

# How to budget for performance

The President's renewed demand for performance budgeting goes back to RA 992 of 1954 which requires all agency budgets to stress "functions, activities and projects in terms of expected results." You must agencies will use simple "line item" budgets today. The following excerpts from Budget Circular 41 of August 1, 1956, remain authoritative on performance budgeting.

**PERFORMANCE** budget is one emphasizing the program or services conducted. It is based on functions, activities and projects which focus attention on the general character and nature of the work to be done, or on the services to be rendered, rather than upon the things to be acquired, such as personal services.

Budgeting is essentially a planning process. It is the determination for a future period of time of:

1. What is to be done;
2. What is to be accomplished;
3. The manner in which it is to be done; and
4. The cost of doing it.

It requires that the broad objectives of the agency be broken down into detailed work plans for each project and for each unit of the organization.

Thus, each responsible official and supervisor in the agency will have a plan of action, which if successfully followed and combined with similar efforts in all organization units, should result in the agency meeting its overall objectives.

The budget, therefore, is a monetary definition of the future plans of the agency.

**MODERN** management concepts hold to the principle that managers, regardless of their level in the organizational structure, should participate in planning agency operations and then should be held responsible for achieving the goals set.

The finally-established performance budget is in effect a contract between these responsible managers and the president calling for specific performance for the funds appropriated.

To achieve the broad participation of responsible officials and to secure the necessary supporting material for making budget estimates, a high degree of planning, coordinating, and scheduling of the work of budget preparation is required.

**THE** budget process in government agencies has four phases:

1. **Planning**—Establishing performance objectives;
2. **Estimating**—Determining the amount of personnel, materials, services and facilities required to meet these objectives and the amounts needed to pay for them;
3. **Reviewing**—Ascertaining that the basic objectives, resource requirements and amounts are accurate and conform to overall guides and limits;
4. **Operating**—Accomplishing approved objectives within the amounts provided by the budget.

Planning performance budgets is a management planning process which involves all officials and supervisors of an agency. Satisfactory results can be obtained only if:

1. All responsible officials and supervisors participate in planning agency operations; and
2. Each official and supervisor accepts full responsibility for achieving the goals established.

**THE** responsibilities for planning performance budget are:

## OFFICE OF THE PRESIDENT

1. The President will normally issue a fiscal policy statement establishing broad budgetary limits, areas of major program emphases, and such other matters as he feels are necessary for the guidance of the agencies in planning



their budgets.

2. The Budget Commission will, in the "Call for Estimates", set forth specific guides and policies to govern the preparation of agency budgets.

## THE DEPARTMENT

1. The Secretary will establish a broad program for his department in accordance with the President's policies.
2. The Secretary will require each Bureau Chief to submit to him a summary of plans and objectives of his bureau for the coming year, based upon the broad program established by the Secretary.

3. The Secretary will review these with the bureau director, and make necessary decisions regarding the objectives, the emphasis desired relative to other department programs, and the limits governing bureau programs for the budget year.

4. The Department Budget Officer will assist the Secretary in planning and implementing.

## THE BUREAU

1. The Bureau Director will plan and develop with each division chief the detailed objectives and work programs to serve as the basis of estimates for the budget year. Consideration must be given to:

- a. Changes in emphasis and goals for the budget year;
- b. Reduction of specific backlogs;
- c. Changes in rate of work due to improved methods;
- d. Programs expanded in line with policy;
- e. Programs contracted in line with policy.

2. The Bureau Budget Officer assists the director in planning, and is responsible for securing and presenting factual data on work progress, rates of production, cost information, and personnel data;

3. In assisting the director, each Division Chief is expected to have readily available such information as:

- a. Analysis of the present status of work;
- b. Analysis of the rates of production;
- c. Estimates of progress for the rest of the period;
- d. Projected work programs for the budget year;
- e. Statements to support his forecast.

**ESTIMATING** is that part of the budget process during which the resources required to carry out the plan are determined and the amounts to be requested are established.

The Budget Officer is the key person responsible for the satisfactory preparation of the estimate. His responsibility includes the technical preparation of the budget and coordination and scheduling of all activities concerned with estimating.

1. The Budget Officer will develop instructions specifically for the Division Chiefs and others concerned with the estimates, indicating the material each must prepare, and the form and manner in which it is to be submitted.

2. The Budget Officer will designate the portion of the work to be done by each responsible official.

3. The Budget Officer will prepare a detailed step-by-step schedule for accomplishing the work allowing time for necessary review and adjustment.

4. The Budget Officer will follow progress closely to make certain that schedules for the production of various types of data are adhered to. He will keep the Bureau Director informed of



5. The Budget Officer will check all material for completeness and conformance to instructions. He will guide and assist in any reworking of materials that may be necessary to integrate the various sections into the final submission.

6. The Division Chief and other supervisors as instructed will prepare material for detailed schedules and will draft justification statements covering their areas of responsibility. The adequacy and soundness of material developed at this time is basic to the acceptance of the budget proposals during the reviewing phase.

**REVIEWING** performance budgets is that part of the budget process in which successively higher levels of the government management examine the results of the planning and estimating phases.

These multiple reviews are the means whereby the final national budget is "shaped into a harmonious program and fiscal policy for the executive branch as a whole" as stated in the Revised Budget Act, Republic Act No. 992.

Data are rechecked for accuracy and conformance to established guides and limits. Analyses are made to evaluate statements of resources required. Programs and projects are evaluated in terms of the over-all needs of the government and the resources available.

## RESPONSIBILITIES FOR BUREAU REVIEW

1. The Bureau Director will make detailed analyses and recommendations to the Bureau Director concerning

estimates, pointing out any weaknesses, unrealistic estimates or non-conformance to plans or policies. The Budget Officer will schedule meetings between the Bureau Director and the Division Chiefs for review and reconciliation of differences. At the conclusion of the Bureau Director's review and upon approval of the final items to be included, the Budget Officer is responsible for insuring that the bureau submission is technically sound, is mathematically accurate, and reflects the program and project decisions made by the Bureau Director.

2. The Bureau Director reviews the entire estimate. The Division Chiefs will explain and defend their requests. The Bureau Director will cause such changes as he believes necessary and will approve the bureau estimate for submission to the Department Secretary.

## RESPONSIBILITIES FOR DEPARTMENT REVIEW

1. The Department Budget Officer will analyze budgets and evaluate bureau budgets according to the Secretary's policy guides or fiscal limitations. He will discuss questionable items with the bureaus, schedule hearings and reviews of each bureau's budget by the Secretary, make recommendations and prepare the transmittal document for the Secretary to forward the department's budgets to the Budget Commission.

2. The Secretary will conduct hearings for each bureau's estimates, decide on changes, and transmit the estimates to the Budget Commission together with a supporting statement covering the department's program and explaining shifts in program emphasis.

3. The Bureau Director and his Budget Officer will explain the bureau's budget in the scheduled hearings. The Bureau Director will accept responsibility for defending and carrying out the plans of the finally approved estimate submitted by the Secretary to the Budget Commissioner.

## EXECUTIVE REVIEW

1. The Secretary and Bureau Directors will explain and defend the budgets to the Budget Commission. The Departmental and Bureau Budget Officers will assist as requested and maintain liaison with the Budget Commission.

**OPERATING** is that part of the budget process during which action is taken to accomplish established objectives within the approved resources. Major responsibilities in this phase are assigned as follows:

## THE BUREAU

1. The Budget Officer will realign amounts allotted and objectives agreed upon for bureau programs and projects into operating budgets for each responsible organization unit. He will prepare periodic reports to the Bureau Director and Department Secretary on the status of the work status and funds utilized.

2. Division Chiefs will conduct operations so as to attain approved objectives in accordance with their operating budgets.

3. The Bureau Director will receive timely reports about the work in progress and through these reports identify problem areas. He will be responsible to the Secretary for significant deviations from planned accomplishments.

## THE DEPARTMENT

1. The Secretary will receive reports on the work status and funds utilized, necessary remedial actions. He will be responsible to the President for significant deviations from planned expenditures and accomplishments. □