

TECHNICAL SUMMARY

DEVELOPMENT OF PERFORMANCE INDICATORS FOR DOTD PROGRAMS

Summary of Report Number 317
May 1998

P.I. Thomas G. Ray
Louisiana State University

LTRC Contact:
Art Rogers, P.E.
Phone (225) 767-9166

INTRODUCTION

The Legislature of the state of Louisiana, acting as facilitators for the Legislative Budget Committee, has begun to require the inclusion of performance indicators as a part of the General Appropriations Act. For fiscal year 1997-98, performance indicators were used for informational purposes only. In the future, they will be used as a basis for the full implementation of the process of performance-based budgeting.

The Louisiana Department of Transportation and Development (DOTD) has included, as a part of its executive budget, a significant number of performance indicators on a program-by-program basis. These indicators are candidates that may be selected for inclusion in the executive budget prepared by the Division of Administration (DOA) for presentation to the Legislature. Representatives of the DOA and the Legislative Budget Committee select, from the indicators forwarded by DOTD, a group of "key indicators" which are included as a part of the budget sent to the Legislature.

As the state of Louisiana moves toward performance-based budgeting, it is essential that the department furnish information for the budgeting process that would accurately represent the tasks accomplished, those as well as those that are to be accomplished. The timely achievement of this objective should allow DOTD programs to be shown favorably in relation to other competing state programs. Further, DOTD has many outputs that can be physically measured and that lend themselves to quantification that is readily understood and adaptable to representation by performance indicators.

DOTD administrators initiated this study to ascertain that the procedures being used by the department in the area of performance indicators are current, valid and, relevant to the task to be accomplished.

OBJECTIVE AND SCOPE

The objective of the research was to evaluate the performance indicators currently in use at DOTD and determine if any deficiencies exist with those that are sent forward as a part of the executive budget. A further objective was to examine the procedures used to determine performance indicators in the department and to specify a uniform procedure for the preparation of these indicators. The final objective was to apply the procedure to a representative group of DOTD units, as specified by the Project Review Committee (PRC).

The scope of the study was limited due to the time and resource commitment specified by the Request for Proposals (RFP). The PRC gave the general direction to look at the key indicators included in the executive budget and determine their appropriateness. PRC members also expressed an interest in inputs from the researcher that were related to the problem, though not necessarily delineated in the problem statement. These later items would be related to interactions of the performance indicators with the overall environment in which they are used.

Further, they would be used to point out any observed areas in which the department might encounter difficulties in the use of performance indicators as a management tool. They would also be used to develop a preparatory procedure general application to the preparation of performance indicators and to apply the procedure to the development of appropriate performance indicators for a set of representative units. The concern was that the work, look at the "key" indicators as presented in the executive budget and some representative indicators that were used by organizational groups that comprised a major part of departmental staff (i.e. a district operation would represent a high percentage of DOTD personnel.)

RESEARCH APPROACH

The problem was approached by an initial literature survey to augment that information that was presented to the Principal Investigator (PI) by LTRC personnel. The survey validated the research accuracy and the currency of literature. Contemporaneous with the literature survey, the researcher became somewhat familiar with *Manageware* and the process of planning and budgeting. An examination was made of a representative set of strategic plans as submitted by DOTD sections. Next, meetings were scheduled and conducted with management of a representative set of DOTD units. At these meetings discussions were related to activities, budgets, and performance indicators. Finally, a selection procedure was specified for relevant activities for which performance indicators should be calculated, and the determination and calculation of these relevant indicators began.

DISCUSSION OF RESULTS

The department is in very good position with regard to the implementation of performance indicators. A presentation by the Legislative Fiscal Office to the Legislative Budget Committee in March 1998 revealed that 110 state agencies submitted no performance indicators with their budgets. Comments by the Fiscal Office on the DOTD performance indicators were positive and not in conflict with the researchers general conclusion. However, it will be necessary to refine some indicators. Furthermore, as with any major change in procedural operation, acceptance will come in time.

The department has more information on performance than will be required in the near future. Major concerns should be in keeping departmental management aware of the possible pitfalls in the use of performance indicators. Briefly, the problem arises when uninformed people draw conclusions about the nature of performance indicators. Leadership of the department must be prepared to explain these indicators and their limitations. The general information about the pitfalls is as follows:

Non-linearity: A property of indicators that are prepared from data that lumps differing operations together.

Independence: A required property for indicators, if contingency budgeting is not used.

Indicator vs. Measure: An indicator indicates. It does not measure. Even a group of performance indicators cannot measure. Their nature is such that even when grouped, they can allow activities to be disregarded.

CONCLUSIONS

The department is in good condition at this point in its progression toward the development and use of performance indicators as a management tool. Necessarily, the performance indicators must be changed with time as management discovers problems with those in current use. Further, the usage of the indicators will require changes in procedures and in the attitudes of personnel throughout the organization. This will require time and the persistence of upper-management.

RECOMMENDATIONS

The department should move in the direction of further quantifying the resource content of required departmental activities. The initial step of the evolutionary process (begun with the implementation of performance indicators) ultimately will lead to measured work content as the justification for funding. Efforts directed, in the near future, toward this long-term goal will be hailed as visionary. Certainly, the department should continue with the current process of providing performance indicators to comply with the Legislative mandate. The quality of performance indicators can be much improved, however, as the knowledge base of the relationships between departmental activities and resources consumed is improved. Ultimately, this database would lead to extremely accurate program management and budgeting is the objective of performance based budgeting, the Legislature's long-range goal.

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