples at the three levels of government

Once the sample was selected, a file was created to generate mailing labels, which included the institution's name, mailing address, and the name of the officer or analyst or auditor for the selected participants at the federal and state levels. The file was then used to address and personalize the survey cover letter as well as to generate labels to transfer to envelopes that were used in subsequent mailings. Considering that the random selection made by the GFOA for the local government sample was provided as pressure-sensitive labels, a triplicate copy was made for follow-up mailings.

D. Survey instrumentation

The survey instrument used to collect the quantitative data in this study focused on the ABFM, AABPA, GFOA, and NASBO member assessment of what constitutes outcome budgeting, in terms of its definition, goals and objectives, including the level of integration of outcome and performance measurement into the budget process.

The survey instrument is divided into major areas that correspond with outcome budgeting's definition, goals and objectives, including the level of integration of outcome and performance measurement into the budget process.

Questions and or statements for the survey instrument generally comprise a five-point Likert-type category of answers ranging from strongly disagree to strongly agree. However, other questions, which are included in the survey instrument, and were also provided for the respondents, require binary type categorization of answers.

The following questions or statements relate to the (first) hypothesis (H.1.a.), which states that there is a lack of agreement about the conceptual definition of outcome budgeting at all levels of government:

Please respond to the following question concerning your organization:

- Does your organization now use outcome measures information or program outcomes in making budget decisions?

Yes No

Please tell us to what extent you agree or disagree with each of the following statements or questions concerning your organization. Please mark either:

Strongly Agree (SA), Agree (A), Neutral (N), Disagree (D), or Strongly Disagree (SD).

Items	SA	A	N	D	SD
• Outcome-based budgeting activities are only based on <u>administrative</u> directives, policies, and procedures in our organization.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Outcome-based budgeting is a <u>legislative</u> requirement in our organization.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

From your knowledge of outcome budgeting, does it require (Yes or No):

	Yes	No
• A strategic plan covering a multi-year period in which is stated what the agency is to accomplish?	<input type="checkbox"/>	<input type="checkbox"/>
• An annual performance plan that sets specific goals to be achieved over a single fiscal period, identifies resources required to reach the goals, and links the strategic plan to the budget?	<input type="checkbox"/>	<input type="checkbox"/>
• An annual performance report provided at the end of the single fiscal period that allows the comparison of actual program results with the performance goals identified in the annual performance plan?	<input type="checkbox"/>	<input type="checkbox"/>
• A performance audit covering the annual performance report?	<input type="checkbox"/>	<input type="checkbox"/>
• A program evaluation that emphasizes outcomes and de-emphasizes a detailing of how money was spent?	<input type="checkbox"/>	<input type="checkbox"/>
• Multi-year budgets?	<input type="checkbox"/>	<input type="checkbox"/>
• Lump-sum appropriations received, without any itemization, and agency responsibility for achieving specific outcomes within these appropriations?	<input type="checkbox"/>	<input type="checkbox"/>
• Individual's pay partly or wholly dependent on performance of work groups?	<input type="checkbox"/>	<input type="checkbox"/>
• Individual's pay partly or wholly dependent on an individual's performance?	<input type="checkbox"/>	<input type="checkbox"/>

From your knowledge of outcome budgeting, does it require (Yes or No):

- | | Yes | No |
|--|--------------------------|--------------------------|
| • Retention of savings if they are achieved in the previous fiscal year? | <input type="checkbox"/> | <input type="checkbox"/> |

From your knowledge of (or opinion about) outcome budgeting, does this budgeting system exist when:

- | | Yes | No |
|--|--------------------------|--------------------------|
| • Outcome measures information is not displayed in the budget? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Outcome measures information is neither displayed in the budget nor included in the conversation when top executives discuss budget and policy issues? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Outcome measures information is displayed, but not integrated in the agency written budget (such information simply accompanies the budget and is not used as a basis for resource allocation)? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Outcome measures information is not displayed, but is included in the conversation when top executives either at the agency, departmental or executive / legislative branch levels address policy and budget issues? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Outcome measures information is displayed and included in the conversation when top executives either at the agency, departmental or executive / legislative branch levels address policy and budget issues? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Outcome measures information is not displayed; however, it is utilized in conversation and 100 % of budget decisions can be attributed to outcomes? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Outcome measures information is displayed and in conversation, and 100 % of budget decisions can be attributed to outcomes? | <input type="checkbox"/> | <input type="checkbox"/> |

The survey questions relating to the hypotheses (H.1.b, H.1.c, and H.1.d) of difference in terms as to outcome budgeting goals and objectives across government levels are the following:

Please tell us to what extent you agree or disagree with the following question:

Why do organizations implement outcome-based budgeting?

	SA	A	N	D	SD
• Improvement of fiscal discipline by limiting growth in expenditures.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Improvement of fiscal discipline by cutting the budget.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Increase of program effectiveness by promoting a focus on results, but not necessarily on quality.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Increase of public accountability by promoting a focus on results.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Increase of program effectiveness by promoting a focus on service quality.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Increase of public accountability by promoting a focus on service quality.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Increase of program effectiveness by promoting a focus on customer satisfaction.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Increase of public accountability by promoting a focus on customer satisfaction.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Improvement of executive decision-making with objective information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Improvement of legislative decision-making with objective information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Of these statements above, please circle the most important one sought by organizations.					

Three series of questions, which relate to the level of integration as used by government agencies with respect to the outcome budgeting concept, seek to assess the challenges of integrating an outcome and performance measurement system into the budget process. These questions also explore whether outcome budgeting is actually implemented, at the highest level of integration, at all levels of government.

The following questions relate to the first level of integration:

Concerning your organization or in your opinion, do you agree or disagree with these statements?					
	SA	A	N	D	SD
• Information on outcome measures is included, but not integrated, in the agency written budget; such information simply accompanies the budget.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• The agency has worked with the executive budget office to determine how outcome measures information will be presented in the budget.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• The agency displays outcome measures information based on organizations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• The agency displays outcome measures information based on programs.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• The agency displays outcome measures information based on activities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• The agency prepares its budget requests by integrating and presenting goals and objectives, performance plans, and resource requests into one document.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The second series of questions, relating to the second level of integration, are:

Concerning your organization or in your opinion, do you agree or disagree with these statements?					
	SA	A	N	D	SD
• Information on outcome measures is included in the negotiations when top executives address policy and budget issues at the agency level.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Information on outcome measures is included in the negotiations when top executives address policy and budget issues at the departmental level.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Information on outcome measures is included in the negotiations when top executives address policy and budget issues at the executive branch level.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Concerning your organization or in your opinion, do you agree or disagree with these statements?					
	SA	A	N	D	SD
• Program managers, stakeholders, and other decision-makers deem useful and encourage the incorporation of outcome information into budget submissions to the legislative budget office.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Program managers, stakeholders, and other decision-makers deem useful and encourage the incorporation of outcome information into budget submissions to the executive budget office.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• My agency's top-level managers encourage the use of outcome information in communications with stakeholders.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Frequently, agency managers frame budget presentations to legislators and executive decision-makers around issues of outcome measures.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Executive branch leaders encourage their budget office to consider the use of outcome measures information in reaching its budget decisions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Legislative leaders encourage their budget office to consider the use of outcome measures information in reaching its budget decisions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The third series of questions relates to the third and highest level of integration:

Concerning your organization or in your opinion, do you agree or disagree with these statements?					
	SA	A	N	D	SD
• Program managers, and their supervisors, develop and fully integrate outcome measures into the budget process.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• The annual performance plan is an integral part of the agency's budget requests.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Funding allocations are based on outcome measures information; hence, resources needs and outcome levels are directly linked in the form of an outcome/performance-based budget.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• The outcome-based budget used by my agency is formulated based on variable levels of achievement according to variable levels of resources.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• The agency has linked dollars spent to quality of services provided.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

E. Data collection procedures

The following procedures were implemented in the collection of research data for this study:

1. After the development of the survey instrument, it was pre-tested among Ph.D. students, from diverse professional backgrounds, taking a government budgeting class. The students were informed about the purpose of the study and asked to forward to the researcher their concerns and suggestions about the content and format of the questionnaire. Their suggestions and concerns resulted in a revised survey questionnaire.

2. The revised survey questionnaire, which comprised 75 questions, was mailed to each of the 1000 members in the sample study. A cover letter was attached to each survey questionnaire explaining the purpose and significance of the study. Furthermore, a pre-paid return and self-addressed envelope was attached to each survey in order to facilitate responses from the respondents.

3. About eleven weeks after the mailing of the survey questionnaire, and after sending email messages and making telephone calls as a reminder, a second and a third mailing of the questionnaires were sent to non-respondents. These mailings to the remaining non-respondents contained a cover letter explaining the importance of their responses for the study and were necessary to secure a high response rate.

The summary data on the received responses is presented as follows:

CHARACTERISTICS	GOVERNMENT LEVEL		
	FEDERAL	STATE	LOCAL
• Surveyed members of budget and finance officer associations, analysts, and auditors.	AABPA, ABFM	NASBO	GFOA
• Number of surveys mailed to each government level.	250 surveys	250 surveys	500 surveys
• Total number of responses from associations and used in the study.	69 responses	91 responses	56 responses
• Total number of returned surveys for unknown addresses.	1 returned survey	10 returned surveys	8 returned surveys
• Response rate per government level.	27.7 percent	37.9 percent	11.4 percent

F. Data analysis procedures

The data collected were used to assess what constitutes outcome budgeting, in terms of its definition, goals and objectives, including the level of integration of outcome and performance measurement into the budget process.

Various procedures, necessary to guide the researcher toward answering the research questions and interpreting the results were conducted after the collection of data. First, the survey questionnaire was tabulated for each level of government according to the sample size, number of respondents and response rate.

After data coding and entering onto a computer, univariate analyses were conducted on each variable for sample description and checking about statistical

assumption of normality of the sampling distribution before undertaking inferential statistical tests.

Thereafter, contingency tables, where the categories of a dependent variable were presented across the top horizontally while the categories of the independent variable were displayed on the left vertically, were used to organize and analyze the categorical data. For this study in particular, the table displays the responses to each question across the top horizontally whereas it shows, on the left vertically, the government level, which constitutes the independent variable. According to O'Sullivan and Rassel (1995, 359), the cells of a contingency table indicate the number and percent of respondents for a particular category.

Standard deviation and the mean for the government level, including the Mantel-Haenszel chi-square, are presented in the tables of results. According to Mantel and Haenszel (1959), this chi-square, a non-parametric statistical test, allows testing the difference in mean or proportion scores for more than two response categories. A p-value associated with the chi-square indicates the significance of the contingency table. The table is deemed significant with a p-value less or equal to 0.05, whereas it is insignificant for a value greater than 0.05. In the case of a significant table, it means that random chance in the variables does not explain the relationship being discussed (Sweet, 1999, 63) with a p-value less or equal to 0.05.

Finally, ordinal data were as if converted to interval level data, using the linear scale, to allow the procedure of multiple comparisons of means by Scheffe's

method (Labovitz, 1970). According to Labovitz (1967), the treatment of ordinal data as if they conform to interval scales permit greater versatility in statistical manipulation and the use of more powerful statistical tests. The Scheffe's procedure, while regarded as a little bit more conservative than other multiple comparison tests, is appropriate in a case of pre-planned comparisons and an unbalanced number of observations, as was the case at the three levels of government.

G. Validity issues

There are threats to validity in regard to the conduct of this study. These include the selection of the NASBO officers dealing with performance measurement issues and budget processes, which constitutes a concern when using a purposeful selection. But, the researcher used the entire population, as the number of these officers was less than 10 for each stratum considered.

Maxwell (1996) also indicated another type of threat relating to generalization, which externally refers to the ability to extend findings to the larger population. He points out that sample surveys "often have high external validity" (1996, 56). To that effect, O'Sullivan and Rassel (1995, 172) observed that the best evidence of external validity is replication, which is achieved by obtaining similar results under somewhat varying conditions. Therefore, when several informants at a level of government express similar attitudes or experiences, the researcher may

persuasively argue that these participants represent the opinions and experiences of a larger population.

The study does not seek to capture the “big picture” considering that its scope is rather limited to outcome budgeting conceptualization and implementation, as previously stated in the research questions. Moreover, the study has limited applicability when considering the context of the budgets of the various (federal) agencies. The study is directly applicable to “business-like” activities of the government. However, there are concerns that the study may not be applicable to “non-business-like activities” of government such as research and development, education and training, healthcare, regulation, and recreation (including museum) agencies or institutions. In these cases, the issue of performance measures, in particular outcome measures, and their connection to the budget is far more complex and beyond the scope of this study. Finally, the low response rate (22%) in this study may limit the extent to which the results of the study can be generalized. Although the researcher mailed two follow-up reminders to non-respondents of the outcome budgeting survey, the response rate did not increase significantly. According to O’Sullivan and Rassel (1995, 177), “the major weakness of mail surveys has been their low response rate.” Although some gains in local government performance measurement have been evident in recent decades, the extent to which performance measures are incorporated into decision-making processes remain questionable (Ammons, 1995). Grizzle (1987, 37) also noted that

most local jurisdictions do not report program results into their budget documents with any regularity. Such factors may have led some jurisdictions to ignore the questionnaire as irrelevant to their priorities, and therefore might explain a low response rate at the local government level. It is also possible that local respondents may represent a set of performance measurement users with some experience in performance-based budgeting. On the other hand, there were instances in which the researcher received an email message or unanswered questionnaire from state respondents, along with a note saying that staff shortages caused by budget cuts precluded them from responding. There were also instances of institutional responses at the state level, whereas several respondents working in a budget division would only return a single survey for the division. Some non-respondents contacted over the telephone or email alleged that they did not receive the questionnaire because of the anthrax scare² that compelled federal mail to be irradiated, and thus lengthened the turnaround time. O'Sullivan and Rassel (1995, 155) also pointed out that "nonrespondents contribute to nonsampling error, undermining the investigator's ability to infer from the sample." However, Tomaskovic-Devey et al. (1994, 456) indicated that "even a sample survey with a low response rate is likely to produce more generalizable results than a design that does not attempt to contact a general sample at all."

² In the wake of the September 11 tragedies, the discovery of letters which contained anthrax in Washington, D.C. and several states raised the specter of bio-terrorism (CNN, October 2001). CNN

characterized anthrax as an acute infectious disease that is caused by the spore-forming bacterium *Bacillus anthracis*. CNN also reported that “the spore produces a toxin that can be fatal.”

CHAPTER VII

RESEARCH FINDINGS AND DISCUSSION OF DATA

This chapter reports and discusses the findings of the outcome budgeting survey administered to budget and finance officers, analysts, and auditors working in the federal, state, and local governments across the United States. The survey instrument was designed to learn what constitutes outcome budgeting, in terms of its definition, goals and objectives, including the level of integration of outcome and performance measurement into the budget process.

The findings are presented for each question asked on the survey and the tables depicted below include summary statistics on the responses, for each level of government, provided by members of ABFM, AABPA, NASBO, and GFOA.

When the cross-tabular analysis and the Scheffe's procedure were significant for a particular question, the researcher considered both results if these tests did not lead to a conflicting conclusion. In the affirmative, the researcher considered only, for the conclusion, the results of the cross-tabular analysis, which provides more information.

Generally, the researcher counted opinion categories "agree" and "strongly agree" together as "yes," or considered these categories as constituting an "agreement" by levels of government to a requirement for outcome budgeting. On the other hand, the researcher counted opinion categories "disagree" and "strongly

disagree” together as “no,” or considered these categories as constituting a “disagreement” by levels of government to a requirement for outcome budgeting.

7.1. Outcome budgeting concept

As the reader will recall, the first research question (what is the concept of outcome budgeting, in terms of its definition, goals and objectives?) seeks to determine a certain level of agreement about the conceptual definition and goals and objectives of outcome budgeting.

In this study, the researcher uses four hypotheses to pursue this question as it relates to the confusion about outcome budgeting’s conceptual definition and the multiplicity of its goals and objectives.

7.1.1. The first hypothesis (H.1.a)

As the reader will also recall, this hypothesis states that there is a lack of agreement about the conceptual definition of outcome budgeting at all levels of government. There are several questions or statements which relate to this hypothesis.

7.1.1.1. Use of outcome measure information for budget decision-making

The first question below relates to the first hypothesis (H.1.a.) and probes the similarities or disparities of views among public employees with respect to outcome budgeting’s conceptual definition.

Survey respondents were asked whether government agencies currently use outcome measures information or program outcomes in making budget decisions.

The responses received are reported in Table 1.

Table 1. Government respondents' opinions on the use of outcome measures information or program outcomes in budget making-decisions.

Please respond to the following question concerning your organization:		
	Yes	No
1. Does your organization now use outcome measures information or program outcomes in making budget decisions?	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category	
	O-NO (%)	1-YES (%)
Federal	44.93	55.07
Local	62.50	37.50
State	24.18	75.82
Total (N)	88	128
Mantel-Haenszel Chi-Square = 8.43		p-value = 0.0037**

* Significant at 5%.

** Highly significant at 1%.

The results, as presented in Table 1, indicate a statistically significant difference in perceptions across levels of government with respect to the use of outcome measures information or program outcomes in making budget decisions. The findings thus offer considerable support for the first hypothesis (H.1.a), which

stated that there was a lack of agreement about the conceptual definition of outcome budgeting at all levels of government.

Indeed, the majority of survey respondents at the federal (55.07%) and state (75.82%) levels answered in the affirmative to this question, in contrast to only 37.50% at the local level.

In response to public dissatisfaction about the ability of government to solve society's ills, elected officials and other policy makers have sought to measure how well the government is performing by focusing on outcomes. They have also sought to feed this performance information back into planning, budgeting, and accountability systems (Friedman, 1996).

It is noteworthy that the use of outcome measures information is central to outcome based-budgeting. Managers can use this information, for instance, to make decisions about the levels of resources for programs to either assess their efficiency and effectiveness or choose among alternative programs. This information can also help legislative resource allocation decision-making (Wang, 2002); indeed, legislators can use it to set up performance expectations and to make funding decisions (Broom and McGuire, 1995).

But Mikesell (1995) points out that many federal agencies have encountered difficulties in outcome measurement, and do not use the information in actually constructing their budgets. Other studies (GAO, 2001) show that many federal

agencies still have a lot to do to better integrate and infuse performance information into management decision-making, including budgeting.

On the other hand, twenty-five percent (25%) of respondents of a survey of state and local government use and report performance measures, indicating that outcome measures were used for resource allocation (GASB and NAPA, 1997).

While some gains in local government performance measurement have been reported in recent decades, the extent to which performance measures are incorporated into decision-making processes remain questionable (Ammons, 1995). This might explain the answers of the majority of local level respondents. As one of the respondents put it, “results data are to inform the budget process and are not a key component in a funding decision.” Recent studies (Wang, 2002) indicate that funding decisions are fundamentally dependent on some other type or source of information. Wang also noted that the relationship between funding decisions and performance is not always clear. The results at the local level may highlight some limitations of outcome measures as a funding standard.

Results from the present study lend further support to these conclusions and indicate uneven effort across government levels, with local governments lagging in the implementation of outcome-based budgeting.

7.1.1.2. Legislative or administrative requirements for outcome budgeting

Efforts to move traditional budget and management systems toward a focus on outcomes have been marred by the lack of political support, including various other challenges (Friedman, 1996). Melkers and Willoughby (2001) indicated that legislative and executive support was critical for the implementation of performance-based budgeting activities. According to Mikesell (1995, 189), “without some commitment and decision-maker intention to use their information, the new performance budget will generate reports without results.” Recent studies (Willoughby and Melkers, 2001) indicate that there was a greater emphasis placed on measurement use in budgeting in the states where performance budgeting was legislated.

While mandates have been promulgated, at certain levels of government, requiring the implementation of results-based government practices (Liner et al., 2000), other research findings show that a significant portion of these practices, at the state level, occur without legislation (Melkers and Willoughby, 1998). It is interesting to note that while the “Government Performance and Results Act (GPRA) mandates that all federal agencies develop strategic plans and assess the outcomes they produce compared to those plans” (Kettl 1997), this framework for results does not explicitly mandate the linkage with budgetary decisions. Furthermore, according to Weinstock (2002), who reported comments made by the Director of the Office of Management and Budget before the House Government

Reform and Rules Committees, “the GPRA has turned into a paperwork exercise and not lived up to its legislative intent of improving performance. Efforts to link performance and the budget will be fruitless if Congressional appropriators continue to fund programs year after year without looking at relevant performance data.”

Two questions or statements below relate to the first hypothesis (H.1.a.) and probe the similarities or disparities of views among public employees with respect to outcome budgeting’s conceptual definition. The first hypothesis (H.1.a.) stated that there was a lack of agreement about the conceptual definition of outcome budgeting at all levels of government.

On the question of whether outcome budgeting is a legislative requirement in government agencies, the responses shown in Table 2 were received.

Table 2. Government respondents' opinions on whether outcome budgeting is a legislative requirement in their organization.

Please tell us to what extent you agree or disagree with each of the following statements or questions concerning your organization. Please mark either: Strongly Agree (SA), Agree (A), Neutral (N), Disagree (D), or Strongly Disagree (SD).

Items	SA	A	N	D	SD
2. Outcome-based budgeting is a legislative requirement in our organization.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	5.80	14.49	30.43	33.33	15.94
Local	42.86	32.14	16.07	7.14	1.79
State	21.98	25.27	15.38	27.47	9.89
Total (N)	48	51	44	52	21
Mantel-Haenszel Chi-Square = 6.44		p-value = 0.0111*			
	Mean SM	Standard deviation			
Federal (N=69)	3.39 ^a	1.10			
Local (N=56)	1.93 ^b	1.02			
State (N=91)	2.78 ^c	1.33			

* Significant at 5%.

** Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

Considering the significance of the χ^2_{MH} , the hypothesis is supported, as there is a statistically significant difference in perceptions across levels of government about the legislative requirement for outcome budgeting.

The findings suggest a lack of agreement at all levels of government for this requirement (Table 2). This is reflected in the larger proportion of federal level

respondents (49.27%, counting “agree” and “strongly agree”) who indicated that outcome budgeting was a legislative requirement, whereas a similar proportion of respondents at the state (47.25%) and a much larger proportion at local (75.00%, counting “disagree” and “strongly disagree”) government levels indicated otherwise. It is important to report that 20.29% (counting “disagree” and “strongly disagree”) of federal respondents indicated that outcome budgeting was not a legislative requirement.

The findings also show a lower proportion of the local level respondents (8.93%), who indicated that outcome budgeting was a legislative requirement, is four to six times fewer respondents at the state and federal levels (37.36% and 49.27%, respectively).

Overall, the mean value is significantly higher for the federal government (3.39) than for local (1.93) and state (2.78) government levels, confirming earlier results in support of the first hypothesis (H.1.a.).

The next question probes whether outcome budgeting activities are solely based upon administrative directives, policies, and procedures in government agencies. The findings to this question are reported in Table 3.

Table 3. Government respondents' opinions on whether outcome budgeting activities are based on an administrative requirement in their organization.

Please tell us to what extent you agree or disagree with each of the following statements or questions concerning your organization. Please mark either: Strongly Agree (SA), Agree (A), Neutral (N), Disagree (D), or Strongly Disagree (SD).

Items	SA	A	N	D	SD
3. Outcome-based budgeting activities are only based on <u>administrative directives, policies, and procedures</u> in our organization.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	10.14	26.09	36.23	26.09	1.45
Local	3.57	7.14	23.21	55.36	10.71
State	21.98	38.46	21.98	15.38	2.20
Total (N)	29	57	58	63	9
Mantel-Haenszel Chi-Square = 8.82		p-value = 0.0030**			
	Mean SM	Standard deviation			
Federal	2.83 ^b	0.98			
Local	3.63 ^a	0.91			
State	2.37 ^c	1.06			

* Significant at 5%.

** Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

Considering the significance of the χ^2_{MH} , the hypothesis (H.1.a.) is supported, as there is a statistically significant difference in perceptions across levels of government about the administrative requirement for outcome budgeting.

The findings of cross-tabular analysis suggest a lack of agreement at all levels of government for this requirement. This is reflected in the larger proportion

of state level respondents (60.44%) who indicated that outcome budgeting was not an administrative requirement, whereas the majority of local government respondents (66.07%) expressed different views. Federal government respondents were split in their perceptions between those who generally disagreed and those who expressed a position of neutrality, at 36.23% for each group, while 27.54% (counting “agree” and “strongly agree”) generally agreed. However, the percent of federal level respondents (36.23%) who indicated that outcome budgeting was not a administrative requirement was as much as three times higher compared to that of local level respondents (10.71%), and almost half the level of state respondents (60.44%) with similar views.

On the other hand, the statistically significant results of separation of government mean values also offer support to the first hypothesis (H.1.a.), thereby confirming our earlier conclusion. However, the disagreement is less between federal (2.83) and state (2.37) respondents, perhaps weakening support for the hypothesis.

Overall, the mean value is significantly higher for local government (3.63) than for federal (2.83) and state (2.37) government levels.

7.1.1.3. Elements of outcome budgeting

Many efforts to implement outcome budgeting have been marred by the confusion about its basic definition. In various places, different names and

appearances, with disparate goals and objectives, characterize outcome budgeting. It would therefore be helpful if common usage of terms were practiced. According to Liner and associates (2000), “a common definition used by all agencies and legislators will prevent muddling communication among stakeholders and clarity can greatly ease budgetary discussions.”

Basic elements are drawn from the ideal outcome budgeting framework, illustrated in Figure 1, and lessons from OECD countries acquired through their efforts at implementing outcome-based budgeting systems. For instance, the GPRA (OMB, 1993), a framework for “managing for results,” requires government agencies to prepare: a) strategic plans; b) annual performance plans; and c) annual performance reports. In addition, it provides for the possibility of waivers for increased managerial accountability and flexibility.” Likewise, Liner and associates (2000) indicated that the use of incentives was crucial to encouraging results-based local government practices. They drew lessons from OECD countries, which found that providing incentives increased the likelihood for success in the implementation of outcome-based budgeting systems. Other studies argue that meaningful incentives for participants are critical for the success of budget reforms (Larkey, 1995), as they play key roles in influencing stakeholder compliance with implementing orders (Grizzle and Pettijohn, 2002).

There are ten questions or statements which relate to the first hypothesis (H.1.a) and probe the similarities or disparities of views among public employees with respect to outcome budgeting's elements.

The first question below (numbered 4) probes whether an outcome budgeting system requires a strategic plan, and the answers are summarized in Table 4.

Table 4. Government respondents' opinions on whether outcome budgeting requires a strategic plan.

From your knowledge of outcome budgeting, does it require (Yes or No):		
	Yes	No
4. A strategic plan covering a multi-year period in which is stated what the agency is to accomplish?	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category	
	0-NO (%)	1-YES (%)
Federal	17.39	82.61
Local	25.00	75.00
State	13.19	86.81
Total (N)	38	178
Mantel-Haenszel Chi-Square = 0.65		p-value = 0.4194

* Significant at 5%.

** Highly significant at 1%.

The results in Table 4 do not support the hypothesis (H.1.a.) of a difference in perceptions across levels of government about the strategic plan requirement for outcome budgeting, given the high p-value.

There is, therefore, some degree of agreement, at all levels of government, for this requirement. This is reflected in an overwhelming majority of respondents, at each level of government, agreeing that outcome budgeting requires a strategic plan. Recent studies reported strategic planning is among the most widely used productivity improvement strategies in (public and nonprofit) organizations (Berman, 1998), as it helps them to adapt to changes in their funding environment and clientele (Bielefeld, 1994; Bryson, 1995). According to Melkers and Willoughby (1998), strategic planning initiatives are part of a movement toward performance-based management in some state governments.

On the next question, probing whether an outcome budgeting system requires an annual performance plan, the responses shown in Table 5 were received.

Table 5. Government respondents' opinions on whether outcome budgeting requires an annual performance plan.

From your knowledge of outcome budgeting, does it require (Yes or No):			Yes	No
5.	An annual performance plan that sets specific goals to be achieved over a single fiscal period, identifies resources required to reach the goals, and links the strategic plan to the budget?	<input type="checkbox"/>	<input type="checkbox"/>	

Government Level	Opinion Category	
	0-NO (%)	1-YES (%)
Federal	15.94	84.06
Local	10.71	89.29
State	13.19	86.81
Total (N)	29	187
Mantel-Haenszel Chi-Square = 0.21		p-value = 0.6490

* Significant at 5%.

** Highly significant at 1%.

These results in Table 5 indicate that there is no statistically significant difference in perceptions across levels of government about the annual performance requirement for outcome budgeting and, thus, fail to support the first hypothesis (H.1.a.).

There is, therefore, some degree of agreement, at all levels of government, for this requirement. This is reflected in an overwhelming majority of respondents, at each level of government, who agree that outcome budgeting requires an annual performance plan.

The next question deals with whether an outcome budgeting system requires an annual performance report, and the findings are reported in Table 6.

Table 6. Government respondents' opinions on whether outcome budgeting requires an annual performance report.

From your knowledge of outcome budgeting, does it require (Yes or No):		
	Yes	No
6. An annual performance report provided at the end of the single fiscal period that allows the comparison of actual program results with the performance goals identified in the annual performance plan?	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category	
	0-NO (%)	1-YES (%)
Federal	17.39	82.61
Local	12.50	87.50
State	12.09	87.91
Total (N)	30	186
Mantel-Haenszel Chi-Square = 0.87		p-value = 0.3516

* Significant at 5%.

** Highly significant at 1%.

Considering the non-significance of the χ^2_{MH} , the first hypothesis (H.1.a.) cannot be supported, as there is no statistically significant difference in perceptions across levels of government about the annual performance report requirement for outcome budgeting.

There is, therefore, some degree of agreement, at all levels of government, for this requirement. This is reflected in an overwhelming majority of respondents,

at each level of government, who agree that outcome budgeting requires an annual performance report

The next question deals with whether outcome budgeting activities require a performance audit. The findings to this question are reported in Table 7.

Table 7. Government respondents' opinions on whether outcome budgeting requires a performance audit.

From your knowledge of outcome budgeting, does it require (Yes or No):		
	Yes	No
7. A performance audit covering the annual performance report?	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category	
	0-NO (%)	1-YES (%)
Federal	49.28	50.72
Local	50.00	50.00
State	65.93	34.07
Total (N)	122	94
Mantel-Haenszel Chi-Square = 4.73		p-value = 0.0296*

* Significant at 5%.

** Highly significant at 1%.

The statistically significant difference in perceptions across levels of government about the performance audit requirement for outcome budgeting offers considerable support for the first hypothesis (H.1.a.).

This is reflected in the majority of state level respondents (65.93%), who indicated that a performance audit is not a requirement, whereas 50% of federal and local respondents indicated otherwise. It is interesting to report that local respondents equally split their views with respect to this requirement. Nevertheless, the proportion of local respondents (50.00%), whose perceptions agreed with such a requirement, was significantly higher than that of the state respondents (34.07%) who agreed with this requirement for outcome budgeting.

The program audit, explicitly provided for in the strategic plan and performance report, places a focus on outcomes and de-emphasizes a detailing of how money was spent. These results suggest a lack of agreement with one of the suggested criteria for a good and modern budget, in particular the auditing of organization performance for the purpose of communication to stakeholders and the need to make adjustments (NACSLB, 1997). They may also indicate a non-conformance to the ideal framework of an outcome budgeting system as illustrated in Figure 1.

The next question deals with whether outcome budgeting activities require a program evaluation, and the results, as shown in Table 8, indicate a lack of support for the hypothesis of difference in perceptions across levels of government, given the high p-value.

Table 8. Government respondents' opinions on whether outcome budgeting requires a program evaluation.

From your knowledge of outcome budgeting, does it require (Yes or No):		
	Yes	No
8. A program evaluation that emphasizes outcomes and de-emphasizes a detailing of how money was spent?	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category	
	0-NO (%)	1-YES (%)
Federal	44.93	55.07
Local	46.43	53.57
State	35.16	64.84
Total (N)	89	127
Mantel-Haenszel Chi-Square = 0.87		p-value = 0.3516

* Significant at 5%.

** Highly significant at 1%.

The findings in Table 8, therefore, indicate some degree of agreement, at all levels of government, for this requirement. This is reflected in the majority of respondents, at each level of government, agreeing that outcome budgeting requires a program evaluation

These results suggest compliance with one of the suggested criteria for a good and modern budget, in particular the evaluation of organization performance for the purpose of communication to stakeholders and the need to make adjustments (NACSLB, 1997). They also indicate a conformance to the ideal framework of an

outcome budgeting system, as illustrated in Figure 1. A program evaluation, explicitly provided for in the strategic plan and annual performance report and conducted at the end of the fiscal year, places emphasis on outcomes and de-emphasizes a detailing of how money was spent. Nevertheless, while proportions of respondents were not statistically different across government levels, from 35-46% did not feel that program evaluation was necessary.

The next question deals with whether an outcome budgeting system requires a multi-year budget. The findings to this question are reported in Table 9.

Table 9. Government respondents' opinions on whether outcome budgeting requires a multi-year budget.

From your knowledge of outcome budgeting, does it require (Yes or No):		
	Yes	No
9. Multi-year budgets?	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category	
	0-NO (%)	1-YES (%)
Federal	60.87	39.13
Local	60.71	39.29
State	54.95	45.05
Total (N)	126	90
Mantel-Haenszel Chi-Square = 0.61		p-value = 0.4361

* Significant at 5%.
 ** Highly significant at 1%.

The data in Table 9 reveal a lack of a statistically significant difference in perceptions across levels of government about the multi-year budget requirement for outcome budgeting. The findings thus fail to support the first hypothesis (H.1.a), which stated that there was a lack of agreement about the conceptual definition of outcome budgeting at all levels of government.

These results, however, suggest some degree of agreement, across levels of government, for a multi-year budget as not a requirement. This is reflected in the majority of respondents, at each level of government, who indicated their disagreement with respect to outcome budgeting requiring a multi-year budget. Nevertheless, from 39-45% of respondents felt that a multi-year budget was necessary.

The next question deals with whether an outcome budgeting system requires lump-sum appropriations. The findings, reported in Table 10, indicate that there is no statistically significant difference in terms of perceptions about a lump-sum appropriation requirement for outcome budgeting across government levels.

Table 10. Government respondents' opinions on whether outcome budgeting requires a lump-sum appropriations and agency responsibility for achieving specific outcomes within these appropriations.

From your knowledge of outcome budgeting, does it require (Yes or No):		
	Yes	No
10. Lump-sum appropriations received, without any itemization, and agency responsibility for achieving specific outcomes within these appropriations?	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category	
	0-NO (%)	1-YES (%)
Federal	79.71	20.29
Local	80.36	19.64
State	82.42	17.58
Total (N)	175	41
Mantel-Haenszel Chi-Square = 0.1943		p-value = 0.6594

* Significant at 5%.

** Highly significant at 1%.

Based on the large p-value for the chi-square, the results ultimately fail to support the first hypothesis (H.1.a.) of difference in perceptions across levels of government (Table 10.).

These results, however, suggest a high level of agreement, across government levels, for lump-sum appropriations as not a requirement. This is reflected in the majority of respondents, at each level of government, who indicated their disagreement with respect to outcome budgeting requiring lump-sum appropriations.

This result is not consistent with one of the characteristics of the current budgetary reform as discussed by Miller and associates (2001), who assert that “budgets, in lump sum and having few process controls, follow tactical performance plans and give considerable discretion to lower managers.” This result is also not consistent with managerial flexibility incentives, as legislated by some states (e.g. Florida, Idaho, Kentucky, Minnesota, Montana, and Texas), to encourage performance-based program budgeting (Florida Senate Committee on Fiscal Policy, 1999; Willoughby and Melkers, 2001).

Respondents were then asked whether an outcome budgeting system requires that individual’s pay be dependent upon the performance of work groups. The findings for this question are reported in Table 11.

Table 11. Government respondents' opinions on whether outcome budgeting requires that individual's pay should be dependent on performance of work groups.

From your knowledge of outcome budgeting, does it require (Yes or No):		
	Yes	No
11. Individual's pay partly or wholly dependent on performance of work groups?	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category	
	0-NO (%)	1-YES (%)
Federal	66.67	33.33
Local	75.00	25.00
State	93.41	6.59
Total (N)	173	43
Mantel-Haenszel Chi-Square = 0.1943		
		p-value < 0.0001**

* Significant at 5%.

** Highly significant at 1%.

The results in Table 11 show a statistically significant difference in the magnitude of perceptions, among public employees, about the dependence of individual's pay on performance of work groups as a requirement for outcome budgeting. Indeed, an overwhelming majority of state respondents (93.41%), compared to a lesser proportion of federal (66.67%) or local (75.00%) respondents, stated that they do not believe such a requirement is part of their understanding of outcome budgeting. Thus, these results give considerable support to the hypothesis (H.1.a.). But, such support is only in terms of magnitude of disagreement with the

proportions; the majority, at each level of government, does not acknowledge such a requirement.

Thus, these results suggest a certain level of agreement across government levels that the dependence of individual's pay on the performance of work groups is not a requirement for outcome budgeting.

The next question deals with whether an outcome budgeting system requires an individual's pay to be dependent on an individual's performance. The findings are reported in Table 12.

Table 12. Government respondents' opinions on whether outcome budgeting requires that individual's pay should be dependent on an individual's performance.

From your knowledge of outcome budgeting, does it require (Yes or No):		
	Yes	No
12. Individual's pay partly or wholly dependent on an individual's performance?	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category	
	0-NO (%)	1-YES (%)
Federal	60.87	39.13
Local	58.93	41.07
State	84.62	15.38
Total (N)	152	64
Mantel-Haenszel Chi-Square = 11.53		p-value = 0.0007**

* Significant at 5%.

** Highly significant at 1%.

The results in Table 12 show a statistically significant difference in the magnitude of perceptions, among public employees, about the dependence of an individual's pay on the individual's performance as a requirement for outcome budgeting. Indeed, an overwhelming majority of state respondents (84.62%), compared to a lesser proportion of federal (60.87%) or local (58.93%) respondents, do not acknowledge such a requirement in outcome budgeting. Thus, these results give considerable support to the hypothesis (H.1.a.), which stated that there was a lack of agreement about the conceptual definition of outcome budgeting at all levels of government. But, differences are only in magnitudes, when considering that the majority of respondents, at each level of government, do not acknowledge such a requirement.

These findings suggest some degree of agreement in perceptions among public employees that it should not be a requirement within outcome budgeting that an individual's pay be dependent upon an individual's performance. However, it should be noted that a significant minority at the federal and local levels (39-41%) do support making pay dependent on performance.

The next question asked of respondents was whether an outcome budgeting system requires the retention of savings. The findings are reported in Table 13.

Table 13. Government respondents' opinions on whether outcome budgeting requires the retention of savings achieved in the previous fiscal year.

From your knowledge of outcome budgeting, does it require (Yes or No):		
	Yes	No
13. Retention of savings if they are achieved in the previous fiscal year?	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category	
	0-NO (%)	1-YES (%)
Federal	69.57	30.43
Local	67.86	32.14
State	86.81	13.19
Total (N)	165	51
Mantel-Haenszel Chi-Square = 7.05		p-value = 0.0079**

* Significant at 5%.

** Highly significant at 1%.

The results in Table 13 show a statistically significant difference in the magnitude of perceptions among public employees as to the retention of savings as a requirement for outcome budgeting. Indeed, an overwhelming majority of state respondents (86.81%), compared to a somewhat smaller proportion of federal (69.57%) or local (67.86%) respondents, do not acknowledge such a requirement for outcome budgeting. Thus, these results give considerable support to the hypothesis (H.1.a.), which stated that there was a lack of agreement about the conceptual definition of outcome budgeting at all levels of government. But, differences are only in magnitudes, when considering that the majority of respondents, at each level of government, do not acknowledge such a requirement.

These results suggest some degree of agreement in perceptions across levels of government that the retention of savings is not a requirement for outcome budgeting. Hence, these results are not consistent with managerial flexibility incentives provided to encourage performance-based budgeting (Cothran, 1993; Willoughby and Melkers, 2001). Only 30-32% of federal and local respondents support the retention of savings as a requirement for outcome budgeting.

7.1.1.4. Conditions of existence of an outcome budgeting system

Eight questions or statements below (numbered 14 through 21) relate to the hypothesis (H.1.a) of a lack of agreement across government levels and probe the similarities or disparities of views among public employees with respect to the necessary conditions for existence of an outcome budgeting system.

On the (first) question below (numbered 14), probing whether an outcome budgeting system exists in the case of non-display of outcome measures information in the budget, the responses presented in Table 14 were received.

Table 14. Government respondents' opinions on the existence of outcome budgeting in the case when outcome measures information is not displayed in the budget.

From your knowledge of (or opinion about) outcome budgeting, does this budgeting system exist when:		
	Yes	No
14. Outcome measures information is not displayed in the budget?	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category	
	0-NO (%)	1-YES (%)
Federal	78.26	21.74
Local	73.21	26.79
State	68.13	31.87
Total (N)	157	59
Mantel-Haenszel Chi-Square = 2.03		p-value = 0.1543

* Significant at 5%.

** Highly significant at 1%.

The results, shown in Table 14, reveal a lack of a statistically significant difference in perceptions across levels of government about the non-display of outcome measures information in the budget. These results thus fail to support the (first) hypothesis (H.1.a.) of a lack of agreement about the conceptual definition of outcome budgeting at all levels of government.

There emerges, from these results, some degree of agreement in perceptions among public employees that outcome budgeting does not exist when outcome measures information is not displayed in the budget. This is reflected in the

majority of respondents, at each level of government, who indicated that outcome budgeting does not exist if outcome measures information is not displayed in the budget.

The next question deals with whether an outcome budgeting system exists in a case in which outcome measures information is neither displayed in the budget nor included in the conversation of top executives who discuss budget and policy issues. The responses to this question are summarized in Table 15.

Table 15. Government respondents' opinions on the non-display in the budget and non-inclusion in the conversation of outcome measures information.

From your knowledge of (or opinion about) outcome budgeting, does this budgeting system exist when:		
	Yes	No
15. Outcome measures information is neither displayed in the budget nor included in the conversation when top executives discuss budget and policy issues?	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category	
	0-NO (%)	1-YES (%)
Federal	94.20	5.80
Local	96.43	3.57
State	93.41	6.59
Total (N)	204	12
Mantel-Haenszel Chi-Square = 0.07		p-value = 0.7874

* Significant at 5%.

** Highly significant at 1%.

The results in Table 15 fail to support the hypothesis (H.1.a.), which stated that there was a lack of agreement about the conceptual definition of outcome budgeting at all levels of government. Indeed, they reveal a lack of a statistically significant difference in perceptions among public employees in a case in which outcome measures information is neither displayed in the budget nor included in the conversation of top executives discussing budget and policy issues.

There emerges, from these results, some degree of agreement in perceptions among public employees that outcome budgeting does not exist in a case in which outcome measures information is neither displayed into the budget nor included in the conversation of top executives discussing budget and policy issues.

Respondents were also queried as to whether an outcome budgeting system exists in a case in which outcome measures information is displayed, but not integrated, into the agency's written budget. The responses received are summarized in Table 16.

Table 16. Government respondents' opinions on the display and non-integration in the budget of outcome measures information.

From your knowledge of (or opinion about) outcome budgeting, does this budgeting system exist when:		
	Yes	No
16. Outcome measures information is displayed, but not integrated in the agency's written budget (such information simply accompanies the budget and is not used as a basis for resource allocation)?	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category	
	0-NO (%)	1-YES (%)
Federal	91.30	8.70
Local	85.71	14.29
State	75.82	24.18
Total (N)	180	36
Mantel-Haenszel Chi-Square = 6.91		p-value = 0.0086**

* Significant at 5%.

** Highly significant at 1%.

The results of a statistically significant difference in the magnitude of perceptions among public employees about the existence of outcome budgeting under the described conditions indicate considerable support for the hypothesis (H.1.a.) of a lack of agreement across levels of government. But, such support is reflected in differences in magnitude only. A majority of respondents, across all levels of government, indicated that outcome budgeting does not exist under these conditions. Nevertheless, among these respondents, the proportion of federal respondents (91.30%) was significantly higher compared to that at the state

(75.82%) or local (85.71%) levels (Table 16). Finally, since a majority of respondents support this view, these results seem to suggest some degree of agreement at all levels of government about the non-existence of outcome budgeting in a case in which outcome measures information is displayed, but not integrated into the agency's written budget.

The next question deals with whether an outcome budgeting system exists in a case in which outcome measures information is not displayed, but is included, in the conversation of top government executives who address policy and budget issues. The responses received are summarized in Table 17.

Table 17. Government respondents' opinions on the non-display in the budget and inclusion of outcome measures information in the conversation of top executives who address policy and budget issues.

From your knowledge of (or opinion about) outcome budgeting, does this budgeting system exist when:		
	Yes	No
17. Outcome measures information is not displayed, but is included in the conversation when top executives either at the agency, departmental or executive / legislative branch levels address policy and budget issues?	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category	
	0-NO (%)	1-YES (%)
Federal	65.22	34.78
Local	66.07	33.93
State	41.76	58.24
Total (N)	120	96
Mantel-Haenszel Chi-Square = 9.44		p-value = 0.0021**

* Significant at 5%.

** Highly significant at 1%.

The significance of the χ^2_{MH} indicates a statistical difference in public employees' perceptions about the existence of outcome budgeting in a case in which outcome measures information is not displayed, but rather is included in the conversation of top executives while discussing budget and policy issues (Table 17). This is reflected in the larger proportion of state respondents who answered "yes," that an outcome budgeting system exists under those conditions (58.24% vs. 41.76% who answered "no"), whereas the majority of respondents at the federal and local level (65.22% and 66.07%, respectively) answered "no". The results indicate that

there is a statistically significant lack of agreement, across government levels, for the existence of outcome budgeting under those conditions, and thus support the hypothesis (H.1.a.) of a lack of agreement across levels of government.

The next question deals with whether an outcome budgeting system exists in a case in which outcome measures information is displayed in the budget and included in the conversation of top government executives while addressing policy and budget issues. The responses received are summarized in Table 18.

Table 18. Government respondents' opinions on the display in the budget and inclusion of outcome measures information in the conversation of top executives who address policy and budget issues

From your knowledge of (or opinion about) outcome budgeting, does this budgeting system exist when:		
	Yes	No
18. Outcome measures information is displayed and included in the conversation when top executives either at the agency, departmental or executive / legislative branch levels address policy and budget issues?	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category	
	0-NO (%)	1-YES (%)
Federal	21.74	78.26
Local	8.93	91.07
State	13.19	86.81
Total (N)	32	184
Mantel-Haenszel Chi-Square = 1.96		p-value = 0.1616

* Significant at 5%.

** Highly significant at 1%.

The results, as shown in Table 18, fail to support the hypothesis (H.1.a.), which stated that there was a lack of agreement about the conceptual definition of outcome budgeting at all levels of government. Indeed, the findings reveal a lack of a statistically significant difference in public employees' perceptions across levels of government about the existence of outcome budgeting when outcome measures information is displayed in the budget and included in the conversation of top executives while discussing policy and budget issues.

The lack of statistical significance may reflect the overwhelming agreement that these are conditions for outcome budgeting to exist.

The next question deals with whether an outcome budgeting system exists in a case in which outcome measures information is not displayed, but is utilized in conversation and 100 % of budget decisions can be attributed to outcomes. The answers received are reported in Table 19.

Table 19. Government respondents' opinions on the non-display in the budget and use in conversation of outcome measures information, and 100% of funding decisions based on outcomes.

From your knowledge of (or opinion about) outcome budgeting, does this budgeting system exist when:		
	Yes	No
19. Outcome measures information is not displayed; however, it is utilized in conversation and 100 % of budget decisions can be attributed to outcomes?	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category	
	0-NO (%)	1-YES (%)
Federal	44.93	55.07
Local	44.64	55.36
State	42.86	57.14
Total (N)	95	121
Mantel-Haenszel Chi-Square = 0.07		p-value = 0.7886

* Significant at 5%.
 ** Highly significant at 1%.

There is no statistically significant difference in perceptions across levels of government, with respect to the existence of outcome budgeting, under the following conditions: a) non-display in the budget of outcome measures information; b) inclusion in the conversation of outcome measures information; and c) 100% of funding decisions based on outcomes. Hence, the hypothesis (H.1.a.) of a lack of agreement about the conceptual definition of outcome budgeting, across levels of government, may not be supported by the results, as shown in the Table 19.

These results seem to suggest some degree of agreement in public employees' perceptions, across levels of government, for outcome budgeting to exist under the described conditions, in so far as a majority agrees. But a sizeable minority, 43-45%, disagrees across levels of government; so it is a weak agreement, at best.

The next question deals with whether an outcome budgeting system exists in a case in which outcome measures information is displayed and utilized in conversation, and 100 % of budget decisions can be attributed to outcomes. The responses received are reported in Table 20.

Table 20. Government respondents' opinions on the display in the budget and use in conversation of outcome measures information, and 100% of funding decisions based on outcomes

From your knowledge of (or opinion about) outcome budgeting, does this budgeting system exist when:		
	Yes	No
20. Outcome measures information is displayed and in conversation, and 100 % of budget decisions can be attributed to outcomes?	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category	
	0-NO (%)	1-YES (%)
Federal	21.74	78.26
Local	21.43	78.57
State	30.77	69.23
Total (N)	55	161
Mantel-Haenszel Chi-Square = 1.82		p-value = 0.1774

* Significant at 5%.

** Highly significant at 1%.

There is no statistically significant difference in public employees' perceptions, across levels of government, with respect to the existence of outcome budgeting, under the following conditions: a) display in the budget of outcome measures information; b) inclusion in the conversation of outcome measures information; and c) 100% of funding decisions based on outcomes. Hence, the hypothesis (H.1.a.) of a lack of agreement about the conceptual definition of outcome budgeting, across levels of government, may not be supported by the results, as shown in Table 20.

These results seem to suggest some degree of agreement in public employees' perceptions, across levels of government, for outcome budgeting to exist under the described conditions, in so far as a majority agrees. But a sizeable minority, 22-31%, disagrees across levels of government; so it is a weak agreement, at best.

7.1.2. The second (H.1.b), third (H.1.c), and fourth (H.1.d) hypotheses

These hypotheses probe whether there is a certain level of agreement in public employees' perceptions, at all levels of government, about outcome budgeting goals and objectives. In particular, the second hypothesis (H.1.b) probes whether there is a difference in terms as to outcome budgeting goals and objectives at the federal and state government levels. The third hypothesis (H.1.c) seeks to test a difference in terms as to outcome budgeting goals and objectives at the federal and local government levels. Finally, the fourth hypothesis (H.1.d) explores whether there is a difference in terms as to outcome budgeting goals and objectives at the state and local government levels

Eleven questions or statements relate to these hypotheses and probe the multiplicity of views, among public employees, with respect to outcome budgeting goals and objectives.

- **Outcome budgeting objectives**

- 7.1.2.1. **Improvement of fiscal discipline**

Two questions or statements below relate to these three hypotheses (H.1.b, H.1.c, and H.1.d) and probe whether there is a difference among public employees' perceptions with respect to public agencies implementing outcome budgeting with a view to improving fiscal discipline.

First, respondents were asked whether government agencies implement outcome budgeting to improve fiscal discipline by limiting growth in expenditures. The findings are summarized in Table 21.

Table 21. Government respondents' opinions on whether outcome budgeting is implemented to improve fiscal discipline by limiting growth in expenditures.

Please tell us to what extent you agree or disagree with the following question:
Why do organizations implement outcome-based budgeting?

SA A N D SD

21. Improvement of fiscal discipline by limiting growth in expenditures

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	8.70	24.64	33.33	30.43	2.90
Local	3.57	28.57	23.21	37.50	7.14
State	3.30	31.87	38.46	24.18	2.20
Total (N)	11	62	71	64	8
Mantel-Haenszel Chi-Square = 0.14		p-value = 0.7060			
	Mean SM		Standard deviation		
Federal	2.94 ^a		1.01		
Local	3.16 ^a		1.04		
State	2.90 ^a		0.88		

^a Significant at 5%.

^{**} Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

The results fail to support the three hypotheses (H.1.b., H.1.c., and H.1.d.) of difference in terms as to outcome budgeting goals and objectives across government levels, as they indicate that there is no statistically significant difference in perceptions across levels of government with respect to outcome budgeting as

implemented to improve fiscal discipline by limiting growth in expenditures (Table 21). The percentages indicate little support for this proposition.

Overall, the mean values of public employees' perceptions indicate that federal and state respondents tended to disagree, whereas local respondents expressed neutral views with respect to this outcome budgeting objective (although results were not statistically significant).

Second, respondents were asked whether outcome budgeting activities are implemented by government agencies with a view of improving fiscal discipline through a budget cut. The findings to this question are reported in Table 22.

Table 22. Government respondents' opinions on whether outcome budgeting is implemented to improve fiscal discipline by cutting the budget.

Please tell us to what extent you agree or disagree with the following question:
Why do organizations implement outcome-based budgeting?

SA A N D SD

22. Improvement of fiscal discipline by cutting the budget.

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	8.70	39.13	33.33	17.39	1.45
Local	5.36	42.86	30.36	19.64	1.79
State	8.79	46.15	37.36	6.59	1.10
Total (N)	17	93	74	29	3
Mantel-Haenszel Chi-Square = 2.04		p-value = 0.1527			
	Mean SM	Standard deviation			
Federal	2.64 ^a	0.92			
Local	2.70 ^a	0.91			
State	2.45 ^a	0.79			

^a Significant at 5%.

^{**} Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

As in the previous case, the results fail to support the three hypotheses (H.1.b., H.1.c., and H.1.d.) of difference in terms as to outcome budgeting goals and objectives across government levels, as they reveal a lack of a statistically significant difference in perceptions across levels of government with respect to outcome budgeting as implemented to improve fiscal discipline by cutting the budget (Table 22).

There seems to be some degree of accord, across government levels, reflected in the larger proportion of government respondents who generally expressed disagreement with respect to this objective. Also, 30-37% were neutral over this issue.

7.1.2.2. Increase of program effectiveness and public accountability

Six questions or statements below relate to these three hypotheses (H.1.b., H.1.c., and H.1.d.) of difference in terms as to outcome budgeting goals and objectives across government levels and probe whether there is a difference among public employees' perceptions with respect to public agencies implementing outcome budgeting in order to increase program effectiveness and public accountability.

The first question probes whether outcome budgeting activities are implemented by government agencies with a view of increasing program effectiveness by promoting a focus on results, but not necessarily on quality. The findings to this question are reported in Table 23.

Table 23. Government respondents' opinions on whether outcome budgeting is implemented to increase program effectiveness by promoting a focus on results, but not necessarily on quality.

Please tell us to what extent you agree or disagree with the following question: Why do organizations implement outcome-based budgeting?					
	SA	A	N	D	SD
23. Increase of program effectiveness by promoting a focus on results, but not necessarily on quality.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	4.35	18.84	43.48	28.99	4.35
Local	3.57	32.14	23.21	35.71	5.36
State	3.30	23.08	45.05	27.47	1.10
Total (N)	8	52	84	65	7
Mantel-Haenszel Chi-Square = 0.51		p-value = 0.4754			
	Mean SM	Standard deviation			
Federal	3.10 ^a	0.91			
Local	3.07 ^a	1.02			
State	3.00 ^a	0.83			

^a Significant at 5%.

^{aa} Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

The results in Table 23 indicate that there is no statistically significant difference in public employees' perceptions across levels of government with respect to outcome budgeting as implemented to increase program effectiveness by promoting a focus on results, but not necessarily on quality. Thus, these results do not support the three hypotheses (H.1.b., H.1.c., and H.1.d.) of differences in terms as to outcome budgeting goals and objectives across government levels.

Overall, the mean values of public employees' perceptions indicate a tendency for neutrality in the expression of views with respect to outcome budgeting as implemented to achieve this objective.

The next question probes whether outcome budgeting activities are implemented by government agencies with a view of increasing public accountability by promoting a focus on results. The findings to this question are reported in Table 24.

Table 24. Government respondents' opinions on whether outcome budgeting is implemented to increase public accountability by promoting a focus on results.

Please tell us to what extent you agree or disagree with the following question:
Why do organizations implement outcome-based budgeting?

SA A N D SD

24. Increase of public accountability by promoting a focus on results.

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	1.45	7.25	21.74	52.17	17.39
Local	0.00	3.57	8.93	66.07	21.43
State	0.00	1.10	12.09	53.85	32.97
Total (N)	1	8	31	122	54
Mantel-Haenszel Chi-Square = 11.50		p-value = 0.0007**			
	Mean SM	Standard deviation			
Federal	3.77 ^b	0.88			
Local	4.05 ^{ab}	0.67			
State	4.19 ^a	0.68			

* Significant at 5%.

** Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

These results show a statistically significant difference in the magnitude of public employees' perceptions with respect to outcome budgeting as implemented to increase public accountability by promoting a focus on results (χ^2_{MH} **, Table 24). Generally, an overwhelming majority of local and state respondents (about 86.00%,

at each level), compared to a lesser proportion of federal respondents (69.56%), agreed with the view that outcome budgeting is implemented to achieve this objective. These results, while lending considerable support to the three hypotheses (H.1.b., H.1.b., H.1.c.) of differences in terms as to outcome budgeting goals and objectives across government levels, yet fall in line with one of the stated purposes of the GPRA (OMB, 1993). This is because differences are only in magnitude: the majority of respondents, at each level of government, expressed an agreement with respect to outcome budgeting as implemented to increase public accountability by promoting a focus on results.

On the other hand, when considering the statistical significance of the results of separation of the mean values of public employees' perceptions, only the second hypothesis (H.1.b.) of difference, in terms as to outcome budgeting goals and objectives between the federal and state government levels, is supported. But, the results of separation of means of public employees' perceptions do not support the hypotheses of differences between the federal and local government levels (H.1.c.), on the one hand, and the state and local government levels (H.1.d.), on the other hand. This is reflected in the fact that state and local respondents were more likely to have means that suggest agreement with respect to outcome budgeting as implemented to increase public accountability by promoting a focus on results.

The next question probes whether outcome budgeting activities are implemented by government agencies with a view of increasing program effectiveness by promoting a focus on service quality. The findings to this question are reported in Table 25.

Table 25. Government respondents' opinions on whether outcome budgeting is implemented to increase program effectiveness by promoting a focus on service quality.

Please tell us to what extent you agree or disagree with the following question: Why do organizations implement outcome-based budgeting?					
	SA	A	N	D	SD
25. Increase of program effectiveness by promoting a focus on service quality.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	0.00	4.35	27.54	49.28	18.84
Local	0.00	5.36	12.50	64.29	17.86
State	0.00	3.30	14.29	73.63	8.79
Total (N)	0	9	39	137	31
Mantel-Haenszel Chi-Square = 0.18			p-value = 0.6746		
	Mean SM		Standard deviation		
Federal	3.83 ^a		0.79		
Local	3.95 ^a		0.72		
State	3.88 ^a		0.59		

^a Significant at 5%.

^{**} Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

The results in Table 25 indicate that there is no statistically significant difference in public employees' perceptions across levels of government with respect to outcome budgeting as implemented to increase program effectiveness by promoting a focus on service quality. Thus, these results do not offer support for the three hypotheses (H.1.b., H.1.c., and H.1.d.) of differences in terms as to outcome budgeting goals and objectives across government levels.

These results are consistent with one of the stated purposes of the GPRA (OMB, 1993) and findings obtained by Melkers and Willoughby (2001). There seems to be some degree of agreement, across government levels, reflected in the majority of respondents having expressed an agreement with respect to this objective.

The next question probes whether outcome budgeting activities are implemented by government agencies with a view of increasing public accountability by promoting a focus on service quality. The findings to this question are reported in Table 26.

Table 26. Government respondents' opinions on whether outcome budgeting is implemented to increase public accountability by promoting a focus on service quality.

Please tell us to what extent you agree or disagree with the following question: Why do organizations implement outcome-based budgeting?					
	SA	A	N	D	SD
26. Increase of public accountability by promoting a focus on service quality.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	1.45	4.35	37.68	44.93	11.59
Local	0.00	8.93	8.93	60.71	21.43
State	0.00	3.30	16.48	70.33	9.89
Total (N)	1	11	46	129	29
Mantel-Haenszel Chi-Square = 4.23			p-value = 0.0398*		
	Mean SM		Standard deviation		
Federal	3.61 ^b		0.81		
Local	3.95 ^a		0.82		
State	3.87 ^{ab}		0.62		

* Significant at 5%.

** Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

These results show a statistically significant difference in the magnitude of public employees' perceptions with respect to outcome budgeting system as implemented to increase public accountability by promoting a focus on service quality (χ^2_{MH} , Table 26).

The results in Table 26, while lending support to the three hypotheses (H.1.b., H.1.b., H.1.c.) of differences in terms as to outcome budgeting goals and objectives across government levels, yet fall in line with one of the stated purposes of the GPRA (OMB, 1993). Generally, an overwhelming majority of local and state respondents (about 80.00%, at each level), compared to a lesser proportion of federal respondents (56.52%), agreed with the views about outcome budgeting as implemented to achieve this objective. This is because differences are only in magnitude: the majority of respondents, at each level of government, expressed an agreement with respect to outcome budgeting as implemented to increase public accountability by promoting a focus on service quality.

On the other hand, when considering the statistical significance of the results of separation of the mean values of public employees' perceptions, only the third hypothesis (H.1.c.) of difference, in terms as to outcome budgeting goals and objectives between the federal and local government levels, is supported. But, the results of separation of means of public employees' perceptions do not support the hypotheses of differences between the federal and state government levels (H.1.b.), on the one hand, and the state and local government levels (H.1.d.), on the other hand. This is reflected in the fact that state and local respondents were more likely to have means that suggest agreement with respect to outcome budgeting as implemented to increase public accountability by promoting a focus on service quality.

The next question probes whether outcome budgeting activities are implemented by government agencies with a view of increasing program effectiveness by promoting a focus on customer satisfaction. The findings to this question are reported in Table 27.

Table 27. Government respondents' opinions on whether outcome budgeting is implemented to increase program effectiveness by promoting a focus on customer satisfaction.

Please tell us to what extent you agree or disagree with the following question: Why do organizations implement outcome-based budgeting?				
	SA	A	N	SD
27. Increase of program effectiveness by promoting a focus on customer satisfaction.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	0.00	2.90	33.33	49.28	14.49
Local	0.00	12.50	12.50	58.93	16.07
State	0.00	10.99	18.68	60.44	9.89
Total (N)	0	19	47	122	28
Mantel-Haenszel Chi-Square = 0.27			p-value = 0.6030		
	Mean SM		Standard deviation		
Federal	3.75 ^a		0.74		
Local	3.79 ^a		0.87		
State	3.69 ^a		0.80		

^a Significant at 5%.

^{**} Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

The results in Table 27 indicate that there is no statistically significant difference in public employees' perceptions across levels of government with respect to outcome budgeting as implemented to increase program effectiveness by promoting a focus on customer satisfaction. Thus, these results do not offer support for the three hypotheses (H.1.b., H.1.c., and H.1.d.) of differences in terms as to outcome budgeting goals and objectives across government levels.

There seems to be some degree of agreement, across government levels, reflected in the majority of government respondents (at least 64%, at each government level) who generally expressed an agreement with respect to this objective (Table 27).

Finally, respondents were asked whether outcome budgeting activities are implemented by government agencies with a view of increasing public accountability by promoting a focus on customer satisfaction. The findings to this question are reported in Table 28.

Table 28. Government respondents' opinions on whether outcome budgeting is implemented to increase public accountability by promoting a focus on customer satisfaction.

Please tell us to what extent you agree or disagree with the following question: Why do organizations implement outcome-based budgeting?					
	SA	A	N	D	SD
28. Increase of public accountability by promoting a focus on customer satisfaction.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	1.45	2.90	34.78	47.83	13.04
Local	0.00	12.50	17.86	50.00	19.64
State	0.00	10.99	17.58	61.54	9.89
Total (N)	1	19	50	117	29
Mantel-Haenszel Chi-Square = 0.02			p-value = 0.8990		
	Mean SM		Standard deviation		
Federal	3.68 ^a		0.80		
Local	3.77 ^a		0.91		
State	3.70 ^a		0.80		

^a Significant at 5%.

^{**} Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

The results, as shown in Table 28, indicate that there is no statistically significant difference in public employees' perceptions across levels of government with respect to outcome budgeting as implemented to increase public accountability by promoting a focus on customer satisfaction. Thus, these results do not offer

support for the three hypotheses (H.1.b., H.1.c., and H.1.d.) of differences in terms as to outcome budgeting goals and objectives across government levels.

There seems to be some degree of agreement, across government levels, reflected in the majority of government respondents (at least 60%, at each government level) who generally expressed an agreement with respect to this objective (Table 28).

7.1.2.3. Improvement of decision-making with objective information

Two questions or statements below relate to the three hypotheses (H.1.b., H.1.c., and H.1.d.) of differences, across government levels, and probe whether there are differences among public employees' perceptions with respect to government agencies implementing outcome budgeting in order to improve decision-making with objective information.

First, respondents were asked whether outcome budgeting system is implemented by government agencies in order to improve executive decision-making with objective information. The findings to this question are reported in Table 29.

Table 29. Government respondents' opinions on whether outcome budgeting is implemented to improve executive decision-making with objective information.

Please tell us to what extent you agree or disagree with the following question: Why do organizations implement outcome-based budgeting?					
	SA	A	N	D	SD
29. Improvement of executive decision-making with objective information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	0.00	2.90	30.43	42.03	24.64
Local	0.00	1.79	16.07	55.36	26.79
State	0.00	0.00	18.68	51.65	29.67
Total (N)	3	47	107	117	29
Mantel-Haenszel Chi-Square = 3.50		p-value = 0.0615			
	Mean SM	Standard deviation			
Federal	3.88 ^a	0.81			
Local	4.07 ^a	0.71			
State	4.11 ^a	0.69			

^a Significant at 5%.

^{aa} Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

The results in Table 29 indicate that there is no statistically significant difference in public employees' perceptions across levels of government with respect to outcome budgeting as implemented to improve executive decision-making with objective information (although results are statistically significant at

10% level). Thus, these results do not offer support for the three hypotheses (H.1.b., H.1.c., and H.1.d.) of differences in terms as to outcome budgeting goals and objectives across government levels.

There seems to be some degree of agreement, across government levels, reflected in the majority of government respondents (at least 67%, at each government level) who generally expressed an agreement with respect to this objective. These results are consistent with those of Melkers and Willoughby (2001).

Second, respondents were asked whether outcome budgeting activities are implemented by government agencies in order to improve legislative decision-making with objective information. The findings to this question are reported in Table 30.

Table 30. Government respondents' opinions on whether outcome budgeting is implemented to improve legislative decision-making with objective information.

Please tell us to what extent you agree or disagree with the following question: Why do organizations implement outcome-based budgeting?					
	SA	A	N	D	SD
30. Improvement of legislative decision-making with objective information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	4.35	7.25	40.58	31.88	15.94
Local	0.00	3.57	12.50	73.21	10.71
State	0.00	2.20	31.87	50.55	15.38
Total (N)	3	9	64	109	31
Mantel-Haenszel Chi-Square = 5.15			p-value = 0.0232*		
	Mean SM		Standard deviation		
Federal	3.48 ^b		0.99		
Local	3.91 ^a		0.61		
State	3.79 ^{ab}		0.72		

* Significant at 5%.

** Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

These results show a statistically significant difference in the magnitude of public employees' perceptions with respect to outcome budgeting system as implemented to improve legislative decision-making with objective information (χ^2_{MH} , Table 30). Thus, these results give considerable support to the three

hypotheses (H.1.b., H.1.b., and H.1.c.) of differences in terms as to outcome budgeting goals and objectives across government levels. Generally, an overwhelming majority of local respondents (83.92%), compared to a lesser proportion of federal (47.82%) and state (65.93%) respondents, in overall, agreed with the views about outcome budgeting as implemented to achieve this objective. These findings from state and local respondents support the views expressed by the Chief Financial Officers (CFO) Council (1997) that “integration of performance information into the budget should result in a more results-oriented presentation and improved decision-making.” They are also consistent with the results obtained by Melkers and Willoughby (2001) and one of the GPRA stated purposes (OMB, 1993). The majority of federal respondents (52.18%), however, expressed views varying from neutrality to (overall) disagreement, while 47.82% indicated an (overall) agreement in regard to this question. Nevertheless, since the majority of state and local respondents expressed, overall, an agreement with respect to outcome budgeting as implemented to improve legislative decision-making with objective information, there is a limited consensus on this issue.

On the other hand, the finding of a statistically significant difference between the mean values of local and federal employees’ perceptions provides some support to the third (H.1.b.) hypothesis. This is reflected in the fact that federal respondents are closer to a neutral opinion with respect to outcome budgeting as implemented to improve legislative decision-making with objective information.

7.1.2.4. Overall perception on outcome budgeting objectives

The following question deals with the selection of the most important objective sought by public organizations when implementing outcome budgeting and the results are reported in Table 31.

Table 31. Government respondents' opinions on the most important objective for an outcome budgeting system.

31. Of these statements or questions (21 through 30 above-- the ones just analyzed), please circle the most important one sought by organizations.						
Government Level	Opinion on selected outcome budgeting's objectives ^a					
	IFD (%)	IPE (%)	IPA (%)	IDM (%)	ECC (%)	Not Determined (%)
Federal	1.45	13.05	27.54	26.09	4.35	27.54
Local	5.36	19.64	23.22	21.43	3.57	26.79
State	2.20	13.19	21.98	28.57	8.79	25.27
Total (N)	6	32	52	56	13	57
Mantel-Haenszel Chi-Square = 0.92			p-value = 0.3383			

- ^a IFD: Improvement of fiscal discipline.
- IPE: Increase of program effectiveness.
- IPA: Increase of public accountability.
- IDM: Improvement of decision-making with objective information.
- ECC: Enhancement of communication with citizens.
- Not determined: There was no available information.
- Significant at 5%.
- ** Highly significant at 1%.

The results, as shown in Table 31, indicate a lack of a statistically significant difference in public employees' perceptions across levels of government about the most important objective sought by government agencies when they implement outcome budgeting. Thus, these results fail to support the three hypotheses (H.1.b., H.1.c., and H.1.d.) of differences in terms as to outcome budgeting goals and objectives across government levels.

There seems to be some degree of agreement, at the federal and local levels, reflected in the largest proportion of their respondents (27.54% and 23.22%, respectively; not considering those who abstained from expressing their opinion) who selected the increase of public accountability as the most important objective when implementing outcome budgeting. But no one objective received a percentage greater than 29, suggesting wide disagreement within and across government levels. The largest proportion of state respondents (28.57%) selected the improvement of decision-making with objective information as the most important objective when implementing outcome budgeting. The most "votes" across levels of government went to questions with a focus on objective decision-making (56 respondents) and public accountability (52 respondents).

7.2. Level of integration

According to the Chief Financial Officers (CFO) Council (1997), "presentation and use of performance information in the budget process should help

managers and other decision-makers as they determine resource needs and explain those needs to OMB and Congress.”

As the reader will recall, the second research question (what is the level of integration, with respect to outcome budgeting concept, as used by government agencies?) seeks to assess the challenges of integrating outcome and performance measurement system to the budget process.

In this study, the researcher uses five hypotheses to pursue this second question, which explores whether outcome budgeting is actually implemented, at the highest level of integration, at all levels of government.

7.2.1. The first (H.2.a.), second (H.2.b.), and third (H.2.c.) hypotheses

In particular, the first hypothesis (H.2.a.) probes whether there is a difference in the level of integration, with respect to outcome budgeting used by federal and local government agencies. The second hypothesis (H.2.b.) seeks to test if there is a difference in the level of integration, with respect to outcome budgeting used by federal and state government agencies. The third hypothesis (H.2.c.) explores whether there is a difference in the level of integration, with respect to outcome budgeting used by state and local government agencies.

7.2.1.1. First level of integration

A federal administrative directive, in particular OMB Circular A-11, requires that federal agencies include performance information, along with annual goals and indicators, in their written budget justifications to explain major issues and financial requirements (CFO Council, 1997).

Several questions or statements below relate to the three hypotheses of differences in the level of integration across government levels and probe the first level of integration, with respect to outcome budgeting's concept, as used by government agencies.

The first question below (numbered 32) deals with whether government agencies include, but do not integrate information on outcome measures in their written budget, and the findings are summarized in Table 32.

Table 32. Government respondents' opinions on the inclusion, but non-integration of outcome measures information in the agency written budget.

Concerning your organization or in your opinion, do you agree or disagree with these statements?					
	SA	A	N	D	SD
32. Information on outcome measures is included, but not integrated, in the agency written budget; such information simply accompanies the budget.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	5.80	15.94	30.43	37.68	10.14
Local	3.57	23.21	19.64	48.21	5.36
State	4.40	40.66	18.68	27.47	8.79
Total (N)	13	45	82	60	16
Mantel-Haenszel Chi-Square = 4.46			p-value = 0.0348*		
	Mean SM	Standard deviation			
Federal	3.30 ^a	1.05			
Local	3.29 ^a	1.00			
State	2.96 ^a	1.10			

* Significant at 5%.

** Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

These results show a statistically significant difference in the magnitude and direction of public employees' perceptions with respect to whether agencies include, but do not integrate outcome measures information in their written budget (χ^2_{MH} , Table 32). These results, thus, give considerable support to the three hypotheses (H.2.a., H.2.b., and H.2.c.) of differences in the level of integration with respect to outcome budgeting used by government agencies.

The findings suggest that, a larger proportion of state respondents (45.06%) disagreed with the statement, whereas a similar proportion of respondents at the federal (47.82%) and a much larger proportion at local (53.57%) government levels expressed favorable opinion. These results indicate a difference in the level of integration used by federal or local agencies, on one hand, and state agencies, on the other hand. The results also show that the proportion of state respondents (45.06%) expressing (overall) disagreement was significantly higher compared to that of similar opinion at the federal (21.74%) and local (25.78%) levels.

Considering the non-significance of the results of separation of mean values of public employees' perceptions using the Scheffe's method, the three hypotheses of differences in the level of integration would not be supported, as there is no statistically difference in perceptions across levels of government with respect to this statement (Table 32).

The next question probes whether the government agency has worked with the executive budget office to determine how outcome measures information will be presented in the budget. The findings to this question are reported in Table 33.

Table 33. Government respondents' opinions with respect to agencies working with the executive budget office to determine how to present outcome measures information in the budget.

Concerning your organization or in your opinion, do you agree or disagree with these statements?					
	SA	A	N	D	SD
33. The agency has worked with the executive budget office to determine how outcome measures information will be presented in the budget.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	4.35	10.14	31.88	44.93	8.70
Local	3.57	25.00	28.57	41.07	1.79
State	1.10	5.49	24.18	61.54	7.69
Total (N)	6	26	60	110	14
Mantel-Haenszel Chi-Square = 4.18			p-value = 0.0409*		
	Mean SM		Standard deviation		
Federal	3.43 ^{ab}		0.95		
Local	3.13 ^b		0.94		
State	3.69 ^a		0.74		

* Significant at 5%.

** Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

These results show a statistically significant difference in the magnitude of public employees' perceptions with respect to agencies working with the executive budget office to determine how outcome measures information will be presented in the budget (χ^2_{MH} **, Table 33). Thus, these results give considerable support to the three hypotheses (H.2.a., H.2.b., and H.2.c.) of differences in the level of integration

with respect to outcome budgeting used by government agencies. Generally, the majority of state respondents (68.23%), compared to a lesser proportion of local (42.86%) and federal (53.63%) respondents, agreed with this statement. Thus, the results suggest a weak agreement, at least at the federal and state levels, where the majority of respondents expressed an overall agreement with respect to this statement, that agencies work with the executive budget office to determine how outcome measures information will be presented in the budget.

The results of separation of mean of public employees' perceptions indicate a statistically significant difference only between state and local levels in perceptions of respondents, providing some support to the third hypothesis (H.2.c.) of difference in level of integration across government levels. This is reflected in the fact that respondents at the local level are much closer to a neutral opinion, especially in comparison to state respondents.

The next question probes whether the government agency displays outcome measures information based on organizations. The findings to this statement are reported in Table 34.

Table 34. Government respondents' opinions with respect to the agency displaying outcome measures information based on organizations.

Concerning your organization or in your opinion, do you agree or disagree with these statements?					
	SA	A	N	D	SD
34. The agency displays outcome measures information based on organizations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	7.25	30.43	33.33	23.19	5.80
Local	3.57	39.29	32.14	23.21	1.79
State	18.68	23.08	23.08	31.87	3.30
Total (N)	24	64	62	58	8
Mantel-Haenszel Chi-Square = 0.47			p-value = 0.4944		
	Mean SM		Standard deviation		
Federal	2.90 ^a		1.03		
Local	2.80 ^a		0.90		
State	2.78 ^a		1.18		

^a Significant at 5%.

^{**} Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

The results in Table 34 do not offer support for the three hypotheses (H.2.a., H.2.b., and H.2.c.) of differences in the level of integration across government levels with respect to government agencies displaying outcome measures information based on organizations, given the large p-value for the chi-square.

There seems to be some degree of accord, across all government levels, reflected in the large proportion of their respondents who expressed either disagreement or neutrality with respect to this statement. By and large, there was not support for the display of outcome measures information based on organizations.

The next question probes whether the government agencies display outcome measures information based on programs. The findings to this statement are reported in Table 35.

Table 35. Government respondents' opinions with respect to the agency displaying outcome measures information based on programs.

Concerning your organization or in your opinion, do you agree or disagree with these statements?					
	SA	A	N	D	SD
35. The agency displays outcome measures information based on programs.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	1.45	7.25	34.78	46.38	10.14
Local	0.00	32.14	26.79	35.71	5.36
State	8.79	7.69	15.38	53.85	14.29
Total (N)	9	30	53	101	23
Mantel-Haenszel Chi-Square = 0.05			p-value = 0.8158		
	Mean SM		Standard deviation		
Federal	3.57 ^a		0.83		
Local	3.14 ^b		0.94		
State	3.57 ^a		1.11		

^a Significant at 5%.

^{**} Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

Based on the large p-value, the results of cross-tabular analysis, as shown in Table 35, do not offer support for the three hypotheses (H.2.a., H.2.b., and H.2.c.) of differences in perceptions across levels of government with respect to government agencies displaying outcome measures information based on programs.

The results of separation of mean values of public employees' perceptions using Scheffe's method indicate a statistically significant difference between, on the

one hand, state or federal and, on the other hand, local levels in perceptions of respondents. Thus, these results provide some support for the first (H.2.a.) and third (H.2.c.) hypotheses of differences in the level of integration with respect to outcome budgeting used by local and, the one hand, federal (H.2.a.), or the other hand, state (H.2.c.) government levels. This is reflected in the fact that local government respondents had a mean closer to a neutral opinion with respect to this question.

The next question probes whether the government agencies display outcome measures information based on activities. The findings to this statement are reported in Table 36.

Table 36. Government respondents' opinions with respect to the agency displaying outcome measures information based on activities.

Concerning your organization or in your opinion, do you agree or disagree with these statements?					
	SA	A	N	D	S D
36. The agency displays outcome measures information based on activities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	2.90	17.39	44.93	27.54	7.25
Local	3.57	21.43	21.43	50.00	3.57
State	12.09	16.48	24.18	46.15	1.10
Total (N)	15	39	65	89	8
Mantel-Haenszel Chi-Square = 0.60		p-value = 0.4405			
	Mean SM	Standard deviation			
Federal	3.19 ^a	0.91			
Local	3.29 ^a	0.97			
State	3.08 ^a	1.08			

^a Significant at 5%.

^{**} Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

The chi-square results in Table 36 do not offer support for the three hypotheses (H.2.a., H.2.b., and H.2.c.) of difference in perceptions across levels of government with respect to government agencies displaying outcome measures information based on activities, given the high p-values.

Overall, the mean values of public employees' perceptions indicate a tendency for neutrality in the expression of views with respect to this statement. The test of means also shows no statistically significant differences across groups.

The next question probes whether government agencies prepare their budget requests by integrating and presenting goals and objectives, performance plans, and resource requests into one document. The findings to this statement are reported in Table 37.

Table 37. Government respondents' opinions with respect to the agency preparing its budget requests by integrating and presenting goals and objectives, performance plans, and resource requests into one document.

Concerning your organization or in your opinion, do you agree or disagree with these statements?					
	SA	A	N	D	SD
37. The agency prepares its budget requests by integrating and presenting goals and objectives, performance plans, and resource requests into one document.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	7.25	13.04	26.09	43.48	10.14
Local	8.93	26.79	14.29	44.64	5.36
State	12.09	8.79	23.08	46.15	9.89
Total (N)	21	32	47	97	19
Mantel-Haenszel Chi-Square = 0.01			p-value = 0.9316		
	Mean SM		Standard deviation		
Federal	3.36 ^a		1.07		
Local	3.11 ^a		1.14		
State	3.33 ^a		1.16		

^a Significant at 5%.

^{**} Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

Based on the large p-value, the chi-square results in Table 37 do not offer support for the three hypotheses (H.2.a., H.2.b., and H.2.c.) of differences in public employees' perceptions across levels of government with respect to government agencies preparing their budget requests by integrating and presenting goals and

objectives, performance plans, and resource requests into one document. The test of means also shows no statistically significant differences across groups.

There seems to be some degree of agreement of views, across all government levels, reflected in the majority of their respondents who expressed, overall, agreement with respect to this statement (although a sizeable minority disagreed or was neutral).

7.2.1.2. Second level of integration

In its May 1995 report on GPRA implementation, the CFO Council expressed the need to include performance information in the conversation when policy and budget issues are addressed (CFO Council, 1997). According to the Council, this can be accomplished in the following manner: a) prominently include performance issues in internal deliberations and hearings; promote the use of this type of information in communications with employees and stakeholders; b) frame budget presentations to OMB and Congress around performance issues; c) encourage OMB and Congress to reflect use of this information in reaching their budget decisions.”

Several questions or statements below specifically relate to the first three hypotheses of differences in the level of integration across government levels and probe the second level of integration, with respect to outcome budgeting concept, as used by government agencies.

The first question below (numbered 38) probes whether information on outcome measures is included in the negotiations when top executives address policy and budget issues at the agency level. The findings to this statement are reported in Table 38.

Table 38. Government respondents' opinions on the inclusion of outcome measures in the negotiations of top executives when addressing policy and budget issues at the agency level.

Concerning your organization or in your opinion, do you agree or disagree with these statements?					
	SA	A	N	D	S D
38. Information on outcome measures is included in the negotiations when top executives address policy and budget issues at the agency level.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	1.45	18.84	43.48	27.54	8.70
Local	3.57	42.86	21.43	30.36	1.79
State	3.30	26.37	38.46	29.67	2.20
Total (N)	6	61	77	63	9
Mantel-Haenszel Chi-Square = 1.86			p-value = 0.1731		
	Mean SM		Standard deviation		
Federal	3.23 ^a		0.91		
Local	2.84 ^b		0.97		
State	3.01 ^{ab}		0.89		

^a Significant at 5%.

^{**} Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

The chi-square results from the cross-tabular analysis, as shown in Table 38 do not offer support for the three hypotheses (H.2.a., H.2.b., and H.2.c.) of differences in public employees' perceptions, across government levels, with respect to the information on outcome measures as included in the negotiations when top executives address policy and budget issues at the agency level. Given the large percentage in the neutral category, there is no majority agreeing or disagreeing with this proposition.

On the other hand, the results of separation of mean values of public employees' perceptions using Scheffe's method, indicating a statistically significant difference between local and federal levels in perceptions of respondents, provide support to the first hypothesis (H.2.a.), with federal respondents more likely to be in agreement.

The next question probes whether information on outcome measures is included in the negotiations when top executives address policy and budget issues at the departmental level. The findings to this statement are reported in Table 39.

Table 39. Government respondents' opinions on the inclusion of outcome measures in the negotiations of top executives when addressing policy and budget issues at the departmental level.

Concerning your organization or in your opinion, do you agree or disagree with these statements?					
	SA	A	N	D	SD
39. Information on outcome measures is included in the negotiations when top executives address policy and budget issues at the departmental level.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	1.45	18.84	37.68	36.23	5.80
Local	5.36	46.43	10.71	37.50	0.00
State	3.30	18.68	39.56	37.36	1.10
Total (N)	7	56	68	80	5
Mantel-Haenszel Chi-Square = 0.37			p-value = 0.5427		
	Mean SM		Standard deviation		
Federal	3.26 ^a		0.89		
Local	2.80 ^b		1.02		
State	3.14 ^{ab}		0.85		

^a Significant at 5%.

^{**} Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

The chi-square results from cross-tabular analysis, as shown in Table 39, do not offer support for the three hypotheses (H.2.a., H.2.b., and H.2.c.) of differences in public employees' perceptions across levels of government with respect to the information on outcome measures as included in the negotiations when top executives address policy and budget issues at the departmental level.

On the other hand, the results of separation of mean values of public employees' perceptions using Scheffe's method, indicating a statistically significant difference between local and federal levels in perceptions of respondents, provide support to the (first) hypothesis (H.2.a.), with federal respondents more likely to agree.

The next question probes whether information on outcome measures is included in the negotiations when top executives address policy and budget issues at the executive branch level. The findings to this statement are reported in Table 40.

Table 40. Government respondents' opinions on the inclusion of outcome measures in the negotiations of top executives when addressing policy and budget issues at the executive branch level.

Concerning your organization or in your opinion, do you agree or disagree with these statements?					
	SA	A	N	D	SD
40. Information on outcome measures is included in the negotiations when top executives address policy and budget issues at the executive branch level.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	1.45	18.84	43.48	33.33	2.90
Local	5.36	44.64	12.50	37.50	0.00
State	2.20	21.98	29.67	43.96	2.20
Total (N)	6	58	64	84	4
Mantel-Haenszel Chi-Square = 0.25			p-value = 0.6160		
	Mean SM		Standard deviation		
Federal	3.17 ^{ab}		0.82		
Local	2.82 ^b		1.01		
State	3.22 ^a		0.89		

^{*} Significant at 5%.

^{**} Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

The chi-square results from cross-tabular analysis, as shown in Table 40, do not offer support for the three hypotheses (H.2.a., H.2.b., and H.2.c.) of differences in public employees' perceptions across levels of government with respect to the information on outcome measures as included in the negotiations when top executives address policy and budget issues at the executive branch level.

On the other hand, the results of separation of mean values of public employees' perceptions using Scheffe's method, indicating a statistically significant difference between state and local levels in perceptions of respondents, provide support to the (third) hypothesis (H.2.c.), although all three means tend toward neutrality.

The next question probes whether program managers, stakeholders, and other decision-makers deem useful and encourage the incorporation of outcome information into budget submissions to the legislative budget office. The findings to this statement are reported in Table 41.

Table 41. Government respondents' opinions with respect to program managers, stakeholders, and other decision-makers deeming useful and encouraging the incorporation of outcome information into budget submissions to the legislative budget office.

Concerning your organization or in your opinion, do you agree or disagree with these statements?					
	SA	A	N	D	SD
41. Program managers, stakeholders, and other decision-makers deem useful and encourage the incorporation of outcome information into budget submissions to the legislative budget office.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	2.90	20.29	44.93	28.99	2.90
Local	10.71	28.57	19.64	41.07	0.00
State	3.30	20.88	47.25	25.27	3.30
Total (N)	11	49	85	66	5
Mantel-Haenszel Chi-Square = 0.05			p-value = 0.8266		
	Mean SM		Standard deviation		
Federal	3.09 ^a		0.85		
Local	2.91 ^a		1.07		
State	3.04 ^a		0.86		

^a Significant at 5%.

^{**} Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

The chi-square results from cross-tabular analysis in Table 41 do not offer support for the three hypotheses (H.2.a., H.2.b., and H.2.c.) of differences in public employees' perceptions, across levels of government, with respect to program managers, stakeholders, and other decision-makers deeming useful and encouraging

the incorporation of outcome information into budget submissions to the legislative budget office.

Given the large percentage of neutral views to this question, especially 47.25% at the state and 44.93% at the federal government levels, there is no group that shows large agreement or disagreement to this statement. The test of means also shows no statistically significant differences across groups.

The next question probes whether program managers, stakeholders, and other decision-makers deem useful and encourage the incorporation of outcome information into budget submissions to the executive budget office. The findings to this statement are reported in Table 42.

Table 42. Government respondents' opinions with respect to program managers, stakeholders, and other decision-makers deeming useful and encouraging the incorporation of outcome information into budget submissions to the executive budget office.

Concerning your organization or in your opinion, do you agree or disagree with these statements?					
	SA	A	N	D	SD
42. Program managers, stakeholders, and other decision-makers deem useful and encourage the incorporation of outcome information into budget submissions to the executive budget office.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	2.90	11.59	42.03	40.58	2.90
Local	10.71	21.43	21.43	46.43	0.00
State	1.10	19.78	32.97	40.66	5.49
Total (N)	9	38	71	91	7
Mantel-Haenszel Chi-Square = 0.03			p-value = 0.8619		
	Mean SM		Standard deviation		
Federal	3.29 ^a		0.82		
Local	3.04 ^a		1.06		
State	3.30 ^a		0.89		

^a Significant at 5%.

^{**} Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

Given the large p-value for the chi-square, the results from cross-tabular analysis do not offer support for the three hypotheses (H.2.a., H.2.b., and H.2.c.) of differences in public employees' perceptions, across levels of government, with respect to program managers, stakeholders, and other decision-makers deeming

useful and encouraging the incorporation of outcome information into budget submissions to the executive budget office (Table 42).

Overall, the mean values of public employees' perceptions indicate a tendency for neutrality in the expression of views with respect to this statement, with no statistically significant differences across levels of government.

The next question probes whether the agency's top-level managers encourage the use of outcome information in communications with stakeholders. The findings to this statement are reported in Table 43.

Table 43. Government respondents' opinions with respect to the agency's top-level managers encouraging the use of outcome information in communications with stakeholders.

Concerning your organization or in your opinion, do you agree or disagree with these statements?					
	SA	A	N	D	SD
43. My agency's top-level managers encourage the use of outcome information in communications with stakeholders.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	2.90	8.70	42.03	42.03	4.35
Local	5.36	33.93	21.43	39.29	0.00
State	2.20	8.79	31.87	54.95	2.20
Total (N)	7	33	70	101	5
Mantel-Haenszel Chi-Square = 0.92			p-value = 0.3379		
	Mean SM		Standard deviation		
Federal	3.36 ^a		0.82		
Local	2.95 ^b		0.98		
State	3.46 ^a		0.78		

^a Significant at 5%.

^{**} Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

The chi-square results from the cross-tabular analysis, as shown in Table 43, do not offer support for the three hypotheses (H.2.a., H.2.b., and H.2.c.) of differences in public employees' perceptions, across levels of government, with respect to the agency's top-level managers encouraging the use of outcome information in communications with stakeholders.

However, the results of separation of mean values of public employees' perceptions using Scheffe's method, indicating a statistically significant difference between, on the one hand, federal or state and, on the other hand, local levels in perceptions of respondents, provide considerable support to the first (H.2.a.) and third (H.2.c.) hypotheses. These hypotheses state that there are differences in the level of integration with respect to outcome budgeting used by local and federal (H.2.a.), on the one hand, or state government levels (H.2.c.), on the other hand. The data suggest that local government respondents were more neutral, while federal and state respondents showed some agreement with this proposition.

The next question probes whether the agency managers, frequently, frame budget presentations to legislators and executive decision-makers around issues of outcome measures. The findings to this statement are reported in Table 44.

Table 44. Government respondents' opinions with respect to agency managers, frequently, framing budget presentations to legislators and executive decision-makers around issues of outcome measures.

Concerning your organization or in your opinion, do you agree or disagree with these statements?					
	SA	A	N	D	SD
44. Frequently, agency managers frame budget presentations to legislators and executive decision-makers around issues of outcome measures.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	1.45	23.19	46.38	23.19	5.80
Local	12.50	33.93	16.07	37.50	0.00
State	2.20	17.58	38.46	41.76	0.00
Total (N)	10	51	76	75	4
Mantel-Haenszel Chi-Square = 0.87			p-value = 0.3501		
	Mean SM		Standard deviation		
Federal	3.09 ^{ab}		0.87		
Local	2.79 ^b		1.09		
State	3.20 ^a		0.81		

* Significant at 5%.

** Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

Based on the large p-value, the chi-square results from the cross-tabular analysis, as shown in Table 44, do not offer support for the three hypotheses (H.2.a., H.2.b., and H.2.c.) of differences in public employees' perceptions, across levels of government, with respect to agency managers, frequently, framing budget

presentations to legislators and executive decision-makers around issues of outcome measures.

The large percentages in the neutral category result in no clear agreement or disagreement with this proposition.

On the other hand, the results of separation of mean values of public employees' perceptions using Scheffe's method, indicating a statistically significant difference between state and local levels in perceptions of respondents, provide support to the (third) hypothesis (H.2.c.), which may reflect that local government respondents were less likely to be neutral with respect to this proposition.

The next question probes whether executive branch leaders encourage their budget office to consider the use of outcome measures information in reaching its budget decisions. The findings to this statement are reported in Table 45.

Table 45. Government respondents' opinions with respect to executive branch leaders encouraging their budget office to consider the use of outcome measures information in reaching its budget decisions.

Concerning your organization or in your opinion, do you agree or disagree with these statements?					
	SA	A	N	D	S D
45. Executive branch leaders encourage their budget office to consider the use of outcome measures information in reaching its budget decisions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	1.45	10.14	39.13	37.68	11.59
Local	3.57	35.71	21.43	39.29	0.00
State	2.20	6.59	40.66	46.15	4.40
Total (N)	5	33	76	90	12
Mantel-Haenszel Chi-Square = 0.0004			p-value = 0.9833		
	Mean SM		Standard deviation		
Federal	3.48 ^a		0.88		
Local	2.96 ^b		0.95		
State	3.44 ^a		0.78		

^a Significant at 5%.

^{**} Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

Based on the large p-value, the chi-square results from the cross-tabular analysis, as shown in Table 45 below, do not offer support for the three hypotheses (H.2.a., H.2.b., and H.2.c.) of differences in public employees' perceptions, across levels of government, with respect to executive branch leaders encouraging their

budget office to consider the use of outcome measures information in reaching its budget decisions. Again, large percentages are in the neutral category.

However, the results of separation of mean values of public employees' perceptions using Scheffe's method, indicating a statistically significant difference between, on the one hand, federal or state and, on the other hand, local levels in perceptions of respondents, provide a considerable support to the first (H.2.a.) and third (H.2.c.) hypotheses, although this largely reflects local respondents being less neutral on this subject. As the reader will recall, these (first and third) hypotheses state that there are differences in the level of integration with respect to outcome budgeting used by local and federal (H.2.a.), on the one hand, or state government levels (H.2.c.), on the other hand.

The next question probes whether legislative branch leaders encourage their budget office to consider the use of outcome measures information in reaching its budget decisions. The findings to this statement are reported in Table 46.

Table 46. Government respondents' opinions with respect to legislative branch leaders encouraging their budget office to consider the use of outcome measures information in reaching its budget decisions.

Concerning your organization or in your opinion, do you agree or disagree with these statements?					
	SA	A	N	D	SD
46. Legislative leaders encourage their budget office to consider the use of outcome measures information in reaching its budget decisions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	5.80	21.74	49.28	20.29	2.90
Local	1.79	48.21	28.57	21.43	0.00
State	4.40	25.27	34.07	35.16	1.10
Total (N)	5	65	81	58	3
Mantel-Haenszel Chi-Square = 0.79			p-value = 0.3728		
	Mean SM	Standard deviation			
Federal	2.93 ^a	0.88			
Local	2.70 ^a	0.83			
State	3.03 ^a	0.91			

^a Significant at 5%.

^{**} Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

Based on the large p-value, the chi-square results from the cross-tabular analysis, as shown in Table 46, do not offer support for the three hypotheses (H.2.a., H.2.b., and H.2.c.) of differences in public employees' perceptions, across levels of government, with respect to legislative branch leaders encouraging their budget

office to consider the use of outcome measures information in reaching its budget decisions.

Overall, the mean values of public employees' perceptions varied from neutrality to disagreement in the expression of views with respect to this statement, with no statistically significant differences across levels of government.

7.2.1.3. Third level of integration

The CFO Council (1997) indicated that "the highest level of integration is achieved when resource needs and performance levels are directly linked in the form of performance based budgets." This type of budget, which is formulated, where applicable, based on variable levels of achievement according to variable level of resources, constitutes a powerful tool for setting priorities and fixing responsibilities. The Council further added that:

For this to be effective, program managers will have the tools to forecast how specific changes will impact program performance. Eventually, the annual performance plan will become an integral part of the agency's budget request [per OMB Circular A-11 Part 2, section 220.9(e)] (CFO Council, 1997, 1-9).

Several questions or statements below specifically relate to the first three hypotheses of differences in the level of integration across government levels and probe the third level of integration, with respect to outcome budgeting concept, as used by government agencies.

The first question below (numbered 47) probes whether program managers, and their supervisors, develop and fully integrate outcome measures into the budget process. The findings to this question are reported in Table 47.

Table 47. Government respondents' opinions with respect to program managers, and their supervisors, developing and fully integrating outcome measures into the budget process.

Concerning your organization or in your opinion, do you agree or disagree with these statements?					
	SA	A	N	D	S D
47. Program managers, and their supervisors, develop and fully integrate outcome measures into the budget process.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	5.80	24.64	50.72	18.84	0.00
Local	12.50	44.64	32.14	10.71	0.00
State	9.89	35.16	32.97	19.78	2.20
Total (N)	20	74	83	37	2
Mantel-Haenszel Chi-Square = 0.57			p-value = 0.4489		
	Mean SM		Standard deviation		
Federal	2.83 ^a		0.80		
Local	2.41 ^b		0.85		
State	2.69 ^{ab}		0.97		

^a Significant at 5%.

^{**} Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

Given the large p-value, the chi-square results from the cross-tabular analysis, as shown in Table 47, do not offer support for the three hypotheses (H.2.a.,

H.2.b., and H.2.c.) of differences in public employees' perceptions, across levels of government, with respect to program managers, and their supervisors, developing and fully integrating outcome measures into the budget process. Sizeable percentages in the neutral category make it difficult to determine any consensus for or against this proposition.

The results of separation of mean values of public employees' perceptions using Scheffe's method, indicating a statistically significant difference between local and federal levels in perceptions of respondents, provide some support to the (first) hypothesis (H.2.a.). This is reflected in the fact that the mean for respondents at the local level suggested, overall, more disagreement with respect to this question.

The next question probes whether the annual performance plan is an integral part of the agency's budget requests. The findings to this statement are reported in Table 48.

Table 48. Government respondents' opinions with respect to the annual performance plan as an integral part of the agency's budget requests.

Concerning your organization or in your opinion, do you agree or disagree with these statements?					
	SA	A	N	D	SD
48. The annual performance plan is an integral part of the agency's budget requests.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	2.90	11.59	36.23	42.03	7.25
Local	16.07	44.64	16.07	23.21	0.00
State	12.09	32.97	30.77	23.08	1.10
Total (N)	22	63	62	63	6
Mantel-Haenszel Chi-Square = 16.25		p-value < 0.0001**			
	Mean SM	Standard deviation			
Federal	3.39 ^a	0.89			
Local	2.46 ^b	1.03			
State	2.68 ^b	1.00			

* Significant at 5%.

** Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

These chi-square results show a statistically significant difference in the perceptions of public employees with respect to the annual performance plan as an integral part of the agency's budget requests (χ^2_{MH} **, Table 48). Thus, these results give considerable support to the three hypotheses (H.2.a., H.2.b., and H.2.c.) of

differences in the level of integration with respect to outcome budgeting used by government agencies.

Generally, the majority of local respondents (60.71%), compared to a lesser proportion of state (45.06%) and federal (14.49%) respondents disagreed with this statement. Sizeable percentages of respondents across government levels (16-36%) expressed neutral views with respect to this statement.

The results of separation of mean values of public employees' perceptions using Scheffe's method, indicating a statistically significant difference between, on the one hand, means for state or local and, on the other hand, for federal levels in perceptions of respondents, provide support to the first (H.2.a) and second (H.2.b.) hypotheses. These (first and second) hypotheses state that there are differences in the level of integration with respect to outcome budgeting used by federal and local (H.2.a.), on the one hand, or state government levels (H.2.b.), on the other hand.

The next question probes whether funding allocations are based on outcome measures information and that resources needs and outcome levels are directly linked in the form of an outcome/performance-based budget. The findings to this statement are reported in Table 49.

Table 49. Government respondents' opinions with respect to funding allocations as based on outcome measures information.

Concerning your organization or in your opinion, do you agree or disagree with these statements?					
	SA	A	N	D	SD
49. Funding allocations are based on outcome measures information; hence, resources needs and outcome levels are directly linked in the form of an outcome/performance-based budget.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	11.59	17.39	53.62	14.49	2.90
Local	14.29	42.86	23.21	19.64	0.00
State	17.58	49.45	26.37	5.49	1.10
Total (N)	32	81	74	26	3
Mantel-Haenszel Chi-Square = 14.36			p-value = 0.0002**		
	Mean SM	Standard deviation			
Federal	2.80 ^a	0.93			
Local	2.48 ^{ab}	0.97			
State	2.23 ^b	0.84			

* Significant at 5%.

** Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

These results show a statistically significant difference in the magnitude and direction of public employees' perceptions with respect to funding allocations as based on outcome measures information ($\chi^2_{MH}^{**}$, Table 49). Thus, these results give considerable support to the three hypotheses (H.2.a., H.2.b., and H.2.c.) of differences in the level of integration with respect to outcome budgeting used by

government agencies. Generally, the majority of local (57.15%) and state (67.03%) respondents held overall an unfavorable opinion, whereas the majority of federal respondents (53.62%) expressed neutral views with respect to the statement.

The results of separation of mean values of public employees' perceptions using Scheffe's method, indicating a statistically significant difference between state and federal levels in perceptions of respondents, provide support to the second hypothesis (H.2.b.). This is reflected in the fact that state respondents were more likely to express disagreement with respect to funding allocations as based on outcome measures information (Table 49).

The next question probes whether outcome-based budget used by the agency is formulated based on variable levels of achievement according to variable levels of resources. The findings to this statement are reported in Table 50.

Table 50. Government respondents' opinions with respect to the agency outcome-based budget as formulated based on variable levels of achievement according to variable levels of resources.

Concerning your organization or in your opinion, do you agree or disagree with these statements?					
	SA	A	N	D	SD
50. The outcome-based budget used by my agency is formulated based on variable levels of achievement according to variable levels of resources.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	5.80	17.39	47.83	27.54	1.45
Local	10.71	44.64	25.00	17.86	1.79
State	5.49	38.46	37.36	16.48	2.20
Total (N)	15	72	81	44	4
Mantel-Haenszel Chi-Square = 3.63			p-value = 0.0569		
	Mean SM		Standard deviation		
Federal	3.01 ^a		0.87		
Local	2.55 ^b		0.97		
State	2.71 ^{ab}		0.89		

^a Significant at 5%.

^{**} Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

The chi-square results from the cross-tabular analysis, as shown in Table 50, do not offer support for the three hypotheses (H.2.a., H.2.b., and H.2.c.) of differences in perceptions across levels of government with respect to the outcome-based budget used by the agency as formulated based on variable levels of achievement according to variable levels of resources (although results are significant at 10% level).

The results of separation of mean values of public employees' perceptions using Scheffe's method, indicating a statistically significant difference between local and federal levels in perceptions of respondents, provide a considerable support to the first hypothesis (H.2.a.), largely reflecting a greater likelihood of local respondents to disagree with this statement.

The next question probes whether the agency has linked dollars spent to quality of services provided. The findings to this statement are reported in Table 51.

Table 51. Government respondents' opinions with respect to the agency having linked dollars spent to quality of services provided.

Concerning your organization or in your opinion, do you agree or disagree with these statements?					
	SA	A	N	D	SD
51. The agency has linked dollars spent to quality of services provided.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Government Level	Opinion Category				
	1-SD (%)	2-D (%)	3-N (%)	4-A (%)	5-SA (%)
Federal	7.25	27.54	46.38	15.94	2.90
Local	16.07	39.29	28.57	16.07	0.00
State	21.98	41.76	25.27	9.89	1.10
Total (N)	15	72	81	44	4
Mantel-Haenszel Chi-Square = 11.91			p-value = 0.0006**		
	Mean SM		Standard deviation		
Federal	2.80 ^a		0.90		
Local	2.45 ^{ab}		0.95		
State	2.26 ^b		0.95		

^a Significant at 5%.

^{**} Highly significant at 1%.

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

These results show a statistically significant difference in the magnitude and direction of public employees' perceptions with respect to the agency having linked dollars spent to quality of services provided (χ^2_{MH} ^{**}, Table 51). Thus, these results support to the three hypotheses (H.2.a., H.2.b., and H.2.c.) of differences in the level of integration with respect to outcome budgeting used by government agencies. The majority of local (55.36%) and state (63.74%) respondents held overall unfavorable

opinion, whereas a higher proportion of federal respondents (46.38%) expressed neutral views with respect to the statement.

The results of separation of mean values of public employees' perceptions using Scheffe's method, indicating a statistically significant difference between state and federal levels in perceptions of respondents, provide some support to the second hypothesis (H.2.b.). This is reflected in the fact that respondents at the state level were more likely to express disagreement with respect to the agency having linked dollars spent to quality of services provided (Table 51).

7.2.2. The fourth (H.2.d.) and fifth (H.2.e.) hypotheses

It is only by combining the questions below, which relate to the levels of integration that the researcher was able to seek evidence in support of these hypotheses.

As the reader will recall, the following questions relate to the first level of integration:

Concerning your organization or in your opinion, do you agree or disagree with these statements?					
	SA	A	N	D	SD
• Information on outcome measures is included, but not integrated, in the agency written budget; such information simply accompanies the budget.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• The agency has worked with the executive budget office to determine how outcome measures information will be presented in the budget.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Concerning your organization or in your opinion, do you agree or disagree with these statements?

	SA	A	N	D	SD
• The agency displays outcome measures information based on organizations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• The agency displays outcome measures information based on programs.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• The agency displays outcome measures information based on activities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• The agency prepares its budget requests by integrating and presenting goals and objectives, performance plans, and resource requests into one document.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The second series of questions, relating to the second level of integration, are:

Concerning your organization or in your opinion, do you agree or disagree with these statements?

	SA	A	N	D	SD
• Information on outcome measures is included in the negotiations when top executives address policy and budget issues at the agency level.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Information on outcome measures is included in the negotiations when top executives address policy and budget issues at the departmental level.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Information on outcome measures is included in the negotiations when top executives address policy and budget issues at the executive branch level.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Program managers, stakeholders, and other decision-makers deem useful and encourage the incorporation of outcome information into budget submissions to the legislative budget office.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Program managers, stakeholders, and other decision-makers deem useful and encourage the incorporation of outcome information into budget submissions to the executive budget office.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• My agency's top-level managers encourage the use of outcome information in communications with stakeholders.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Frequently, agency managers frame budget presentations to legislators and executive decision-makers around issues of outcome measures.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Concerning your organization or in your opinion, do you agree or disagree with these statements?					
	SA	A	N	D	SD
• Executive branch leaders encourage their budget office to consider the use of outcome measures information in reaching its budget decisions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Legislative leaders encourage their budget office to consider the use of outcome measures information in reaching its budget decisions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The third series of questions relates to the third and highest level of integration:

Concerning your organization or in your opinion, do you agree or disagree with these statements?					
	SA	A	N	D	SD
• Program managers, and their supervisors, develop and fully integrate outcome measures into the budget process.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• The annual performance plan is an integral part of the agency's budget requests.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Funding allocations are based on outcome measures information; hence, resources needs and outcome levels are directly linked in the form of an outcome/performance-based budget.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• The outcome-based budget used by my agency is formulated based on variable levels of achievement according to variable levels of resources.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• The agency has linked dollars spent to quality of services provided.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

As the reader will also recall, the fourth hypothesis (H.2.d.) probes whether there is no difference in the use by government agencies of the first level and the next highest level of integration of outcome and performance measurement into the

budget process. The fifth hypothesis (H.2.e.) explores whether government agencies are likely to use more the first level of integration than the highest level of integration of outcome and performance measurement into the budget process. It is important to indicate that this highest level of integration ideally constitutes outcome budgeting.

The next table below (numbered 52) summarizes the findings of the analysis of the combined questions, which relate to the level of integration as used by government agencies. These results provide evidence to support or reject the fourth (H.2.d.) and fifth (H.2.e.) hypotheses.

Table 52. Government respondents' opinions on the level of integration used by public agencies.

Integration Level	Mean Opinion	
	Mean SM	Standard deviation
First level (N=1296)	3.22 ^a	1.05
Second level (N=1944)	3.12 ^b	0.91
Highest level (N=1080)	2.65 ^c	0.96

SM Separation of means--Any two means with the same superscript a, or b, or c within a column are not significantly different at the five percent level of probability using Scheffe's method.

The results, as presented in Table 52, indicate a statistically significant difference in perceptions of public employees across levels of government and, thus, do not offer support to the fourth hypothesis (H.2.d.) of no difference in the use, by government agencies, of the first level and the next highest level of integration of outcome and performance measurement into the budget process.

On the other hand, these results support the fifth hypothesis (H.2.e.) considering that the mean perception of the first level of integration is significantly higher than that of the highest level of integration. The fifth hypothesis (H.2.e.) states that government agencies are more likely to use the first level of integration than the highest level of integration of outcome and performance measurement into the budget process. Government agencies were neutral with respect to the use of the first level of integration while they expressed disagreement over the use of the highest level of integration.

CHAPTER VIII

CONCLUDING REMARKS AND IMPLICATIONS

This chapter is organized into the following three sections: 1) summary of the study and its limitations; 2) summary of results; and 3) and conclusions and implications.

A. Summary of the study and its limitations

The purpose of this study was to introduce empirical evidence into the debate concerning the merits of outcome budgeting and attempt to bring some resolution to that debate. The issue inherent in the study was to explore whether there are grounds for doubting that outcome budgeting can fulfill its promises.

In response to fiscal restraints, low public trust, and escalating demands not only for more efficient and effective public services but also for greater government accountability for results, there has been great interest in using an outcome-based budget.

The theoretical foundation of this budgeting system can be traced back to the middle of the 20th century when scholars and practitioners in the field of public administration sought alternative system of budgeting to replace input-oriented budgeting (Lewis, 1952). Attempts at micro-management and policy formulation through control of agencies' line-item allocations by legislative bodies had

compromised efficiency and effectiveness in the delivery of services (Osborne, 1993; Rubin, 1990). Line-item budgeting tended to encourage micro-management of resources by political leaders (Miller et al., 2001) rather than the macro-management of values, which Key (1949) had suggested to be the most important function of politics. It was also Key (1940, 1137), who conceptualized the basic budgeting problem of an allocation decision in his famous question, "On what basis shall it be decided to allocate x dollars to activity A instead of activity B?" This question could potentially be addressed and outcome measures could be expected to play a role in the resource allocation decision-making process (Lewis, 1952). Beyond a utilitarian model that maximizes the interests of political actors, and which recognizes public budgeting as a game played out in the political arena and that determines a program's funding through negotiation and compromise (Wildavsky, 1979), other scholars have subscribed to a prescriptive budgetary theory (Lewis, 1952). Such theory, recognizing the scarcity of resources in relation to demand, claims that economic values must be used in judging the success of a public program and that efficiency and effectiveness of that public program should be a basis for resource allocation. Outcome-based budgeting also aims to stimulate motivation and seeks to achieve organizational goals through decentralized incentives that allow program managers greater authority and exercise of their creativity in the detailed use of resources, while holding them accountable for the results (Cothran, 1993; Thompson, 1991). Interestingly, an ideal outcome

budgeting framework places more emphasis on strategic and performance plans with measurable results, performance budgets, an accountability process, and annual reports to communicate to stakeholders.

Outcome budgeting is similar in many aspects to earlier fiscal practices. However, Schick (1990) asserts that, unlike these past reforms, which aimed to optimize programs, outcome budgeting seeks to improve organizations. Miller and associates (2001, 3) characterized outcome budgeting as a potential major budgetary reform of the 21st century and some government agencies touted this budgeting system for its implementation as an important paradigm of an effective governmental management and accountability tool.

Paradoxically, the research on this budgeting system is still very weak (Forrester, 2001) and there is no generally agreed upon definition in the literature of public administration (Martin, 1997). Moreover, many efforts for its implementation have been, unfortunately, marred by confusion about its basic definition and the challenges of integrating outcome and performance measurement systems into the budgeting system. Indeed, in numerous places outcome budgeting has been called by different names and looked upon with varying goals and objectives. For instance, while King (1995) reported that “performance-based budgeting systems” may or may not require measurement of outcomes, Campbell (1997) noted that these systems result only when performance measurement has been fully integrated into the budget process. Furthermore, Schick (1990) argued

that governments, generally, lacked the competency to apply performance data to their budget and other managerial decisions.

Hence, outcome budgeting is the subject of debate in terms of theory and practice of administrative reform. Such debate has implicitly cast doubts on the potential for its success as a future major budgetary reform. Regrettably, these doubts are compounded by the fact that budgetary reforms are often oversold and do not always hold their promises. Clearly, these issues could cloud the potential of outcome budgeting.

In light of these difficulties, this study aimed to investigate what a sample of experts, direct participants, and experienced users believe constitutes an outcome budgeting system, in terms of its definition, goals and objectives, including the level of integration of outcome and performance measurement into the budget process. Within this framework, the study addressed two basic questions: 1) What is an outcome budgeting concept, in terms of its definition, goals and objectives? 2) What is the level of integration, with respect to an outcome budgeting concept, as used by government agencies?

These two questions defined the scope of the study. The first question sought to determine a certain level of agreement about the conceptual definition and the consensus on its goals and objectives of outcome budgeting. Three main objectives of outcome budgeting considered in the study were: a) Improvement of fiscal discipline by limiting expenditures and cutting the budget; b) Increase of

program effectiveness and public accountability by promoting a new focus on results, service quality, and customer satisfaction; and c) Improvement of decision-making with objective information.

On the other hand, the second question sought to assess the challenges of integrating outcome and performance measurement system into the budget process. This study used, as references, the levels of integration defined by the GPRA Implementation Committee of the Chief Financial Officers (CFO) Council in the project “Integrating Performance Measurement into the Budget Process” (CFO Council, 1997). The Council distinguished three levels of integration, when using performance information during budget formulation and execution, and these include, from lowest to highest: a) The presentation of such information in the budget, leaving agencies the choice to decide whether to fully incorporate performance information within the budget or simply accompany it; b) The inclusion of performance information in the conversation when top executives are to address policy and budget issues; and c) The full integration of performance information in the budget process, or the direct link between resources needs and performance levels, in the form of performance-based budget. For this study, a particular emphasis was placed on the highest level of integration, which constitutes outcome budgeting.

The study used a quantitative approach to collect and analyze data focusing on outcome budgeting conceptualization and implementation at all levels of

government in the United States. Through the use of a survey instrument, the researcher collected quantitative data focused on the ABFM, AABPA, GFOA, and NASBO member assessment of what constitutes an outcome budget. The survey was divided into major areas corresponding to outcome budgeting's definition, goals and objectives, including the level of integration of outcome and performance measurement into the budget process. A thousand surveys were distributed to members randomly drawn from the directories maintained by above-mentioned organizations. The sample size was split into three sub-samples of 500, 250, and 250 for the local, federal, and state government levels respectively. The data collected were subjected to univariate and chi-square analyses, and Scheffe's procedure whenever the separation of means was deemed appropriate (for ordinal data that were treated as if converted to interval level).

The findings from this study are, while applicable to the samples drawn from the directories maintained by the Association of Budget and Finance Management (ABFM), the American Association of Budget and Program Analysis (AABPA), the National Association of State Budget Officers (NASBO), and the Government Finance Officers Association (GFOA), most, next most, and least likely generalizable to the broader budgeting and finance population, respectively at the state, federal, and local government levels. However, the study has limited applicability when considering the context of the budgets of the various government agencies. The study is directly applicable to "business-like" activities of the

government. There are concerns that the study may not be applicable to “non-business-like activities” of government such as research and development, education and training, healthcare, regulation, and recreation (including museum) agencies or institutions. In these cases, the issue of performance measures, in particular outcome measures, and their connection to the budget is far more complex and beyond the scope of this study.

B. Summary of results

The reader will recall that the purpose of this study was to introduce empirical evidence and attempt to bring some resolution to the debate concerning the potential merits of outcome budgeting. The issue inherent in the study was to explore whether there are grounds for doubting that outcome budgeting can fulfill its promises.

This study aimed, particularly, to investigate what a sample of experts, direct participants, and experienced users believe constitutes an outcome budgeting system, in terms of its definition, goals and objectives, including the level of integration of outcome and performance measurement into the budget process. Within this framework, the study addressed two basic questions: 1) What is an outcome budgeting concept, in terms of its definition, goals and objectives? 2) What is the level of integration, with respect to an outcome budgeting concept, as used by government agencies?

The first research question sought to determine a certain level of agreement about the conceptual definition and its goals and objectives of outcome budgeting. The analysis of the data related to this question indicates that there are differences in perceptions across levels of government with respect to:

- a. The use of outcome measures information or program outcomes in budget decision-making.

Since the use of outcome measures information is central to outcome-based budgeting, the results suggest uneven efforts across government levels, with local governments lagging in the implementation of outcome-based budgeting as compared to the federal and state governments. Furthermore, the results (at the local government level) may highlight some limitations and a lack of agreement in the use of outcome measures as a funding standard and lend support to the view that funding decisions are fundamentally dependent on some other type or source of information (Wang, 2002).

- b. The legislative requirement for an outcome budgeting system.

A larger proportion of federal respondents agreed with a legislative requirement for an outcome budgeting system, whereas a similar proportion of state and (the majority of) local respondents disagreed with respect to such a requirement. It is important to note that twenty percent of federal respondents indicated that

outcome budgeting was not a legislative requirement. This might be explained by the fact that, while the "Government Performance and Results Act (GPRA) mandates that all federal agencies develop strategic plans and assess the outcomes they produce compared to those plans" (Kettl 1997), this framework for results does not explicitly mandate a linkage with budgetary decisions. The results of the study suggest that efforts at moving traditional budget systems toward outcome-based budgeting and management systems are still being marred by the lack of political support, especially at the state and local levels (Friedman, 1996; Melkers and Willoughby, 2001; Mikesell 1995, 189).

c. **The administrative requirement for outcome budgeting.**

A statistically significant lack of agreement with respect to the administrative requirement for outcome budgeting, across levels of government, was reflected in the majority of state level respondents (60.44%) who indicated that outcome budgeting was not an administrative requirement, whereas a similar proportion of local government respondents (66.07%) expressed different views. Federal government respondents were split in their perceptions between those who generally disagreed and those who expressed a position of neutrality, at 36.23% for each group, while 27.54% generally agreed. However, the percent of federal level respondents (36.23%) who indicated that outcome budgeting was not a administrative requirement was as much as three times higher compared to that of

local level respondents (10.71%), and almost half the level of state respondents (60.44%) with similar views.

These research findings show that significant portion of outcome-based practices might be occurring, at certain levels of government, without legislation, especially at the local level (Melkers and Willoughby, 1998).

d. Elements of outcome budgeting.

d.1. Performance audit requirement for outcome budgeting

Interestingly, local and federal respondents were equally split in their views, whereas the majority of state respondents were in disagreement with respect to a requirement for outcome budgeting. While the results indicate the lack of agreement in perceptions across levels of government, they also suggest the lack of compliance with one of the suggested criteria for a good and modern budget, in particular the auditing of organization performance for the purpose of communication to stakeholders and the need to make adjustment as a result of feedback (NACSLB, 1997). They may also indicate non-conformity to the ideal framework of an outcome budgeting system as illustrated in Figure 1.

d.2. Outcome budgeting requirement for individual's pay as dependent on performance of work groups

The results show a statistically significant difference in the magnitude of perceptions, among public employees, about the dependence of individual's pay on performance of work groups as a requirement for outcome budgeting. An overwhelming majority of state respondents (93.41%), compared to a lesser proportion of federal (66.67%) or local (75.00%) respondents, stated that they do not believe such a requirement is part of their understanding of outcome budgeting. Thus, these results suggest a certain level of agreement across government levels that the dependence of individual's pay on the performance of work groups is not a requirement for outcome budgeting.

d.3. Outcome budgeting requirement for individual's pay as dependent on individual's performance.

The results show a statistically significant difference in the magnitude of perceptions, among public employees, about the dependence of an individual's pay on the individual's performance as a requirement for outcome budgeting. Generally, an overwhelming majority of state respondents (84.62%), compared to a lesser proportion of federal (60.87%) or local (58.93%) respondents, do not acknowledge such a requirement in outcome budgeting. These findings suggest some degree of agreement in perceptions among public employees that it should not

be a requirement within outcome budgeting that an individual's pay be dependent upon an individual's performance. However, it should be noted that a significant minority at the federal and local levels (39-41%) do support making pay dependent on performance.

d.4. Outcome budgeting requirement for the retention of savings achieved in the previous fiscal year

The results show a statistically significant difference in the magnitude of perceptions among public employees as to the retention of savings as a requirement for outcome budgeting. Indeed, an overwhelming majority of state respondents (86.81%), compared to a somewhat smaller proportion of federal (69.57%) or local (67.86%) respondents, do not acknowledge such a requirement for outcome budgeting. But, differences are only in magnitudes, when considering that the majority of respondents, at each level of government, do not acknowledge such a requirement.

These results suggest some degree of agreement in perceptions across levels of government that the retention of savings is not a requirement for outcome budgeting. Hence, these results are not consistent with managerial flexibility incentives provided to encourage performance-based budgeting (Cothran, 1993; Willoughby and Melkers, 2001). Only 30-32% of federal and local respondents support the retention of savings as a requirement for outcome budgeting.

Overall, the results suggest some degree of agreement in perceptions across levels of government with respect to the following requirements as part of their understanding of outcome budgeting: 1) a strategic plan; 2) an annual performance plan; 3) an annual performance report; and 4) a program evaluation. The findings also suggest some degree of agreement in perceptions across levels of government that the following are not considered requirements in their understanding of outcome budgeting: 1) a multi-year budget; 2) lump-sum appropriations; 3) an individual's pay dependent upon either an individual's or work group's performance; and 4) retention of savings by a budgeted unit such as an organization or program if the unit achieved the savings in the previous year. On the other hand, the results suggest the lack of agreement in perceptions across levels of government with respect to performance audits as a requirement for outcome budgeting.

In general, the results, which relate to outcome budgeting elements, suggest the lack of an agreement in perceptions across levels of government about the conceptual definition of outcome budgeting. Furthermore, these results are not consistent with the characteristics of the amalgam of proposals which emerged in current budgetary reform discussed by Miller and associates (2001) and with managerial flexibility incentives, as legislated by some states to encourage performance-based program budgeting (Florida Senate Committee on Fiscal Policy, 1999; Willoughby and Melkers, 2001). They also suggest the lack of compliance

with one of the suggested criteria for a good and modern budget, in particular the auditing of organizational performance for the purpose of communication to stakeholders and the need to make adjustments after feedback (NACSLB, 1997). They also indicate non-conformity to the ideal framework of an outcome budgeting system as illustrated in Figure 1.

e. Conditions of existence of an outcome budgeting system.

e.1. Outcome measures information is displayed but not integrated in the budget.

The results show a statistically significant difference in the magnitude of perceptions among public employees about the existence of outcome budgeting in a case in which outcome measures information is displayed but not integrated in the budget. A majority of respondents, across all levels of government, indicated that outcome budgeting does not exist under these conditions. Among these respondents, the proportion of federal respondents (91.30%) was significantly higher compared to that at the state (75.82%) or local (85.71%) levels. Hence, since a majority of respondents support this view, these results seem to suggest some degree of agreement at all levels of government about the non-existence of outcome budgeting in a case in which outcome measures information is displayed, but not integrated into the agency's written budget.

e.2. Outcome measures information is not displayed, but is included in the conversation of top executives who address policy and budget issues

The results show a statistical significant difference in public employees' perceptions about the existence of outcome budgeting in a case in which outcome measures information is not displayed, but rather is included in the conversation of top executives while discussing budget and policy issues. This is reflected in the larger proportion of state respondents who answered "yes," that an outcome budgeting system exists under those conditions (58.24% vs. 41.76% who answered "no"), whereas the majority of respondents at the federal and local level (65.22% and 66.07%, respectively) answered "no". The results suggest the lack of agreement in perceptions across levels of government for the existence of outcome budgeting under these conditions

Overall, the results suggest some degree of agreement in perceptions across levels of government that outcome budgeting does not exist when: 1) outcome measures information is not displayed in the budget; 2) outcome measures information is neither displayed in the budget nor included in the conversation when top executives discuss budget and policy issues; and 3) outcome measures information is displayed, but not integrated into the agency's written budget. The findings also suggest the lack of agreement in perceptions across levels of government about the existence of outcome budgeting when outcome measures

information is not displayed in the budget, but is included in the conversation of top executives while discussing policy and budget issues. However, the results indicate some degree of agreement in perceptions across levels of government for the existence of outcome budgeting under the following conditions: 1) outcome measures information is displayed and included in the conversation when top executives at the agency, departmental or executive / legislative branch levels address policy and budget issues; 2) outcome measures information is not displayed; however, it is utilized in conversation and 100 % of budget decisions can be attributed to outcomes; and 3) outcome measures information is displayed and utilized in conversation, and 100 % of budget decisions can be attributed to outcomes. On the other hand, the results suggest the lack of agreement in perceptions across levels of government about the existence of outcome budgeting when outcome measures information is not displayed, but included in the conversation of top executives who address policy and budget issues.

f. Outcome budgeting goals and objectives.

f.1. Outcome budgeting implementation to increase public accountability by promoting a focus on results.

These results show a statistically significant difference in the magnitude of public employees' perceptions with respect to outcome budgeting as implemented to increase public accountability by promoting a focus on results. Generally, an

overwhelming majority of local and state respondents (about 86.00%, at each level), compared to a lesser proportion of federal respondents (69.56%), agreed with the view that outcome budgeting is implemented to achieve this objective. These results indicate some degree of agreement in perceptions across levels of government as reflected in the majority of respondents, at each level of government, who have expressed agreement with respect to this objective. These results are in conformity with one of the stated purposes of the GPRA (OMB, 1993).

f.2. Outcome budgeting implementation to increase public accountability by promoting a focus on service quality.

These results show a statistically significant difference in the magnitude of public employees' perceptions with respect to outcome budgeting system as implemented to increase public accountability by promoting a focus on service quality. Generally, an overwhelming majority of local and state respondents (about 80.00%, at each level), compared to a lesser proportion of federal respondents (56.52%), agreed with the views about outcome budgeting as implemented to achieve this objective. The results indicate some degree of agreement in perceptions across levels of government expressed in the agreement by the majority of respondents, at each level of government, with the views about outcome budgeting as implemented to achieve this objective. These results are also in conformity with one of the stated purposes of the GPRA (OMB, 1993).

f.3. Outcome budgeting implementation to improve legislative decision-making with objective information.

The results indicate a lack of agreement in perceptions, across levels of government, with the majority of federal respondents expressing views varying from neutrality to (overall) disagreement, whereas a similar proportion of state and local respondents indicated an (overall) agreement with regard to this objective. These findings at the state and local levels support the views expressed by the Chief Financial Officers (CFO) Council (1997) that “integration of performance information into the budget should result in a more results-oriented presentation and improved decision-making.” They are also consistent with the results obtained by Melkers and Willoughby (2001) and one of the GPRA’s stated purposes (OMB, 1993).

Overall, the results show some degree of agreement, across government levels, with respondents who have expressed overall agreement with respect to outcome budgeting as implemented to: 1) increase public accountability by promoting a focus on results; 2) increase program effectiveness by promoting a focus on service quality; 3) increase program effectiveness by promoting a focus on customer satisfaction; 4) increase public accountability by promoting a focus on customer satisfaction; 5) improve executive decision-making with objective

information; and 6) increase public accountability by promoting a focus on service quality.

Most of the respondents, across government levels, disagreed that outcome budgeting implementation's root lay in 1) improving fiscal discipline by cutting the budget or 2) increasing program effectiveness by promoting a focus on results or quality. The respondents also did not believe that the motive behind outcome budgeting implementation lay in 1) the improvement of fiscal discipline by limiting growth in expenditure or 2) the improvement of legislative decision-making with objective information.

The second question sought to assess the challenges of integrating outcome and performance measurement system into the budget process. The analysis of the data related to this question indicates that there are differences in perceptions across levels of government with respect to:

1. The first level of integration

- i. Agencies including, but not integrating, outcome measures information in their written budget.**

The results indicate the lack of agreement in perceptions, across levels of government, with the majority of federal and state respondents expressing views

varying from neutrality to (overall) disagreement, whereas a similar proportion of local respondents indicated an (overall) agreement in regard to this statement.

- ii. Agencies working with the executive budget office to determine how outcome measures information will be presented in the budget.

The results indicate the lack of agreement in perceptions across levels of government with the majority of federal and state respondents who have indicated an (overall) agreement, whereas a similar proportion of local respondents expressed views varying from neutrality to (overall) disagreement in regard to this statement.

- iii. Agencies displaying outcome measures information based on programs.

The results of separation of mean values indicated only significant differences in the magnitude of perceptions between, on the one hand, state or federal and, on the other hand, local responses. However, government respondents, at all levels, expressed an overall neutral opinion with respect to this statement.

Overall, the results show some degree of agreement, across government levels, with respondents who have expressed either neutrality or an overall disagreement, with respect to the following statements related to the first level of integration: 1) the agency displays outcome measures information based on programs; 2) the agency displays outcome measures information based on

organizations; and 3) the agency displays outcome measures information based on activities.

The results also show some degree of agreement of views, across government levels, with a larger proportion of respondents having expressed overall agreement with respect to the agency's preparation of its budget requests by integrating and presenting goals and objectives, performance plans, and resource requests into one document.

On the other hand, the results suggest the lack of agreement in perceptions across levels of government with respect to the following statements, related to the first level of integration: 1) information on outcome measures is included, but not integrated, in the agency written budget; such information simply accompanies the budget; and 2) the agency has worked with the executive budget office to determine how outcome measures information will be presented in the budget.

2. The second level of integration

- i. The information on outcome measures as included in the negotiations when top executives address policy and budget issues at the agency level.**

The results of separation of mean values showed a difference in perceptions between local respondents, who expressed disagreement, and federal respondents, who indicated their neutrality with respect to this statement.

- ii. **The information on outcome measures as included in the negotiations when top executives address policy and budget issues at the departmental level.**

The results of separation of mean values showed a difference in perceptions, across levels of government, with local respondents having expressed disagreement, whereas federal respondents indicated their neutrality with respect to this statement.

- iii. **The information on outcome measures as included in the negotiations when top executives address policy and budget issues at the executive branch level.**

The results of separation of mean values indicated a difference in perceptions, across levels of government, with local respondents expressing disagreement, whereas federal respondents indicated their neutrality with respect to this statement.

- iv. **The agency's top-level managers encouraging the use of outcome information in communications with stakeholders.**

The results of separation of mean values indicated a difference in perceptions, across levels of government, with local respondents expressing disagreement, whereas federal respondents indicated their neutrality with respect to this statement.

- v. **The agency managers, frequently, framing budget presentations to legislators and executive decision-makers around issues of outcome measures.**

The results of separation of mean values indicated a difference in perceptions, across levels of government, with local respondents expressing disagreement, whereas state respondents indicated their neutrality with respect to this statement.

- vi. **Executive branch leaders encouraging their budget office to consider the use of outcome measures information in reaching budget decisions.**

The results of separation of mean values indicated a difference between, on the one hand, federal or state respondents, who expressed neutrality in their views, and, on the other hand, local respondents, who were in disagreement, with respect to this statement.

Overall, the results show some degree of agreement of views, across government levels, with respondents having expressed either neutrality or an overall disagreement with respect to the following statements related to the second level of integration: 1) program managers, stakeholders, and other decision-makers deem useful and encourage the incorporation of outcome information into budget submissions to the legislative budget office; 2) program managers, stakeholders, and other decision-makers deem useful and encourage the incorporation of outcome information into budget submissions to the executive budget office; and 3)

legislative branch leaders encourage their budget office to consider the use of outcome measures information in reaching budget decisions.

On the other hand, the results suggest a lack of agreement in perceptions across levels of government with respect to the following statements, related to the second level of integration: 1) information on outcome measures is included in the negotiations when top executives address policy and budget issues at the agency level; 2) information on outcome measures is included in the negotiations when top executives address policy and budget issues at the departmental level; 3) information on outcome measures is included in the negotiations when top executives address policy and budget issues at the executive branch level; 4) frequently, agency managers frame budget presentations to legislators and executive decision-makers around issues of outcome measures; 5) an agency's top-level managers encourage the use of outcome information in communications with stakeholders; and 6) executive branch leaders encourage their budget office to consider the use of outcome measures information in reaching budget decisions.

3. The third level of integration

- i. Program managers, and their supervisors, develop and fully integrate outcome measures into the budget process.**

The results of separation of mean values of public employees' perceptions using Scheffe's method indicate a statistically significant difference between local

and federal levels in perceptions of respondents. The mean for respondents at the local level suggested, overall, more disagreement with respect to this issue.

- ii. The annual performance plan as an integral part of the agency's budget requests.

These chi-square results show a statistically significant difference in public employees' perceptions with respect to the annual performance plan as an integral part of the agency's budget requests. Generally, the majority of local respondents (60.71%), compared to a lesser proportion of state (45.06%) and federal (14.49%) respondents disagreed with this statement. Sizeable percentages of respondents across government levels (16-36%) expressed neutral views with respect to this issue.

The results of separation of mean values of public employees' perceptions using Scheffe's method indicate a statistically significant difference between, on the one hand, means for state or local and, on the other hand, for federal levels in perceptions of respondents.

- iii. Funding allocations as based on outcome measures information

The results show a statistically significant difference in the perceptions of public employees with respect to funding allocations as based on outcome measures information. The majority of local (57.15%) and state (67.03%) respondents held

overall an unfavorable opinion, whereas the majority of federal respondents (53.62%) expressed neutral views with respect to the statement.

- iv. The agency's outcome-based budget as formulated based on variable levels of achievement according to variable levels of resources.

The results of separation of mean values indicated a difference in perceptions, across levels of government, with local respondents expressing disagreement, whereas federal respondents indicated their neutrality with respect to this statement.

- v. The agency having linked dollars spent to quality of services provided.

The results show a statistically significant difference in public employees' perceptions with respect to the agency having linked dollars spent to quality of services provided. The majority of local (55.36%) and state (63.74%) respondents held overall unfavorable opinion, whereas a higher proportion of federal respondents (46.38%) expressed neutral views with respect to the statement. Generally, the results indicate that the majority of respondents, across all levels of government, expressed either neutrality or disagreement with respect to this issue.

Overall, the results show some degree of agreement of views, across government levels, with respondents having expressed either neutrality or an overall disagreement with respect to the following statements related to the third level of

integration: 1) program managers, and their supervisors, develop and fully integrate outcome measures into the budget process; 2) the annual performance plan is an integral part of the agency's budget requests; 3) funding allocations are based on outcome measures information; hence, resources needs and outcome levels are directly linked in the form of an outcome/performance-based budget; and 4) the agency has linked dollars spent to quality of services provided.

On the other hand, the results suggest the lack of agreement in perceptions across levels of government with respect to the agency outcome-based budget as formulated based on different levels of achievement according to variable levels of resources.

4. The first vs. the second level of integration

The results show only differences in the magnitude of the mean public employees' perceptions. The mean for the first level of integration was 3.22 while that of the second level of integration was 3.12. Public agencies held neutral views with respect to the use of these two levels of integration. Thus, it is safe to assume that there is no practical difference in the use by government agencies of the first level and the next highest level of integration of outcome and performance measurement into the budget process.

5. The first vs. the third level of integration

The findings reveal differences in the mean perceptions indicating that government managers were neutral with respect to the use of the first level of integration, while they expressed disagreement over the use of the highest level of integration.

C. Conclusions and implications

This section presents a summary of results and provides the concluding observations drawn from the study.

Considering that the respondents were consistent in their answers to the survey questionnaire, across all levels of government, the conclusions drawn from this study are of considerable interest, as they highlight the lack of agreement about outcome budgeting's conceptualization and the challenges in its implementation by government agencies in the United States.

In summary, the study found that while some significant outcome-based practices might be in place at various government levels without legislation, implementation efforts are uneven across government levels and generally lack political support. The results highlight some limitations, particularly at the local government level, and a lack of agreement, across all government levels, in the use of outcome measures information as a funding standard. In general, the results, which relate to outcome budgeting elements, suggest the lack of an agreement about

the conceptual definition of outcome budgeting across government levels. Elements of outcome budgeting, as understood across government levels, differ from the ones embodied in the ideal framework of an outcome budgeting system (Figure 1). There is no clear-cut understanding about the conditions for the existence of outcome budgeting. The results, in some cases, indicate some degree of agreement in respondents' perceptions across levels of government with respect to some outcome budgeting objectives. However, most of the respondents disagreed that outcome budgeting implementation's root lay in 1) improving fiscal discipline by cutting the budget or 2) increasing program effectiveness by promoting a focus on results or quality. The respondents also did not believe that the motive behind outcome budgeting implementation lay in 1) the improvement of fiscal discipline by limiting growth in expenditure or 2) the improvement of legislative decision-making with objective information. The results indicate some degree of agreement in some cases, whereas they show, in most cases, disagreement in perceptions across levels of government, with respect to the levels of integration of outcome measures into the budget process. The results also show that there is a statistically significant difference in the use by government agencies of the first and the next highest level of integration of outcome measures into the budget process. Finally, government agencies do not use the highest level of integration, which ideally constitutes outcome budgeting.

From this study, it follows that an outcome budgeting system requires: 1) a strategic plan; 2) an annual performance plan; 3) an annual performance report; and 4) a program evaluation. Under this approach, performance audits may or may not be required. Furthermore, there is no requirement for a multi-year budget. Finally, line managers are not granted lump-sum allocations to manage as they think best, nor are individuals or group participants given meaningful incentives. These incentives include 1) an individual's pay dependent upon either an individual's or work group's performance; and 2) retention of savings by a budgeted unit such as an organization or program if the unit achieved the savings in the previous year.

What does "the use of performance measures in the budget document and their integration into the budget" mean? We argued that the meaning of integration may depend upon whether outcome budgeting, through the integration of outcome measures into the budget process, was meant to achieve a) efficiency, b) customer-client-citizen-taxpayer satisfaction, and c) effectiveness as determined by rigorous evaluation. The meaning may be broad or even conflicting as one should be aware that these criteria for outcomes may conflict, leading to fights, games, and debates. There is no agreement about what an appropriate outcome is unless we adopt the CFO Council's idea that the type of performance measure used depends on the scope of responsibility of the individual or organization (1997, 1-11): output efficiency from year to year for organization-level managers, satisfaction over the

first few years of a program's life (sub-organization level), and rigorous evaluation after the first half-decade or so of a program's authorization.

Although the findings show that there is no integration, the information has an impact at the initial stage of budget formulation. The integration occurs, but its effect is indirect because the legislation uses an executive budget driven by performance measures. This means that much of the integration takes place within the executive branch or even at lower levels in the organization, leading to the appearance of no integration at all.

It is important to remember that Radin (1998), among others, has already pointed out that politics enters in the choice of performance measures; impossible to achieve performance measures for programs one faction in power dislikes and easily achieved performance measures for programs that factions in power favor. It might be just as easy to argue that favored programs will never be judged on the basis of performance measures, and the performance measures actually used, if any, are window dressing used whenever possible to further support the program.

A point could be made that the use of performance measures aims to fully inform the citizens and other government stakeholders, thereby enhancing transparency and reducing distrust. This process builds trust and cooperation. Democratic theory says that you had better inform all stakeholders or else the social contract fails. This may explain the motivation to use performance measures. If so,

what does this mean for budgeting? That using performance measures for information is important comes out in the findings of this study.

But, a comment is warranted to explain why parts of the normative framework, which work in the private sector, are failing in the public sector. Our sense is not that they are failing but that they are increasingly being used. We have noticed from Willoughby and Melkers' work (2001) as well as this study that strategic planning, performance measurement, annual performance plans and such are widely used.

What can be said about the failure of retention of savings to work in the public sector? Klay (1987) pointed out that "the power of the purse has been exercised in a way that has perverted its incentive effects" and thwarted many organizational reforms. He observed that federal agency managers, who achieved the savings, developed feelings of frustration and futility as their efforts were rewarded with cuts, proportional to those savings, in their future budgets. This budgetary disincentive might still explain the failure of retention of savings in the public sector. But, again, our sense is not that there is failure yet, as this can be evidenced from the work by Willoughby and Melkers (2001). Retention of savings or some such similar organization reward program as well as rewards for individuals have always been a part of the system in the advanced states (Florida, Kentucky, Minnesota, Texas, Utah, Vermont, and even New York).

An explanation is also needed for the failure of pay-per-performance for individual or group to work in the public sector. Halachmi and Holzer (1987) noted that pay-per-performance has emerged, in the public sector, as “a strategy for responding to demands for increased productivity and management accountability.” But, critics of “business-like” government consider merit pay as a form of punishment for non-productive employees; they also indicate that it has met with only qualified success in federal government (Halachmi and Holzer, 1987). Other studies indicate that such incentives do not lead to significant improvements in productivity (Hatry et al., 1981, 29; Luce, 1983, 19; Pearce and Perry, 1983). Again, we are not certain there is failure yet, especially with efforts to provide bonuses at the federal level (even if for political appointees but also for Senior Executive Service members) and to modify civil service systems in a couple of the states. This part of the normative model would always have been the most difficult in any case and may take the longest amount of time to find any footing at all. Why that is so may have some basis in the beliefs of the vast financial management profession in government, in public administration’s basic belief in Prussian-style bureaucracy by and large, and in the reflection of both of those in legislators’ views about tax reduction, budget balancing, and macro-level (“healthier society”) performance measures.

The finding that shows the majority (62%) of local government respondents having answered “no,” with regard to the use of outcome measures information in

budget decision making, is not a surprise. It lends support to the view that funding decisions are fundamentally dependent on some other type or source of information (Caiden 1998; Wang, 2002; Wildavsky, 1979). On the other hand, it points to an increase in the use of outcome measures for resource allocation in local governments, when compared to the results of a survey of state and local government use of performance measures conducted five years ago (GASB and NAPA, 1997).

Efforts to move towards managing for results through the implementation of an outcome-based budgeting and management system will remain fruitless without: a) political support (Friedman, 1996; Melkers and Willoughby, 2001; Mikesell, 1995, 189); b) the provision of incentives for increased managerial accountability and flexibility (Florida Senate Committee on Fiscal Policy, 1999; Miller et al., 2001; Willoughby and Melkers, 2001); and c) a successful link of outcome measures information into the budget process (Campbell, 1997). The fact that outcome budgeting in its ideal format does not yet exist should not be a surprise, considering, among other things, that linking performance budgeting components with an appropriation bill format is problematic (Melkers and Willoughby, 2001). However, the finding, which relates to outcome budgeting elements, can be a matter of concern. The results, suggesting the lack of agreement in perceptions across levels of government about the conceptual definition, are not consistent with the characteristics of the amalgam of proposals which emerged in current budgetary

reform discussed by Miller and associates (2001). Thus, outcome budgeting would not gain widespread acceptance if the concept were not well defined and agreed upon by many government stakeholders.

Finally, what might be the consequences of no or little integration of performance information in budgeting? First, if there is no performance information, then there is a multiplicity of bases for making decisions. Second, multiplicity breeds confusion and disagreement. Third, lacking agreement, then, budget proposals get judged on utilitarian bases, as we pointed out, what helps one's career, leading anyone to a short reiteration of the combination of Meyers and Rubin's models of political budgeting and maybe even back to Wildavsky's ubiquitous strategies of budgeters.

While these results might confirm the doubts cast on the potentials for outcome budgeting success as a future major budgetary reform of the 21st century, they should not be alarming, however, given the time and challenges of developing outcome measures and integrating them into the budget process.

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APPENDIX:
OUTCOME BUDGETING SURVEY

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THE STATE UNIVERSITY OF NEW JERSEY
RUTGERS
NEWARK

National Center for Public Productivity
 Graduate Department of Public Administration • Faculty of Arts and Sciences
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**UNDERSTANDING OUTCOME BUDGETING:
 SURVEY ON DEFINITION, GOALS, OBJECTIVES AND INTEGRATION
 OF OUTCOME MEASURES INTO THE BUDGET PROCESS**

Dear Respondent:

With the resurgence of efforts to introduce more performance information into government management, a form of budgeting termed "outcome budgeting" has emerged and is getting more attention. This budget system is sometimes called performance-based budgeting, budgeting for results or results-oriented/based budgeting, profit sharing budgeting, entrepreneurial budgeting, and expenditure control budgeting.

We want to explore what outcome budgeting means in the particular context in which you are working. We would very much appreciate your insights on this system of budgeting.

Please respond to the following question concerning your organization:

1. Does your organization now use outcome measures information or program outcomes in making budget decisions?

Yes No

Whether you answered Yes or No, please answer the remaining questions.

Please tell us to what extent you agree or disagree with each of the following statements or questions concerning your organization. Please mark either: Strongly Agree (SA), Agree (A), Neutral (N), Disagree (D), or Strongly Disagree (SD).

Items	SA	A	N	D	SD
2. Outcome-based budgeting is a <u>legislative</u> requirement in our organization.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Outcome-based budgeting activities are only based on <u>administrative</u> directives, policies, and procedures in our organization.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Our organization can be considered a best practice for outcome-based budgeting.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5. What other organization do you consider to be a best practice for outcome-based budgeting?
Please provide any information you have:

Organization name: _____

Contact person's name: _____

Telephone number: _____

E-mail address: _____

From your knowledge of outcome budgeting, does it require (Yes or No):

	Yes	No
6. A strategic plan covering a multi-year period in which is stated what the agency is to accomplish?	<input type="checkbox"/>	<input type="checkbox"/>
7. An annual performance plan that sets specific goals to be achieved over a single fiscal period, identifies resources required to reach the goals, and links the strategic plan to the budget?	<input type="checkbox"/>	<input type="checkbox"/>
8. An annual performance report provided at the end of the single fiscal period that allows the comparison of actual program results with the performance goals identified in the annual performance plan?	<input type="checkbox"/>	<input type="checkbox"/>
9. A performance audit covering the annual performance report?	<input type="checkbox"/>	<input type="checkbox"/>
10. A program evaluation that emphasizes outcomes and de-emphasizes a detailing of how money was spent?	<input type="checkbox"/>	<input type="checkbox"/>
11. Multi-year budgets?	<input type="checkbox"/>	<input type="checkbox"/>
12. Lump-sum appropriations received, without any itemization, and agency responsibility for achieving specific outcomes within these appropriations?	<input type="checkbox"/>	<input type="checkbox"/>
13. Individual's pay partly or wholly dependent on performance of work groups?	<input type="checkbox"/>	<input type="checkbox"/>
14. Individual's pay partly or wholly dependent on an individual's performance?	<input type="checkbox"/>	<input type="checkbox"/>
15. Retention of savings if they are achieved in the previous fiscal year?	<input type="checkbox"/>	<input type="checkbox"/>
Are there other elements that outcome budgeting may require? If yes, please list them:		
16. _____		

17. _____		

18. Outcome measures information is not displayed in the budget?	<input type="checkbox"/>	<input type="checkbox"/>

From your knowledge of (or opinion about) outcome budgeting, does this budgeting system exist when:

	Yes	No
19. Outcome measures information is neither displayed in the budget nor included in the conversation when top executives discuss budget and policy issues?	<input type="checkbox"/>	<input type="checkbox"/>
20. Outcome measures information is displayed, but not integrated in the agency written budget (such information simply accompanies the budget and is not used as a basis for resource allocation)?	<input type="checkbox"/>	<input type="checkbox"/>
21. Outcome measures information is not displayed, but is included in the conversation when top executives either at the agency, departmental or executive / legislative branch levels address policy and budget issues?	<input type="checkbox"/>	<input type="checkbox"/>
22. Outcome measures information is displayed and included in the conversation when top executives either at the agency, departmental or executive / legislative branch levels address policy and budget issues?	<input type="checkbox"/>	<input type="checkbox"/>
23. Outcome measures information is not displayed; however, it is utilized in conversation and 100 % of budget decisions can be attributed to outcomes?	<input type="checkbox"/>	<input type="checkbox"/>
24. Outcome measures information is displayed and in conversation, and 100 % of budget decisions can be attributed to outcomes?	<input type="checkbox"/>	<input type="checkbox"/>
25. Of these statements (18 through 24 above), please circle the most important one.		

Please tell us to what extent you agree or disagree with the following question:

Why do organizations implement outcome-based budgeting?

	SA	A	N	D	SD
26. Improvement of fiscal discipline by limiting growth in expenditures.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27. Improvement of fiscal discipline by cutting the budget.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
28. Increase of program effectiveness by promoting a focus on results, but not necessarily on quality.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29. Increase of public accountability by promoting a focus on results.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
30. Increase of program effectiveness by promoting a focus on service quality.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
31. Increase of public accountability by promoting a focus on service quality.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
32. Increase of program effectiveness by promoting a focus on customer satisfaction.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
33. Increase of public accountability by promoting a focus on customer satisfaction.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
34. Improvement of executive decision-making with objective information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please tell us to what extent you agree or disagree with the following question:

Why do organizations implement outcome-based budgeting (continued)?

	SA	A	N	D	SD
35. Improvement of legislative decision-making with objective information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
36. Enhancement of communication with citizens.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
37. Others: _____ _____ _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

38. Of these objectives (26 through 37 above), please circle the most important one sought by organizations.

During the budget process, decision-makers assess trade offs among programs. We would like to know what happens when performance is taken into account.

39. Does performance information have an impact on trade off decisions in the budget process?

No Impact
 Weak Impact
 Small Impact
 Moderate Impact
 Strong Impact

During the budget process, there is a flow of information in decision-making.

What is the degree of integration of outcome measurement in the budget at each level?

	Tightly integrated	Integrated to a substantial degree	Integrated to some degree	Not integrated
40. Program level?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
41. Agency level?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
42. Department level?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
43. Central executive budget office level?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
44. Executive level?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
45. Legislative branch level?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Concerning your organization or in your opinion, do you agree or disagree with these statements?					
	SA	A	N	D	SD
46. Integrating outcome information in the budget is difficult due to budget incompatibility with long term performance plans.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
47. There is skepticism in the executive budget office with which I work about the use of outcome measures information in making budget decisions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
48. There is skepticism in the legislative budget office with which I work about the use of outcome measures information in making budget decisions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
49. Generally, my agency does not integrate outcome measures information with budget and spending data.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
50. Integrating outcome information in the budget is difficult due to the prohibitive cost of developing and implementing new information systems.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
51. Information on outcome measures is included, but not integrated, in the agency written budget; such information simply accompanies the budget.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
52. The agency has worked with the executive budget office to determine how outcome measures information will be presented in the budget.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
53. The agency displays outcome measures information based on organizations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
54. The agency displays outcome measures information based on programs.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
55. The agency displays outcome measures information based on activities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
56. The agency prepares its budget requests by integrating and presenting goals and objectives, performance plans, and resource requests into one document.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
57. Information on outcome measures is included in the negotiations when top executives address policy and budget issues at the agency level.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
58. Information on outcome measures is included in the negotiations when top executives address policy and budget issues at the departmental level.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
59. Information on outcome measures is included in the negotiations when top executives address policy and budget issues at the executive branch level.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
60. Program managers, stakeholders, and other decision-makers deem useful and encourage the incorporation of outcome information into budget submissions to the legislative budget office.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Concerning your organization or in your opinion, do you agree or disagree with these statements?

	SA	A	N	D	SD
61. Program managers, stakeholders, and other decision-makers deem useful and encourage the incorporation of outcome information into budget submissions to the executive budget office.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
62. My agency's top-level managers encourage the use of outcome information in communications with stakeholders.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
63. Frequently, agency managers frame budget presentations to legislators and executive decision-makers around issues of outcome measures.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
64. Executive branch leaders encourage their budget office to consider the use of outcome measures information in reaching its budget decisions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
65. Legislative leaders encourage their budget office to consider the use of outcome measures information in reaching its budget decisions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
66. Program managers, and their supervisors, develop and fully integrate outcome measures into the budget process.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
67. The annual performance plan is an integral part of the agency's budget requests.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
68. Funding allocations are based on outcome measures information; hence, resources needs and outcome levels are directly linked in the form of an outcome/performance-based budget.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
69. The outcome-based budget used by my agency is formulated based on variable levels of achievement according to variable levels of resources.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
70. The agency has linked dollars spent to <u>quality</u> of services provided.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please tell us about yourself and your organization.

71. In what sector or level of government is the organization you work for?

- Federal Government State Government Local Government
 Other Government Non-Profit Sector Private Sector

72. What functional area do you work in?

- Transportation Natural Resources Income Security Education
 Social Services Agriculture Public Safety Energy
 Health Other _____

Please respond to the following question:

73. In your job, how involved with the budgeting process are you?

Not at All

Involved Peripherally

Involved Somewhat

Involved Primarily

Entire Responsibility for the Budget

74. If no, please tell us what connection you have with budgeting:

75. In what state is your organization located? _____