About Results-Based Budgeting
Government Performance

Commitment to emphasizing results continues to be an integral part of budget development in North Carolina. Results-based budgeting (RBB) was introduced during the development of the FY2007-09 budget to encourage more efficient and effective government, and it is the goal of the Office of State Budget and Management (OSBM) to solidify a budget process that emphasizes performance and accountability.

In preparation of the FY2007-09 budget, state agencies completed the initial phase of North Carolina’s results-based budgeting initiative by outlining the following:

- Why an agency exists through the development of a mission statement;
- What an agency wants to achieve through the development of goal statements;
- Why agency programs exist through the development of fund purpose statements;
- What activities are performed through the development of service statements;
- How many resources are devoted to an activity through the development of service analyses; and
- How well agencies are performing their work through the development of performance measures.

The initial RBB elements provided practical information that led to more informed decision-making. Through these efforts, stakeholders were able to easily understand the purpose behind an agency, the specific work that is performed, and the current resources dedicated to each service. Performance measures provided an assessment of program effectiveness. In addition to these contributions to the FY2007-09 budget, the initial RBB elements also offer the starting point for the next steps of the RBB process.

RBB Next Steps

The next phase of RBB challenges agencies to bring goals, strategies, and budgets into alignment to shift resources from past patterns to future priorities. Each agency will assess its current goals and operations and ensure its future direction is transparent, explicit, and corresponds to its mission and outcomes by addressing the following questions:

1. Where are we now?
2. Where do we want to be?
3. How do we get there?
4. How do we measure our progress?

These questions prompt agencies to document the current environment, develop what they wish to achieve, and, most critically, determine how to achieve it. Agencies also will re-evaluate performance measures to strengthen monitoring and accountability. This phase’s new elements build upon the previous steps of RBB and require agencies to adopt a forward-looking approach that focuses on concrete strategies for realizing goals and desired outcomes. By answering these questions, an agency should be able to identify its most critical work and how it will be completed, and should use this information to make and justify budget decisions. This “big picture” painted by agencies will enable government leaders, elected officials, and citizens to clearly understand agency strategies, measure results, evaluate past resource decisions, and
make well-informed resource decisions for the future. Requirements for each question are provided in detail below and in the accompanying appendices.

Agencies engaged in larger strategic planning efforts should have much of this information already developed. If an agency has a completed strategic plan, it is encouraged to integrate that information with these RBB elements. However, an agency will need to review and update the information as necessary to ensure consistency with RBB requirements.

Additionally, it is critical that agencies obtain input from program staff to ensure information developed is useful from an operational perspective. All agencies are also encouraged to build upon the next steps of RBB toward larger strategic planning efforts that examine budget needs as well as other management issues (workforce planning, IT development, capital planning, etc.).

**Results-Based Budgeting Required Elements**

1. *Where are we now* documents the current state of an agency and is primarily addressed through the previously developed results-based budgeting elements listed below. Further refinement of these elements and validation of service analysis data will be addressed in this submission process. In addition, the agency overview component provides an opportunity for an agency to discuss its present performance, its strengths and challenges, and its vision for the future.

   **Required Elements of Where Are We Now?**
   - Agency Overview (new)
   - Mission statement (update)
   - Fund purpose statements (update)
   - Service statements (update)
   - Service analysis (update)

2. *Where do we want to be* documents the desired state of an agency and is primarily addressed through the development of key goals. Since goals were previously developed results-based budgeting elements, an agency should review its goals and modify each as necessary to ensure alignment with its mission statement and on-going operations.

   **Required Elements of Where Do We Want To Be?**
   - Goals (update)

3. *How do we get there* links an agency’s mission and goals to action through strategies. Strategies should outline specific steps that will be taken to achieve determined goals. Strategies will identify the right people doing the right things at the right time in the right way. In addition to strategies, agencies will also identify up to three key agency indicators. While maintaining and tracking multiple measures is useful and important to agencies, these key indicators are intended to help agency to hone its focus on the most important work over the next few years.

   **Required Elements of How Do We Get There?**
   - Strategies (new)
   - Key agency indicators (new)
4. *How do we measure our progress* documents the measures that will be used to determine if an agency is fulfilling its mission and accomplishing its goals. Progress is determined through the establishment of a monitoring and evaluation process that reviews program outcomes, budgets, and performance. Useful measures are the first step in establishing a means for monitoring progress.

**Public Availability of RBB Information**

Another key goal of RBB is to improve transparency of the decision-making process by making information easily accessible to the general public. To further this goal, upon completion of the RBB requirements outlined above, the following elements will be made available on the OSBM website for each agency:

1. Agency Overview (new)
2. Mission statement (update)
3. Goals (update)
4. Strategies (new)
5. Key agency indicators (new)

Additionally, OSBM publishes the following elements as part of the governor’s recommended budget:

1. Mission statement (update)
2. Goals (update)
3. Key agency indicators (new)
4. Fund purpose statements (update)
5. Service statements (update)
6. Service Analysis (update)
7. Measures (update)