RESULTS-BASED BUDGETING
Preparing for the 2009-11 Biennium

Commitment to emphasizing results continues to be an integral part of budget development in North Carolina. The following instructions describe the process for developing the results-based budgeting requirements for the 2009-2011 biennial budget.

Results-based budgeting (RBB) was introduced during the development of the 2007-09 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. To achieve this goal, OSBM is integrating new elements into the RBB process to ensure agencies are adequately preparing for the future, to provide decision makers with detailed information in order to assess the effectiveness of state programs, and to inform the public about state government work and subsequent results.

In preparation of the 2007-09 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 2007-09 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 expected 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 an agency's strategies, to measure subsequent results, to evaluate past resource decisions, and to 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 their strategic plan 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. In order to assist agencies in identifying the appropriate staff for each RBB element, the timeline on page 4 lists the responsible party. 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 and, in doing so, identify a longer-term direction for an agency which extends beyond the next biennium. Strategies should also provide a basis for an agency's future budget requests. 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 focus the agency on its highest priority goals for 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 ongoing monitoring and evaluation that reviews program outcomes, budgets, and performance. Useful measures are the first step in establishing a means for monitoring progress.

Required Elements of *How Do We Measure Our Progress?*
- Measures (update)

SUMMARY OF REQUIRED ELEMENTS	
Reporting Level	**Element**
Departments and Major Agencies:	Agency overview (new)
	Mission statement (update)
	Goals (update)
	Strategies (new)
	Key agency indicators (new)
Budgeted Funds:	Fund purpose statements (update)
	Service statements (update)
	Service analysis (update)
	Measures (update)

Budget Realignment Requirements

In support of the service analysis requirement, agencies are encouraged to adjust their 2007-09 certified budgets to correctly align positions and operating costs with the appropriate purposes or programs. Additionally, in order to consistently account for department level administrative functions, agencies will be required to establish a minimum of one responsibility cost center (RCC) budget for each of the administrative functions identified in the service statement guidelines (attachment 7). Agencies are to submit any necessary budget revisions no later than January 8, 2008. Further instructions on submitting budget revisions are included in attachment 10.

Timeline

To ensure the information developed for RBB is a useful tool for organization-wide planning and budget development, OSBM is establishing a separate timeframe for submitting RBB elements in advance of the FY2009-11 budget process. While final submission of all elements is not required until **June 27**, it is highly recommended that agencies begin developing results-based budget components as soon as possible to ensure that the milestones listed in the RBB timeline are completed on time. To facilitate the achievement of the milestones, agencies are expected to collaborate with their OSBM analysts on an ongoing basis.

These elements are to be submitted according to the following schedule:

MILESTONES	DUE DATE	RESPONSIBLE PARTY
OSBM issues RBB instructions	November 2007	OSBM
Agency workshop sessions	December 2007 – January 2008	OSBM/Agency staff
Draft submissions to OSBM of: - Agency overview - Mission statement - Goals - Strategies - Key agency indicators	February 29, 2008	Agency Heads, Senior Managers and Program Experts
OSBM comments back to agencies	March 21, 2008	OSBM
Draft submissions to OSBM of: - Fund purpose statements - Service statements - Measures*	April 18, 2008	Program/Division managers
Service analysis (methodology)*	April 18, 2008	Agency/program budget staff
OSBM comments back to agencies	May 23 , 2008	OSBM
Final submissions	June 27, 2008	Agency leadership and staff

*For this process, agencies will need to reach agreement with their OSBM analysts for the measures to be tracked and the methodology for conducting the service analysis. Service analysis cost/FTE data and most recent measure data will be entered during the 2009-11 budget development process. Due dates will be provided in the 2009-11 Budget Instructions.

Submission

Agencies are to use OSBM's Web-based forms, located at http://data.osbm.state.nc.us/rbb.html to prepare and submit the results-based budgeting elements listed below by the required due dates. The online form will be available beginning on February 1, 2008.

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 will publish 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)

Results-Based Budgeting Best Practices Attachments

Attachment 1   Agency Overview

Attachment 2   Mission Statement

Attachment 3   Goal Statements

Attachment 4   Strategies

Attachment 5   Key Agency Indicators

Attachment 6   Fund Purpose Statements

Attachment 7   Service Statements

Attachment 8   Service Analysis

Attachment 9   Performance Measures

Attachment 10   Budget Realignment Requirements

AGENCY OVERVIEW
What Do Others Need To Know About You?

Why Is It A New Requirement?
It is often difficult to tell a complete story of an agency through a mission statement, goals, fund descriptions, or performance measures. While all of these components aid in describing what an agency does and to an extent how well it does certain tasks, more information is needed to provide both internal and external stakeholders a more complete picture of an agency's undertakings and the external factors affecting its work.

The agency overview provides an opportunity to offer a high-level summary of current performance and productivity, recent accomplishments, challenges being faced, and the envisioned future of the agency. The agency overview presents information about who it serves, what it delivers, how well an agency performs its work, and what steps it is taking toward achieving its mission.

The agency overview should be concise, limited to no more than three pages in its entirety, and address the following:

- *Current Performance*: Provide an overview of current performance for the agency as a whole. Highlight and discuss measures that inform audiences of recent progress.
- *Major Initiatives and Progress*: Summarize major initiatives that the agency is currently implementing and any related progress. These would be initiatives designed to improve service, productivity, or operations.
- *Customer and Workload Trends*: Discuss trends the agency is detecting in its customer base or workload that affects the quality of services.
- *Future Direction, Expectations, and Priorities*: Summarize the expected direction and priorities of the agency for the next five years as it relates to performing work, delivering services, and fulfilling the mission statement.
- *Challenges*: Describe any significant anticipated challenges the agency is expected to confront that could limit its ability to achieve its desired future direction.

The goal of this section is to provide basic information to audiences who are attempting to understand an agency.

MISSION STATEMENT
An agency's ultimate aim
What everyone is working to accomplish

What's New?
Mission Statement guidelines have not changed from those provided in the 2007-09 Budget Instructions. Agencies are to consult with their OSBM analyst to determine if revisions to previously submitted mission statements are needed.

A mission statement describes an organization's basic purpose (its fundamental reason for being) and specifies its major functional role and values.

A good mission statement is straightforward, easy to understand, and answers the following questions:
  1. Why does our agency exist?
  2. What does our agency do?
  3. For whom is our work done?
  4. What is the impact of our work?

A mission statement succinctly captures the essence of the organization. It includes the agency's ***purpose***, ***business***, and ***values***.

Tips for writing a mission statement

Cooperatively generated. A mission statement usually benefits from input by staff at all levels of the agency. Invite staff to brainstorm ideas for the first draft or current statement. Turn to seasoned editors for refinement. Submit the final draft to others for review before considering it finished.

Well written and inclusive. Use simple, clear, concise, and direct language. Do not write more than one paragraph; usually two to four sentences are sufficient.

The purpose component of the mission statement typically includes a verb that tells the main intended outcome of the agency's actions. Describe the outcome, not the method, for that action. For example, use "improve the quality of life for disabled individuals" instead of "provide disability assistance."

The business statement part of the mission addresses the primary method through which the purpose is fulfilled.

Values or principles of the organization should be evident in the statement of mission.

Communicates purpose and direction internally and externally. The mission statement is intended to guide all organizational decisions, policies, and activities. It should be broad enough to provide agency-wide strategic direction, yet specific enough to convey the reason for the agency's existence to anyone unfamiliar with the agency's work. Any agency employee should be able to identify their specific working relationship to this defined mission.

Definitions

Purpose. Why the organization exists and what it seeks to accomplish—its primary reason for being. (Often, enabling statutes or constitutional provisions provide help in distilling these reasons.)

Business. An organization's main method or activity for fulfilling its purpose (e.g., statewide budgeting, collecting taxes, directing and operating the state's court system, preserving valuable historical records and artifacts, etc.).

Values. Principles or beliefs that guide an organization in pursuing its purpose.

Vision. A description of the ideal future state of the organization. While the mission statement summarizes the what, how, and why, a vision statement presents an image of attained success (e.g., The state will have a clean and safe environment.) It is **optional** for agencies to submit a vision statement.

Examples of quality mission statements
The mission of the Office of the State Auditor is to provide assurance to interested parties that state resources are properly accounted for and managed and to improve the performance and accountability of state government through the independent examination of the state's financial affairs and program services.

The mission of the Department of Cultural Resources is to enrich the cultural, educational, and economic well-being of citizens and visitors to North Carolina through the preservation, development, presentation, promotion, and dissemination of artistic, historical, and information resources.

The mission of the State Board of Elections is to promote confidence among the citizens of North Carolina in the integrity of the free election process through the consistent administration and equal application of all elections and campaign finance laws, rules, and regulations.

Example of a mission statement requiring revision
The North Carolina Division of Social Services is dedicated to assisting and providing opportunities for individuals and families in need of basic economic support and services to become self-sufficient and self-reliant. The Division of Social Services advocates for and encourages individuals' rights to select actions appropriate to their needs. Primary to the Division is our commitment to provide families and children with family centered services that strive to achieve well being through ensuring safety and permanency. Furthermore, we recognize our responsibility through teamwork and professional effort to assist in this practice. Toward this end, in cooperation with local departments of social services and other public and private entities, we seek to identify needs, devise and focus resources, and deliver services responsively, timely and compassionately.

Re-written mission statement
Provide opportunities for families, children, and individuals in need through a client-centered approach in which services are delivered in a responsive, timely, and compassionate manner in order to promote self-sufficiency, permanency, and safety.

Example of a mission statement requiring revision
Administer the tax laws and collect the taxes due the state in an impartial, uniform, and efficient manner.

Re-written mission statement
Administer the tax laws and collect the taxes due the state in an impartial, uniform, and efficient manner in order to fund public services that enhance the quality of life for North Carolina citizens.

GOAL STATEMENTS
Steps to achieving a mission
Desired end results

What's New?
Goal Statement guidelines have not changed from those provided in the 2007-09 Budget Instructions. Agencies are to consult with their OSBM analyst to determine if revisions to previously submitted goals are needed.

Goals are broad statements of what an agency wants to achieve over a long period of time. They explain to outsiders what the agency is working toward. To agency insiders, they serve as a point of reference in managing the operations of the agency.

Goals explain what the agency wants to do, how it will do it, for whom, and with what result.

Goals cascade down from and support the enabling legislation, mandates, and mission, but they do not repeat the mission.

A goal statement includes an *action* and an expected *result* (or outcome) that must be realized in order for the agency to achieve its mission. It also describes the **method** to be used to reach the goal and the **clients**, target population, or other entities to be affected.

A good goal statement follows directly from the agency mission and answers these questions:
- **What** are you doing or going to do?
- **Who** will be affected?
- What **method** or approach will you use?
- What **results** or outcome do you expect?

Tips for writing a goal statement

Action oriented. Begin each goal statement with an action verb.

Results based. State the desired specific outcome by which you can tell the goal has been achieved.

Method based. State the method or approach used to achieve the desired outcome.

Client based. State who is served or affected and how many (if appropriate).

Do not include your agency's short–term priorities (which are to be addressed in budget requests); instead, concentrate on the long–term goals. Check spelling and grammar; avoid abbreviations and acronyms. Limit the maximum number of goals for your agency to 12. Three to six goals are usually sufficient.

To help construct each goal statement, fill in the following table, and then turn your responses into a goal statement.

Action taken	Approach or method used	Service recipient(s)	Result or outcome

Characteristics of good goals

Attainable. The outcome listed is realistic but challenging; it strikes a balance between the ideal and the achievable.

Specific. A goal lists major results expected.

Incremental. A goal is based on past goals.

Unambiguous. A goal is clearly defined and understood by all stakeholders.

Definitions

Goals. Goals explain how an agency will meet its mission. Each goal states the action to be taken, the result expected from the action, who or what is served by the action, and what method or approach is used.

Actions. A verb or verb phrase that describes what is to be done to achieve a particular result.

Results. The outcome or change that results from the action taken. The result should not be listed as a product, but as a change—a difference from the status quo that is brought about by the action taken for the benefit of a particular entity.

Clients. The target population or entity primarily affected by the action taken. If appropriate, list the number of clients.

Methods. The approach to accomplishing a goal, the manner in which action is taken.

Examples of quality goal statements
Improve constituent services by expanding e-business services to taxpayers and other stakeholders thereby making it easier for North Carolina citizens to comply with tax laws and conduct business with the Department of Revenue.

Deliver effective services and programs using research and advanced technology through the establishment of a departmental technology council, linkage of effective offender programs and services with the criminal justice community, and through utilization of present and future technologies to enhance offender management.

Maximize disabled individual's independence, productivity, integration, and full inclusion in society by providing services and equipment that enable these individuals to live independently and function in the homes and communities.

Example of a goal statement that requires revision
Assure pregnant women in the state have access to early and continuous prenatal care.

Re-written goal statement
Assure pregnant women in the state have access to early and continuous prenatal care by providing services focused on medical supervision, health promotion, nutrition, and health/nutrition support to ensure pregnancies lead to the delivery of healthy infants.

STRATEGIES
How we will get there
Actions needed to realize mission and goals

Why Is It A New Requirement?
Strategies are statements that describe the actions an agency will take to achieve its mission and goals. Integrated into the big picture of an organization, strategies outline steps that are necessary for attaining desired outcomes or resolving specific issues confronting an agency. While service statements explain what an agency is currently doing, strategies identify what will be done to fulfill its mission statement and achieve its goals.

Mission statements and goals describe where an agency desires to be; strategies are the means by which an agency will make progress toward achieving those goals over the next few years. The development of strategies provides agencies the opportunity to consider longer-term (3-5 years) needs, and consider creative solutions or alternative approaches to achieving desired outcomes.

The strategies developed through this process should serve as the foundation for each agency's budget requests as expansion items, resource reallocations, and operational changes are considered.

Each agency with a mission statement and goals should submit a minimum of five stated strategies. These strategies should be clearly tied to the agency's goals, and strategies may be related to one or more goals.

How to develop and decide on strategies
Strategies build upon the previously required aspects of results-based budgeting. The development of strategies is the link between what an agency is currently doing (stated through the fund purpose and service statements) and where an agency aspires to be (established through the mission statement and goals). Strategies orient an agency to accomplishing what should be done rather than what is being done, and provides an opportunity to communicate those needs to both internal and external stakeholders.

Strategies should be forward-looking and specific. Input from an agency's senior staff, managers, and program-level staff is important to link daily actions with the larger context for an organization.

Tips for writing strategies

While agencies have a lot of flexibility in how they craft their strategies, the following are some basic guidelines to consider.

Action oriented. Begin each statement with an action verb (e.g. "enhance," "increase," or "improve").

Forward looking. Identify what needs to be done differently from what is currently being done. Service statements already capture existing activities and should not be reiterated unless a change is proposed (e.g. a program expansion, alternate service delivery method, etc.).

Results based. State the desired outcome of the strategy or the goal at which the strategy is targeted.

Method based. If appropriate, state the method or approach that will be used to achieve the desired outcome.

Client based. State who will be served or affected.

Examples of Strategies
The following are some examples of strategies, including related goals to demonstrate the linkage between the two elements.

Goal: Promote systems, policies and practices that enhance the quality and quantity of vaccination delivery services in order to improve the health of all citizens.

Strategies:
- Target program resources to "Pockets of Need" program.
- Implement an immunization registry in the public and private sectors.
- Increase private provider enrollment in the Vaccines for Children Program.
- Increase community participation, education and partnership.
- Improve and expand monitoring of vaccination coverage.

(Adapted from the Virginia Department of Health Service Plan)

Goal: Advance knowledge and use of effective and efficient energy practices through targeted initiatives and expanded coordination across the state in order to reduce future state government energy costs.

Strategies:
- Collaborate with the State Corporation Commission, Department of Environmental Quality, the Virginia Center for Coal and Energy Research, and others in preparing the 10-year Virginia Energy Plan.
- Update the energy management and efficiency information on the DMME website to better communicate the Virginia Energy Plan issues.
- Coordinate with the Department of Emergency Management to establish an emergency response plan for responding to potential petroleum supply shortages in Virginia.
- Partner with state agencies to offer customized services including performance contracting, the Energy Savings Investment Program, and other technical and financial assistance.
- Collaborate with the Department of General Services and the State Council of Higher Education for Virginia to analyze energy performance standards, recommend design and construction changes, and identify energy use benchmarks to measure energy performance.
- Collaborate with the Department of General Services and the state agency energy advisory group to pursue opportunities to improve procurement, payment practices, and management of utility contracts.

(Adapted from the Virginia Department of Mines, Minerals, and Energy)

KEY AGENCY INDICATORS
Areas where success is essential
Measures of most important work for your agency in the next few years

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Why Is It A New Requirement?
Key indicators focus an agency and its staff on the most pressing tasks of the agency. Key indicators require an agency and its leadership to choose which areas of work will be most critical to the success of the organization and the attainment of the mission statement over the next few years.

Key indicators should be outcome-based and inclusive of various programs, activities, and funds in order to provide stakeholders, both internal and external to the agency, a clear message of what is important and how the agency is progressing toward achievement in the identified areas.

Agencies should develop a set of key agency indicators that do the following:
- Reflect the mission statement
- Focus on results rather than inputs, outputs, or processes
- Impact and link to budget decisions

Over time, agencies should develop baselines for these measures to show current performance and work towards setting targets to help evaluate and improve agency performance.

Key indicators do not replace other performance measures; rather, they are designed to guide agency-wide thinking and action. Developed in conjunction with an agency's mission statement and linked directly to goals, key indicators provide a big picture gauge of an agency, the work it values, and the progress it will make over the course of the next few years.

When determining an agency's key indicators, it is critical to ask the following:

- What is most crucial to our agency's success over the next five years?
- Who are the most important recipients of services and will these priorities serve them well?
- How will our mission be aided by the emphasis on this measure?

Agencies are to identify up to three key indicators. They may choose from currently reported measures, perhaps selecting measures that reflect the agencies most significant activities. Alternatively, agencies may develop higher-level indicators that aim to capture performance across multiple programs. Composite or index measures may also be useful in this context (see Performance Measure guidelines for more information on composite measures).

Examples
The following are some examples of high-level indicators that relate to agency goals and missions:

- Immunization rate
- Teenage pregnancy rate
- 4th grade math and reading proficiency rate
- Graduation rate
- Juvenile recidivism rate
- Percent of deficient roads/bridges
- Levels of nitrogen and phosphorous in rivers and streams

FUND PURPOSE STATEMENTS
A "mission statement" for a fund

> *What's New?*
> *Agencies are to review fund purpose statements to ensure that the statement adequately states the expected result of the fund's services/activities. Specifically, how does the fund aim to advance the agency's goals?*

A fund purpose statement describes the purpose of the programs, services, activities, or functions funded. It presents an overview of how the funded services/activities work and how the fund aims to advance agency goals.

The fund purpose statement should answer, in summary form, the following questions:

1. **Who** is being served or helped by the services covered in the fund? (Also, how many, if appropriate.)
2. **What** is the major work that is done?
3. **Why** is the work done? What **result** or change is expected?
4. **How** does the work contribute towards advancing the agency's goals?
5. **How** is the program carried out—what major activities are done to accomplish the work?

A fund purpose statement is also **justification for the expenditure** of the funds.

A fund purpose statement may sound like a mission statement if the funds are directed to one particular organizational entity to support most or all of its work.

There is close correspondence between the wording of the fund purpose statement and the service statements. However, they should not be worded exactly the same way. The fund purpose statement is primarily a "reason for being" or justification for the funding, while the service statements list the business processes that carry out that reason for being.

Newly Budgeted Governmental and Proprietary Budget Codes

Section 143C-3-5 of the State Budget Act requires the budgeting of all Governmental and Proprietary codes, as designated by the Office of State Controller (OSC). Fund purpose statements are required to be entered for all Governmental and Proprietary budget codes. Budget codes with a 2007-09 BD307 certification should already have fund purpose statements. These existing fund purpose statements are required to be updated. All other Governmental and Proprietary budget codes were budgeted via type 11 budget revisions in 2007-08. A fund purpose statement must be entered for each fund code that was budgeted in 2007-08.

Tips for writing a fund purpose statement

Reflect the agency's mission and goals. Read the mission and goal statements for the parent agency and use language that explains how the funded activities tie directly to the mission and advance the goals. Include statutory references where applicable.

Be concise. Limit the length of the fund purpose statement to two brief paragraphs, at most. In most instances, historical background may be omitted.

Refer to related funds, if appropriate. In cases of several funds that encompass one organization or program, it is helpful to begin the fund purpose statement by saying, "This fund is one of three (xxxx, yyyy, zzzz) for the Division of ….The purpose of this fund is…."

Examples of quality fund purpose statements

The purpose of this fund is to procure the use of the administrative services through competitive bidding and the use of services from sister agencies already performing similar services. To carry out this responsibility, the division procures competitively bid services including claims processing, prior approval, utilization review, physician consulting, and other services and executes interagency agreements for various services with other governmental agencies.

The purpose of the Fertilizer Program is to protect manufacturers, distributors and the consumers by ensuring that commercial fertilizers and soil additives meet standards outlined in laws and regulations and to ensure the safe handling of all fluid fertilizers. This unit conducts inspections, sampling and analysis of fertilizers and applies appropriate enforcement actions for products that are found to be out of compliance with the law and regulations.

The Rehabilitation Program assists the blind and visually-impaired in maintaining, returning to, or securing competitive employment or pursuing activities which allow them to become productive members of society. This program (1) provides evaluation, vocational training, physical restoration, maintenance, transportation, and job placement; (2) prepares consumers to take advantage of vocational training, higher education and/or employment by providing adjustments to blindness services and training services at the Division's Rehabilitation Center; and (3) seeks consumer involvement through consumer satisfaction surveys for the rehabilitation programs.

Example of a fund purpose statement requiring revision
This fund provides specialized programs in the public schools through the use of federal funds. These special programs include the child nutrition program, career technical education programs, exceptional children programs and basic programs for children disadvantaged because of low income, which are identified as part of No Child Left Behind.

Re-written fund purpose statement
The purpose of the fund is to enhance the health, skills, involvement, and overall opportunities of children by providing specialized programs in public schools through the use of federal funds. These special programs include the child nutrition program, career technical education programs, exceptional children programs and basic programs for children disadvantaged because of low income, which are identified as part of No Child Left Behind.

SERVICE STATEMENTS
Business processes supported by funds
Comprehensive list of activities

What's New?
Service statements are required for all budgeted funds. *Agencies are to work with their OSBM analyst to determine if the level of detail previously submitted is appropriate (i.e. does a fund need more or less service statements to adequately reflect all of the activities within a fund). Additional guidance is also provided regarding the treatment of department level administrative functions in service statements.*

Definition of services
The term "services" may be thought of as an agency's lines of business, business processes, set of activities, or generic work processes. OSBM is asking each agency to list the services supported by all budgeted funds. A service may be listed under two or more funds if multiple funds support it.

Service statements, or business statements, outline the activities performed in pursuit of the fund purpose. Specifically, a service statement answers the question, "What activity are we doing to accomplish our purpose?"

Types of services
Service statements are to be comprehensive for the entire fund. The list of services includes both *direct services to citizens* as well as *administrative and other support functions.* The latter category includes activities that provide the critical policy, programmatic, and managerial foundation to support state government functions, as well as activities in the background that enable the government to operate effectively.

Level for writing services
The level of detail for presenting the list of services is up to the agency. Enumerating too many specific services may be confusing and create difficulty in assigning FTEs and fund dollars, a requirement for each service. Rolling up individual services to very high generic levels may result in the loss of informational value. Three to ten service statements per fund are usually sufficient. The maximum number to submit to OSBM is 20.

Exceptions and rules
Service statements are not required for a fund that is strictly for accounting purposes and which has no funded positions, such as fund types 19XX. However, the fund purpose statement for these accounting funds should be very specific about how the money is spent, including reference to any fund code(s) to which it is transferred.

Service statements should be written for all other funds, including those with no FTEs. It may be that non-state providers render the services listed for these types. The activities of state staff who administer these special funds should be accounted for under the fund where the staff members are located.

OSBM analysts will notify each agency if the agency has funds that do not require service statements.

If there is a residual category that you do not consider a "service," list it any way and apportion the funds and FTEs.

Administrative Services
In order to account for select department level administrative services in a consistent manner across agencies, OSBM has developed standard service statements, which are listed below. OSBM will also identify a standard set of measures for these services utilizing data from NCAS, the State Budget systems, the PMIS and Beacon HR/Payroll, the E-Procurement Systems, and other systems. This uniform presentation of administrative services and measures will provide consistent data that will assist agency management, OSBM, and the legislature to make more informed decisions.

Administrative Service Statements

1. **Human Resource Management** – Oversee the recruitment and management of personnel; develop and implement HR strategy; coordinate and execute staff acquisition, organization and position management, compensation management, benefits management, employee development, and performance management; and regulate employee relations, separation management, and health and safety activities.
2. **Fiscal Management** – Manage and analyze financial information; account for and forecast the use of department resources; conduct general ledger accounting; maintain accounts payable, collections and accounts receivable, payroll services, cash management, program payments, and contracts and grants management; provide asset and liability management; and execute financial reporting.
3. **Budget and Analysis** – Conduct resource planning and allocation activities; develop and execute the budget; and analyze issues impacting the department's budgets and management.
4. **Purchasing** – Coordinate and execute the acquisition of equipment, materials, services and supplies for the department.
5. **Internal Auditing** – Provide independent assessments to department management; ensure operations and programs comply with applicable laws and regulations; prevent inefficiency, fraud, and abuse; analyze exposure to risk and determine appropriate countermeasures; and ensure accounting, administrative, and other information systems have the proper controls.
6. **Legal** – Provide legal representation and litigation functions for the department.
7. **Public Information / Communication** – Exchange information and communication between the department, citizens, and stakeholders; establish and promote media relations; prepare and publish press releases and other publications; and coordinate events and conference delivery.
8. **Security** – Ensure physical protection of the department's personnel, assets, and facilities.
9. **Construction/Engineering** – Provide design, construction, major maintenance, and administrative oversight for the department's capital improvement projects and physical plant operations.

Please note that if an agency has a department level service that is not included in one of the defined categories, develop a separate service statement to explain that activity. Also, administrative services at the program or division level should not be included with the department level services and should be accounted for in separate service statement(s).

Resources
In developing service statements, use the resources available within your agency and the instructions and best practices from OSBM. Agencies should also work with their OSBM analyst to revise or develop service statements to ensure that all the activities in the fund are adequately reflected.

Constructing a service statement
Service statements are written at the fund code level, describe and emphasize the action the agency undertakes, and specify the end result. They *may* also address the approach or method the agency uses

and estimate the number of clients served. (Service statements are not the same as a list of programs or products.)

To help write a service statement, fill in the table below. Then turn your responses into a service statement.

Action taken	Approach or method used	Service recipient(s)	Result or outcome

Writing service statements is similar to writing goals. However, the ultimate focus of a service statement are the actions that are performed that specifically support the fund purpose while goals are much broader statements that support the mission statement. A comparison of the differences in the two follows.

Statement	Level	Scope	Emphasis
Goal	Department or Agency	Broad	End result
Service	Fund code	Narrow	Action taken

Tips for writing a service statement

Action oriented. Begin each service statement with an action verb.

Results based. State the desired specific outcome that lets you know the result has been achieved.

Method based. If appropriate, state the method or approach used to achieve the desired outcome.

Client based. State who is served or affected and how many, if appropriate.

Easy to understand. Use simple, straightforward language that allows all audiences to understand what work is done and how it relates to the purpose of the fund. Agencies are encouraged to use lead-in titles where appropriate (e.g. *NC Center for Nursing*: Provides nurse workforce research, long-range planning, policy development, recruitment, and retention efforts to ensure that the State of North Carolina has nursing resources necessary to meet healthcare needs).

Order of statements. List statements in the following order: 1) main services that FTEs in the budgeted fund are providing, 2) services related to public assistance funds, 3) intra-governmental transfers.

Check spelling and grammar; avoid abbreviations and acronyms.

Examples of quality service statements
Administer student assessments through the state testing program to ensure student achievement in NC public schools and report results for the ABCs of Public Education, North Carolina's comprehensive plan to improve public school through accountability and basic skills mastery.

Provide accountability of the North Carolina Community College System through the collection, analysis, and reporting of data and information to internal and external constituencies for measuring the progress of the System and the colleges in carrying out assigned functions.

Provide leadership and establish a vision and mission for juvenile justice for the department so that services and programs are delivered in an effective, efficient manner.

Provide and coordinate a statewide transportation system by utilizing trained staff to transport juveniles to and from court, medical appointments, and youth facilities in a safe, timely manner.

Provide administrative oversight and support, clinical guidance, and technical training to program and other staff to comply with state professional credentialing requirements and compliance with other state and federal regulations.

Conduct an annual migrant housing registration and pre-occupancy inspection of all migrant housing to ensure compliance with the standards specified in the Migrant Housing Act (MHA) of North Carolina.

Recruit new businesses to North Carolina by promoting the state, throughout the world, as a desirable business location; meeting with potential clients to determine their needs; and responding to client needs by providing information and assistance in an effort to create new jobs for citizens and new investment for communities.

Administer the CDBG program to ensure financial accountability and eligible local governments' community development needs are being addressed through grant funding and technical assistance in order to enhance the accessibility, affordability and sustainability of a suitable living environment for low and moderate income persons.

Facilitate consumer skills development for individuals experiencing vision loss, particularly the older population, by individualized needs assessment, one-on-one, and community based group instruction in the use of adaptive techniques and technologies to enable them to meet daily living needs.

Identifies, detects, and prevents provider and recipient fraud and abuse by reviewing and determining the accuracy of Medicaid claim payments in order to reduce the misuse of public funds.

Publish, through typesetting, printing, and binding, edited manuscripts on topics pertinent to North Carolina history, such as county histories, governors' papers, colonial records, and Civil War rosters in order to provide resources for historians and genealogists.

Example of a service statement requiring revision
Serve as knowledgeable points-of-contact for questions or problems in using computing and information technology, and render support with the highest level of customer satisfaction.

Re-written Service Statement
Operate a technology help desk delivering support to agency staff in order to resolve computing and information technology questions or problems in a highly satisfactory, efficient manner.

SERVICE ANALYSIS
Cost of each service in dollars and staff

What's New?
Agencies will provide their OSBM analyst with an explanation of the methodology used previously for allocating dollars and FTEs across services, including backup data supporting the estimates submitted. (Information should be submitted directly to their OSBM analyst and is not required to be submitted through the online form). OSBM analysts will review this information and collaborate with their agencies to reach agreement on the methodology that will be used to conduct the service analysis for the 2009-11 biennial budget. Updated cost and FTE data will be submitted during the 2009-11 biennial budget process.

Service analysis is an agency's study of the relationships between each of its budgeted *funds* and the *services* (activities or business processes) associated with each fund. The relationships are defined in terms of funding dollars and full-time equivalent positions. Service analysis is the key first step in developing relationships between funds, services, and organizational structure.

The service analysis yields estimates of how much of the dollar amount of the referenced fund and how many of the total employees supported by the fund are used to provide each service listed.

Service statements are developed prior to or during the analysis (see best practices for service statements). A service may appear with multiple funds if multiple funds support it.

Service analysis will require coordination among an agency's program managers.

Allocating dollars and full-time equivalents (FTEs) across services
For each service statement listed for a fund, estimate the portion of the fund and the number of FTEs that support the service. Agencies that have RCC fund information should use this information in determining the allocation. For agencies that **do not** have RCC fund information, use the following guidelines:

1. Identify FTE associated with the service, including support staff supporting the service function. Positions that are vacant or were vacant for part of the year should also be identified.
2. Determine actual salaries and expenditures associated with those FTE, taking into account any periods of vacancy, salary adjustments, etc. that occurred during the year.
3. Determine methodology for allocating operating expenditures in the 2XXX-5XXX accounts across services. **This needs to be a defensible methodology that reflects the allocation of expenditures as accurately as possible.** An even distribution of these expenditures across services will be acceptable, unless a more logical method is apparent. For example, if a fund includes a number of staff that are field auditors, a greater portion of travel expenditures should be allocated to the services associated with those staff.
4. Aid and public assistance allocations should be accounted for separately from other non-personnel expenditures. Depending on the amount of aid and public assistance expenditures, multiple service statements may be necessary to account for the different types of aid money distributed. A separate service statement for the FTE associated with administration of those funds (e.g. grant review and processing) may also be necessary.
5. Intra-governmental transfers should be accounted for in one service statement. The statement should provide specific information on the purpose for which the funds were transferred.

The final list of services, the funding portion for each, and the FTEs for each will be published in the biennial budget document. This information will show stakeholders the relative expense of providing each service listed.

PERFORMANCE MEASURES
Quantitative impact of services

> *What's New?*
> *Performance measures are to be clearly linked to service statements. The number of measures currently provided may need to change to ensure that the most important services are adequately captured by a measure. Agencies should also re-examine currently reported RBB measures to determine if more outcome oriented measures can be identified and used alternatively. Agencies are welcome to propose new measures without historical data as long as they have a plan in place to begin collecting the data. Measures will not be printed until data is available, but can be entered in the database with a footnote stating "under development".*

Agencies are to submit at least one but no more than three measures for each fund that has service statements (see best practices for Services Statements).

Agencies will also be asked to indicate the service statement(s) to which each performance measure is linked. The same measure may be used for multiple service statements if the individual services are clearly contributing to the same outcome. For previously reported measures, provide data for 2006-07 (2007-08 to be submitted during 2009-11 biennium budget process). For newly reported measures, also provide historical data for fiscal years 2004-05, 2005-06 if available.

Understanding the types of performance measures
Performance measures offer an opportunity to see the impact of services provided. Also, they can provide an evaluative tool for program managers and public-policy makers to help improve program services and service delivery. Performance indicators are also useful in the budget process, as they can help measure the impact of budget adjustments.

There is no standard terminology for classifying performance measures. OSBM is using the following four categories: input measures, output measures, process (including efficiency) measures, and outcome measures. Each has its uses, and all should be used in program management.

State government resources support activities that produce goods and services intended to affect societal results, whether directly or indirectly. State resources include personnel and funding in support of activities conducted by the state itself, local and federal agencies, quasi-public agencies, private persons and companies, or nonprofit agencies with contracts with the state.

Performance measures indicate:
- Quantity and quality of resources (*input measures*)
- How well goods and services are delivered (*process measures*)
- Quantity and quality of goods and services (*output measures*)
- Societal effect of goods and services (***outcome measures***)

Examples of the categories of performance measures appear below. Additional examples (in a table at the end) explain why the measure falls into a particular category. These examples should help agencies determine whether they have developed outcome measures.

Examples of performance measures by type

Input
- Number of full-time equivalent positions
- Number of courtrooms
- Student-teacher ratio at the University of North Carolina
- Number of food inspectors at the Division of Public Health
- Number of training programs funded by the Department of Labor

Process
- Percentage of tax refunds mailed within 30 days
- Percentage of wage information transferred to other states within five days
- Business days needed to stop payment on a state check
- Investigations completed within 180 days of filing

Output
- Number of consumers receiving interpreter services for the deaf annually
- Number of persons receiving information from the NC Developmental Disabilities Council
- Number of discrimination case investigations
- Number of Supreme Court cases disposed annually

Outcome (results based)
- Employment rate for 13 weeks following training program
- Annual return on short-term investments
- Teenage birth rate
- Percentage of psychiatric hospital patients indicating satisfaction with hospital services
- Percentage of tested training school residents who passed the GED
- Percentage of welfare recipients who are employed three months after receiving job training
- Elder abuse recidivism rate

Developing performance measures
It is desirable to display in the budget document at least one outcome measure for each fund (or at least three for a budget code). Outcome measures monitor results, not activity. Outcome measures demonstrate the "value added" by a service activity.

If it is impossible to develop an outcome measure for a particular fund (such as an administrative fund), then an output or process measure will be allowed.

Criteria for good performance indicators

Good performance measures are:
- **Clear**. The measures should be readily understood by the public. They should be as simple as possible and avoid or explain terms that only experienced state personnel would understand.
- **Cost effective**. The data associated with performance measures should be worth collecting as a management tool for the agency, if for no other purpose.
- **Relevant and significant**. The performance measures should be logically related to the expected results listed for the service statements under the fund(s) in question and should be central to accomplishment of those results.
- **Consistent**. An agency's measures should be consistent over time so that the data presented are easy to compare from year to year.

- **Practical**. Performance measures should be managerially useful to the agency.
- **Verifiable**. Data for performance indicators should be accurate, on file, and auditable.
- **Honest**. Performance measure data should be reported from year to year even if the data show a disappointing trend or reveal mediocre to poor performance.
- **Linked to funding**. Performance measures should be linked to a budgeted fund. Outcomes may differ with funding levels.
- **Results based**. Agencies should emphasize outcome measures whenever feasible. If desirable, include other types of measures. The focus is on ends more than means, even though means are important too.

Using composite measures

Because stakeholders will examine the measure accompanying each budgeted fund, it is vital that the measure convey meaningful information about how well the **results** listed in the service statements are being achieved. Often the best way to convey a lot of information in one measure is through the use of a composite measure, or performance index.

A performance index is a mathematical composite of several measures that, in combination, provide an overall guide to performance that is easier to grasp than the list of individual measures. For example, the single-number indicator of customer satisfaction may be calculated as a "satisfaction index" as follows:

[(total number sales)*(customers indicating satisfaction of "good" or better on 10% follow-up survey)/(surveys returned) – (customers returning merchandise)] / (total number sales transactions)

If the company had 10,000 sales, surveyed 100 customers, of which 50 replied and 40 rated good or better, and 100 instances of customers returning merchandise, then the value of the index would be [10,000*(40/50)-100]/10,000 or 0.79. A perfect score, in this scenario, would be [10,000*(50/50)-0]/10,000, or 1.00. Comparing a number like 0.79, .055, .090, etc., from year to year provides information that is easier to digest than trying to grasp values for all the following:

Number of sales
Number of surveys
Number of surveys returned
Number of returned surveys rating good or better
Number of customers returning merchandise

A weighted index is a composite measure with each component measure weighted differently to reflect reality. Careful analysis and rationale are considered in determining the appropriate weights. The concept of weighting is reflected in the example above, where the survey results are weighted up to the total number of sales.

Note: These materials were adapted from measure development instructions issued by the State of Rhode Island.

	Measure Type			
Example	**Input**	**Process**	**Output**	**Outcome**
Percentage of invoice vouchers processed within 30 business days	No—not a measure of the elements or components of the process, such as the percentage of staff trained on the invoice system	Yes—measures the quality (the timeliness) of the process itself	No—does not measure the quantity or quality of a direct good or service. It may measure how well payment was made for a good or service but does not indicate the quality of a good or service itself.	No—does not measure a societal result
Percentage of biennial audits required by law that are completed	No—does not measure the elements or components that make the audits possible, such as auditor training	No—does not measure *how well* the audits were conducted as much as *how many* were conducted	Yes—measures a good or a service, namely audit reports	No—does not measure a societal result. Conceivably, a significant audit finding could contribute to a societal result, such as taxpayer savings, for example, but the audit report would be a means to that end, not the end itself.
Percentage of unemployment insurance claims paid promptly	No—does not measure elements of the process, such as a well-trained clerical staff and well-designed computer systems	Yes—measures the quality (the timeliness) of the process itself	No—does not measure how many claim payments were made but how promptly the payments were made	No—does not measure a societal result
Attorney caseload at the Office of the Public Defender	Yes—measures the quality of an element contributing to the process of legal defense of indigents. It	No—does not measure a quality of a process at the Public Defender's Office, such as timeliness	No—does not measure the quantity or quality of a good or service provided by the agency	No—does not measure a societal result, such as the number of innocent persons proven innocent with the use of

Example	Measure Type			
	Input	**Process**	**Output**	**Outcome**
	assumes that smaller caseloads allow for more defense preparation time.			DNA evidence
Percentage of summons disposed	No—does not measure the elements that contribute to the summons process	No—does not measure how quickly or how well the summons were prepared	Yes—measures a good or a service, namely a summons	No—does not measure a societal result
Number of food borne illnesses due to salmonella per 100,000 population	No—measures a result rather than the program elements that contribute to that result	No—does not measure the quality of the process leading to the results but the results themselves	No—does not measure goods and services produced by the Division of Public Health, such as food inspections	Yes
Percentage of eighth graders testing proficient in math skills	No—does not measure the elements contributing to the educational result, such as teacher training and parental support	No—does not measure the quality of the educational techniques used to affect the educational outcome	No—does not measure goods and services produced by the school and financed in part by state aid, such as total annual hours spent on math skills	Yes—involves the effects of state aid on education and the educational programs at local schools. (Proficiency in math skills may also result from a variety of social and cultural values from sources outside the school system, such as the family.)
Number of prison escapes annually	No—is not a measure of the elements of the prison system contributing to deterring escapes, such as prison guards and electronic prison security systems	No—is not a measure of the quality of prison security procedures designed to reduce escapes	No—does not measure the goods and services produced by the Department of Corrections, such as the number of inmates served	Yes—is tied to agency program efforts to deter escapes and does measure the results of those efforts

	Measure Type			
Example	**Input**	**Process**	**Output**	**Outcome**
Medication error incidents per 100 hospital beds	No—does not measure the resources contributing to error reduction, such as the number of staff trained in how to avoid medication errors	No—is a process measure of sorts because it measures the accuracy of medication distribution, but it is a measure of a direct impact on patients and, therefore, qualifies as an outcome measure	No—does not measure goods and services, such as the number of medications distributed	Yes—it measures a result tied to state hospital efforts to reduce errors

BUDGET REALIGNMENT REQUIREMENTS

In accordance with section 6.4 of House Bill 1473 (Session Law 2007-323), agencies that need to adjust the 2007-09 certified budget to correctly align positions and operating costs with the appropriate purposes or programs shall submit a type 11 budget revision to OSBM no later than January 8, 2008.

Additionally, for department level administrative functions, agencies in consultation with their OSBM analyst, shall establish a minimum of one responsibility cost center (RCC) budget for each of the following administrative service areas (see service statement guidelines for definitions):

1. Human Resources
2. Fiscal Management
3. Budget and Analysis
4. Purchasing
5. Internal Auditing
6. Legal
7. Public Information / Communication
8. Security
9. Construction/Engineering

Depending on the current budget and accounting structure in place in a specific agency, these services may already have their own unique fund number or RCC budget but also may be part of a larger departmental administration fund. Agencies that do not already have a minimum of one RCC budget for each of the defined services shall submit a type 11 budget revision to OSBM no later than January 8, 2008, to establish the required administrative service budgets.

Each required budget revision shall have an effective date of July 1, 2007. In accordance with legislative requirements for budget realignment, OSBM will report these requested budget changes to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division. After the appropriate consultation period, the OSBM analyst will approve the budget revision(s). Once the budget revision(s) has been approved, the agency shall enter a journal entry in NCAS to move all year-to-date expenditures associated with the budget transfer(s) to the correct purpose code and RCC in order to appropriately align the annual budget and expenditures. The 2007-08 actual expenditures will be used to produce the service analysis required for RBB.