

# USING PERFORMANCE MEASURES IN THE STATE BUDGET

 Independent Fiscal Office

SEPTEMBER 2016





# Executive Summary

A significant challenge faced by all governments is the responsibility to ensure that taxpayer funds are disbursed in an efficient and effective manner. Unlike private firms, governments do not attempt to maximize profits on behalf of their shareholders. Their goals and objectives are very different, and the outcomes they seek to achieve are difficult to value monetarily. Governments have employed a wide variety of programs and initiatives that attempt to address this responsibility, and those attempts have met with varying success.

In many states, governments are considering the implementation of a performance-based budgeting system. This system is a budget approach that identifies specific goals, objectives and strategies for executive agencies, and develops performance measures to assess progress towards those goals and objectives. Currently, 31 states have a statutory requirement that requires the computation and publication of performance measures. A recent survey found that 40 states compel agencies to include performance measures as part of their annual budget submission.<sup>1</sup>

Despite widespread use, the same survey found that only three states characterized performance budgeting as their primary budget approach. Most states continue to use an incremental budget approach, where appropriations are not tied to specific goals or objectives. Rather, appropriations are motivated by amounts from the prior year, with adjustments for agency workload and, in some cases, inflation. Although states recognize the value of performance-based budgeting and performance measures, the great majority only use that system to augment the legacy budget process that has been in place for decades.

Pennsylvania is part of that majority. For FY 2014-15, Pennsylvania executive agencies compiled and reported 686 performance measures as part of their annual budget request. Those measures are part of a larger system that identifies goals, objectives and strategies for all executive agencies. The Office of the Budget publishes all agency performance data on its website, and select measures appear in the executive budget. However, it is widely perceived that the measures have very limited impact on the allocation of funds within or across agencies. The current budget process continues to closely resemble an incremental approach, and performance measures are rarely considered during the budget process. The Commonwealth has developed significant performance measures infrastructure, but it remains underutilized.

Some Pennsylvania policymakers have indicated a desire to transform the budget process to more fully integrate performance measures into the approach used to allocate funds. Many policymakers also want access to data-driven, objective measures that can be relied upon to facilitate a move away from a purely incremental budget approach. To that end, this report considers performance measure reports used by other states, and develops a prototype report that could be used in Pennsylvania. The prototype report is designed to be quickly integrated into the current budget process and utilized during annual budget hearings. It seeks to leverage the current infrastructure and the numerous measures already compiled by executive agencies. It is also a mechanism to solicit feedback from policymakers and agency managers regarding the design of a performance measures report that would be most useful and informative.

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<sup>1</sup> “Budgeting Processes Spotlight: How States Use Performance Data,” The National Association of State Budget Officers (August 2015). See <https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/Issue%20Briefs%20/Budget%20Processes%20Performance%20Brief.pdf>.

# Department of Corrections - Overview

- Mission Statement** The Pennsylvania Department of Corrections reduces criminal behavior by providing individualized treatment and education to offenders, resulting in successful community reintegration through accountability and positive change.
- Primary Goal** Public safety
- Primary Objectives**
1. Improve assessment and treatment of inmates by evaluating inmates appropriately and by giving them proven treatment in a timely manner, thus reducing recidivism.
  2. Operate all state prisons securely, safely and humanely by creating and efficiently managing inmate populations and facilities.
  3. Prepare inmates for successful reentry into the community.

	Share of Funding						
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Sources of Total Funds</b>							
General Fund	96.2%	96.0%	96.5%	96.6%	96.8%	96.5%	
Federal Funds	0.2	0.5	0.2	0.2	0.2	0.2	
Manufacturing Fund	<u>3.6</u>	<u>3.5</u>	<u>3.3</u>	<u>3.2</u>	<u>3.0</u>	<u>3.2</u>	
Total	100.0	100.0	100.0	100.0	100.0	100.0	tbd
<b>Use of General Funds</b>							
Employee Wages <sup>1</sup>	50.2%	51.7%	49.7%	48.1%	48.2%	46.9%	
Pension Contributions	4.6	6.6	8.5	10.2	12.0	13.6	
All Other Benefits <sup>2</sup>	9.6	10.0	9.8	10.0	10.3	11.0	
Retiree Health Benefits	5.2	5.7	6.1	6.0	7.2	6.1	
Non-Personnel	<u>30.4</u>	<u>25.9</u>	<u>26.0</u>	<u>25.6</u>	<u>22.3</u>	<u>22.4</u>	
Total	100.0	100.0	100.0	100.0	100.0	100.0	tbd

**Notes**

<sup>1</sup> Includes wages, salaries, bonuses and payroll taxes (Medicare and Social Security).

<sup>2</sup> Includes all non-pension benefits such as health and life insurance and other miscellaneous benefits.

# Department of Corrections - Inputs

	Dollar Amounts (millions)					Growth Rates or Change				
	2013-14	2014-15	2015-16	2016-17 <sup>2</sup>	2017-18	2013-14	2014-15	2015-16	2016-17 <sup>2</sup>	2017-18
<b>General Fund by Category<sup>1</sup></b>										
Employee Wages <sup>3</sup>	\$994	\$1,036	\$1,070	\$1,136		2.8%	4.2%	3.3%	6.2%	
Pension Contributions	169	219	266	328		36.3	29.6	21.5	23.3	
All Other Benefits <sup>4</sup>	195	216	229	267		4.3	10.8	6.0	16.6	
Retiree Health Benefits	121	130	160	147		13.1	7.4	23.1	-8.1	
Non-Personnel	<u>520</u>	<u>552</u>	<u>496</u>	<u>542</u>		<u>7.2</u>	<u>6.2</u>	<u>-10.1</u>	<u>9.3</u>	
<b>Total General Fund</b>	<b>1,999</b>	<b>2,153</b>	<b>2,221</b>	<b>2,420</b>	<b>tbd</b>	<b>6.9</b>	<b>7.7</b>	<b>3.2</b>	<b>9.0</b>	<b>tbd</b>
<b>General Fund by Program<sup>1</sup></b>										
General Government	\$32	\$33	\$34	\$37		6.7%	3.1%	3.0%	8.8%	
Inmate Medical Care	235	248	240	259		7.8	5.5	-3.2	7.9	
Inmate Education	39	40	42	46		-2.5	2.6	5.0	9.5	
State Correctional Institutions	1,693	1,831	1,902	2,068		7.0	8.2	3.9	8.7	
Transfer to JRI <sup>5</sup>	<u>0</u>	<u>1</u>	<u>3</u>	<u>10</u>		<u>n.a.</u>	<u>n.a.</u>	<u>n.a.</u>	<u>n.a.</u>	
<b>Total General Fund</b>	<b>1,999</b>	<b>2,153</b>	<b>2,221</b>	<b>2,420</b>	<b>tbd</b>	<b>6.9</b>	<b>7.7</b>	<b>3.2</b>	<b>9.0</b>	<b>tbd</b>
<b>Other Funding Sources</b>										
Manufacturing Fund <sup>6</sup>	\$68	\$72	\$68	\$81		-1.4%	5.9%	-5.6%	19.1%	
Federal Funds <sup>6</sup>	<u>5</u>	<u>4</u>	<u>5</u>	<u>6</u>		<u>-44.4</u>	<u>-20.0</u>	<u>25.0</u>	<u>20.0</u>	
<b>Total Other Funding Sources</b>	<b>73</b>	<b>76</b>	<b>73</b>	<b>87</b>	<b>tbd</b>	<b>-6.4</b>	<b>4.1</b>	<b>-3.9</b>	<b>19.2</b>	<b>tbd</b>
<b>TOTAL FUNDS</b>	<b>\$2,072</b>	<b>\$2,229</b>	<b>\$2,294</b>	<b>\$2,507</b>	<b>tbd</b>	<b>6.4%</b>	<b>7.6%</b>	<b>2.9%</b>	<b>9.3%</b>	<b>tbd</b>
Number of FTE (Filled Positions) <sup>7</sup>	15,243	15,147	15,164	15,186	<b>tbd</b>	-275	-96	17	22	<b>tbd</b>

**Notes**

- <sup>1</sup> Includes all actual spent state funds from the General Fund including appropriated, restricted, augmentations and supplemental funds.
- <sup>2</sup> FY 2016-17 is the budgeted amount. Due to the comparison of appropriations to actual spending (FY 2015-16), growth rates are subject to revision.
- <sup>3</sup> Includes wages, salaries, bonuses and payroll taxes (Medicare and Social Security).
- <sup>4</sup> Includes all non-pension benefits such as health and life insurance and other miscellaneous benefits.
- <sup>5</sup> JRI stands for Justice Reinvestment Initiative.
- <sup>6</sup> Includes all actual spent state funds including appropriated, restricted, augmentations and supplemental funds.
- <sup>7</sup> Average of FTE filled positions as of June for current and prior fiscal year. FY 2016-17 is an estimate.

## Department of Corrections – Performance Metrics

	Calendar Years or Fiscal Year Beginning					Annual Percent or Level Change				
	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
<b>Output: Workload</b>										
Number of Inmates <sup>1</sup>	51,184	51,512	50,756	49,914	49,848	-454	328	-756	-842	-66
Number of Receptions <sup>2</sup>	18,099	19,769	19,465	19,535	n.a.	224	1,670	-304	70	n.a.
Number of Releases <sup>2</sup>	20,439	21,815	22,063	22,957	n.a.	1,075	1,376	248	894	n.a.
Number in Treatment Program <sup>3</sup>	3,563	3,491	3,440	3,008	n.a.	-140	-72	-51	-432	n.a.
Number in Academic Programs <sup>3</sup>	9,670	8,331	8,634	9,052	n.a.	789	-1,339	303	418	n.a.
<b>Efficiency: Productivity</b>										
Inmates per Total Staff <sup>4</sup>	3.3	3.4	3.4	3.3	3.3	0.0	0.1	0.0	-0.1	0.0
Inmates per Custody Staff <sup>4</sup>	5.6	5.7	5.7	5.5	5.5	0.0	0.1	-0.1	-0.1	0.0
Avg. Total Cost per Inmate <sup>5</sup>	\$37,883	\$40,127	\$43,837	\$45,859	\$50,173	1.5%	5.9%	9.2%	4.6%	9.4%
Avg. Healthcare Cost per Inmate <sup>5</sup>	\$4,259	\$4,562	\$4,886	\$4,808	\$5,196	-6.8%	7.1%	7.1%	-1.6%	8.1%
<b>Outcome: Effectiveness</b>										
One-Year Re-incarceration Rate <sup>6</sup>	24.1%	24.6%	25.5%	28.1%	n.a.	1.6%	0.5%	0.9%	2.6%	n.a.
Three-Year Recidivism Rate <sup>7</sup>	61.1%	61.4%	59.9%	63.1%	n.a.	-1.0%	0.4%	-1.5%	3.2%	n.a.
Employment Rate <sup>8</sup>	59.0%	55.0%	54.0%	56.0%	n.a.	-3.0%	-4.0%	-1.0%	2.0%	n.a.

### Notes

<sup>1</sup> Number of inmates under DOC jurisdiction in December. Does not include parolees in center. Value for 2016 is for August.

<sup>2</sup> Number of Receptions and Releases is total for calendar year.

<sup>3</sup> Number participating in program during fiscal year. Value for 2015 corresponds to FY 2014-15.

<sup>4</sup> Value for 2016 is an estimate based on data through August 2016.

<sup>5</sup> Equal to cost for entire fiscal year divided by number of inmates (December). Value for 2015 is average cost for FY 2015-16.

<sup>6</sup> Share of inmates arrested and returned to DOC custody within 12 months of their release during the latest release year available for a full 1-year follow-up.

<sup>7</sup> Share of inmates rearrested or re-incarcerated to DOC custody within 3 years of their release during the latest release year available for a full 3-year follow-up.

<sup>8</sup> Employment rate of offenders who are able to work. Measure reported by Board of Probation and Parole.

# Department of Corrections – State Benchmark Comparisons

Preliminary: Certain values have not been confirmed

	Levels or Rates					Growth Rate or Change in Rate			
	2012-13	2013-14	2014-15	2015-16	2016-17	2013-14	2014-15	2015-16	2016-17
<b>Average Total Cost per Inmate<sup>1,2,3</sup></b>									
Pennsylvania	\$37,883	\$40,127	\$43,837	\$45,859	\$50,173	5.9%	9.2%	4.6%	9.4%
Ohio	31,523	31,265	31,418	32,704	34,624	-0.8	0.5	4.1	5.9
New York	54,160	52,651	54,576	57,148	57,122	-2.8	3.7	4.7	0.0
New Jersey	44,703	46,179	47,254	50,192	50,376	3.3	2.3	6.2	0.4
Virginia	37,250	37,491	38,558	40,577	41,671	0.6	2.8	5.2	2.7
Maryland	55,323	58,432	60,838	62,705	64,130	5.6	4.1	3.1	2.3
<b>Average Healthcare Cost per Inmate</b>									
Pennsylvania <sup>4</sup>	\$4,259	\$4,562	\$4,886	\$4,808	\$5,196	7.1%	7.1%	-1.6%	8.1%
Ohio	4,239	4,481	4,493	4,959	4,882	6.9	0.1	9.7	-1.8
New York	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
New Jersey <sup>5</sup>	6,543	6,963	7,052	7,738	8,028	6.4	1.3	9.7	3.7
Virginia <sup>6</sup>	5,654	5,053	5,361	5,602	6,533	-10.6	6.1	4.5	16.6
Maryland <sup>7</sup>	7,290	7,636	8,082	8,213	8,073	4.7	5.8	1.6	-1.7
<b>Re-Incarceration Rates<sup>8</sup></b>									
Pennsylvania (1-Year)	24.1%	24.6%	25.5%	28.1%	n.a.	0.5%	0.9%	2.6%	n.a.
Ohio (1-Year)	28.7	27.1	27.5	n.a.	n.a.	-1.6	0.4	n.a.	n.a.
New York (1-Year)	23.1	23.4	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.
New Jersey (3-Year)	n.a.	32.0	31.3	31.3	n.a.	n.a.	-0.7	0.0	n.a.
Virginia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Maryland	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

## Notes

<sup>1</sup> For most states, computed as total state funds divided by number of inmates in December of fiscal year or the average number for fiscal year.

<sup>2</sup> Estimates for number of inmates for FY 2016-17 based on latest monthly reports published by state or is an estimate. For PA, latest report is August 2016.

<sup>3</sup> Historical values represent actual spending. Value for NY for FY 2015-16 uses appropriated amount. All FY 2016-17 values based on appropriation.

<sup>4</sup> For PA, includes medical, dental and some mental health. Some states may characterize certain healthcare costs as payments to service providers.

<sup>5</sup> For NJ, inmate healthcare includes medical, dental, mental health and substance use disorder treatment costs.

<sup>6</sup> For VA, healthcare costs uses appropriated budget number, not actual.

<sup>7</sup> For MD, healthcare costs represent the department's total costs including the Division of Pretrial Detention and Services (DPDS - Baltimore City detention).

<sup>8</sup> Share of inmates returned to DOC custody within 12 (or 36) months of their release during the latest release year available for a full 1-year follow-up.

## Department of Corrections – Historical Data

	Calendar Year or Fiscal Year Beginning										AAGR <sup>6</sup>
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Number of Inmates <sup>1</sup>	46,028	49,307	51,487	51,321	51,638	51,184	51,512	50,756	49,914	49,848	0.9%
Number of FTE (Filled Positions) <sup>2</sup>	15,447	15,818	16,034	15,935	15,727	15,518	15,243	15,147	15,164	15,186	-0.2%
General Funds (\$ millions) <sup>3</sup>	\$1,594	\$1,598	\$1,592	\$1,657	\$1,857	\$1,870	\$1,999	\$2,153	\$2,221	\$2,420	4.7%
Exclude Pensions (\$ millions)	\$1,555	\$1,561	\$1,549	\$1,602	\$1,772	\$1,745	\$1,830	\$1,934	\$1,955	\$2,091	3.3%
Inmates per Staff	3.0	3.1	3.2	3.2	3.3	3.3	3.4	3.4	3.3	3.3	n.a.
General Funds per Inmate	\$34,631	\$32,409	\$30,920	\$32,287	\$35,962	\$36,535	\$38,806	\$42,419	\$44,497	\$48,548	3.8%
Exclude Pensions	\$33,784	\$31,659	\$30,085	\$31,215	\$34,316	\$34,093	\$35,526	\$38,104	\$39,167	\$41,948	2.4%
Male Incarceration Rate <sup>4</sup>	1.13%	1.21%	1.25%	1.23%	1.23%	1.22%	1.23%	1.21%	1.19%	1.19%	n.a.
One-Year Re-incarceration Rate	26.3%	23.4%	22.0%	20.1%	22.5%	24.1%	24.6%	25.5%	28.1%	n.a.	n.a.
PA Males Age 20-64 (000s) <sup>5</sup>	3,656	3,665	3,719	3,751	3,776	3,776	3,778	3,775	3,768	3,761	0.3%
Philadelphia Metro CPI-U <sup>5</sup>	2.2%	3.4%	-0.4%	2.0%	2.7%	1.8%	1.2%	1.3%	-0.1%	1.0%	1.7%
Nominal PA GDP Growth <sup>5</sup>	4.4%	2.4%	0.3%	3.6%	3.3%	3.1%	3.0%	4.2%	2.5%	3.0%	2.8%

### Notes

<sup>1</sup> Number of inmates under DOC jurisdiction at end of calendar year. Value for 2016 from August 2016. Source: DOC Annual Statistical Report.

<sup>2</sup> Average number of actual filled positions. Equal to average of June value from current and prior fiscal year. 2016 is an estimate.

<sup>3</sup> Includes all actual spent state funds from the General Fund including appropriated, restricted, augmentations and supplemental funds.

<sup>4</sup> Equal to male inmate population age 20-64 divided by total male population age 20-64. Source: U.S. Census Bureau and PA DOC.

<sup>5</sup> Sources: U.S. Census Bureau, U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis and Pennsylvania State Data Center.

<sup>6</sup> AAGR is average annual growth rate.