

Briefings

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Delivering on the Promise of Government Performance and Accountability: Outcome-Based Total Accountability Act and Quality Unit Cost Analysis Critical Next Steps

A Commitment to Performance Based Budgeting

For over ten years Florida TaxWatch, in conjunction with a number of reform-minded efforts such as Florida TaxWatch's partnership with the Florida Council of 100 in the Partners in Productivity Program, the Taxation and Budget Reform Commission and the Commission for Government by the People, has fought to establish a more results-driven and accountable state budgeting and spending process.

One of the fruits of these labors, the 1994 Government Performance and Accountability Act, created a statutory framework for changes in state budgeting and program management that promised to make Florida government more accountable to its taxpaying citizens. By fiscal year 2001-02 all state agencies will have developed performance-based budgets in order to be in compliance with this law. The December 1986 Florida TaxWatch publication, *Building A Better Florida*, contained proposals very similar to those enacted in this legislation.

Florida TaxWatch Research Report, *1994's Landmark Government Performance and Accountability Act: A Beginning Framework for Taxpayer-Driven Reforms*, recognized the potential of this new law to improve government's performance, accountability and productivity by providing the means to: illuminate previously obscured program costs and measures of program effectiveness; authorize cost saving incentives; and prioritize agency functions.

However, this FTW report also warned that the preparation and evaluation of performance-based budgets demands not only a clearly defined unit of services under each program but also a clearly defined cost for this unit of service. Methods developed and required for determining this cost must accurately and fairly estimate and account for the cost of providing state services. They must consider the total cost to the state agency to provide a service, including all indirect costs related to that state agency and costs of such support agencies.

A Need for Unit Cost Data

Florida TaxWatch believes that such unit cost analysis is a critical element in the performance-based budgeting initiative for the following reasons:

- ◆ **Unit costs are an essential element in benchmarking and innovation.** As Florida attempts to reinvent the ways in which government provides services to citizens it is imperative to know unit of service costs so that they can be used as a baseline for improving efficiency of services over time.
- ◆ **Comparability with other providers of similar services.** Measures relating to the unit cost of services should be used to help determine whether a service can be provided more economically by government or by the private sector. As Florida looks to outsourcing of government programs and services as a cost saving measure it is essential that the state's legislature and agencies be able to show that all programs and services provided by government, whether outsourced or not, are in fact efficient and effective.
- ◆ **Cost savings may result from competition.** Meaningful competition and cost accounting in the delivery of state services may very well be one of the most compelling and powerful taxpayer reforms. Government agencies have not historically faced competitive situations but they may well be able to improve accountability and then their performance when they enter the competitive arena. When the public sector competes with the private sector, the playing field must be even for the purpose of comparing the relative costs of performing in truly comparable terms.
- ◆ **Weighing costs and benefits of providing services.** The citizens of Florida deserve to know that all opportunities for improving services have been explored, and when implemented that they do, in fact, result in increased benefits to Florida's citizens.
- ◆ **Informed decision making by policy makers and agency personnel.** Unit cost data can be used as a budgeting tool and a policymaking tool as well as an accountability tool.

Complete and accurate information is critical to improving public policy decision-making. The citizens of Florida deserve to know that such information is developed by agencies and provided to decision makers.

- ◆ **Analysis and monitoring of contracts for services.** According to OPPAGA, a 1998 Senate Government Reform and Oversight Committee study concluded that 30% of state appropriations in Fiscal Year 1997-98 were for purchased services. It is important to know if these purchased services are cost efficient and cost effective.

Critical Next Steps

Performance-based program budgeting has provided improved information about the effectiveness of state programs but limited information about the efficiency of these programs. The 1999 legislature, in an attempt to address this limitation, required agencies to report their unit costs of providing services.

The Florida Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA) Report No. 01-05 issued in January 2001 concludes that Florida's current unit cost initiative, while showing promise, needs further development. OPPAGA recommends, "If the Legislature is going to build the budget using unit costs, the different categories in which agencies are currently required to report costs are reasonable. However, if the Legislature wants to track costs over time or compare costs of different entities, it should ask agencies to allocate their overhead costs to their units of output." OPPAGA also notes that useful unit cost analyses require that agencies determine appropriate units of output.

These actions are the necessary first steps to restore legitimate public confidence in government by delivering needed public benefits within a competitive cost framework. Florida has made strides toward reaching its goal of taxpayer-driven reform but it is necessary to take these reforms to the next step. This requires agencies to develop and provide to policymakers further information that can be used to provide further accountability to Florida's citizens. Assuring delivery on the promise of improving government productivity and accountability will require constant vigilance and oversight.

Legislative Action Needed

The Outcome-Based Total Accountability Act (HB 529) introduced by Representative Wallace and (S 0532) Senator Posey are identical bills requiring that legislative budget requests (LBR) from each state agency provide the following additional information:

- ◆ Unit costs for major activities for the budget entities defined in the General Appropriations Act
- ◆ A one-page summary of information related to each budget entity, subordinate entities, and contracting entities to include 1) the budget for each entity; 2) the total amount of revenue received or otherwise passed through each entity; 3) the line-item listings of major activities along with total amounts spent for each major activity and unit costs for each such activity; and 4) the total amount of reversions or actual pass-throughs without unit-cost data.

Florida TaxWatch finds that Representative Wallace's and Senator Posey's proposed legislative initiative in this regard is greatly needed and long overdue. It will require that agencies provide the above additional unit cost data in their legislative budget requests: a critical next step toward achieving more accountable government.

Historically Florida TaxWatch has prompted the enactment of taxpayer value, government accountability, productivity enhancements and performance-based budgeting (PB2) initiatives. When quality unit cost analysis (of appropriate outcome units) is added to the PB2 equation policymakers can better assure Florida's citizens that their public programs are efficient as well as effective.

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